

# A LETTER TO SHAREHOLDERS

FROM MICHAEL O'GRADY  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
NORTHERN TRUST CORPORATION



## Dear Shareholders,

At Northern Trust, we have always considered our clients our True North. We guard and grow their assets as if they were our own, and strive to earn their trust each day. When we help our clients succeed, our shareholders, employees and communities benefit as well. Our goal is to optimize this symbiotic relationship among our various stakeholders.

As it did in 2020, the pandemic affected nearly every aspect of life and business in 2021, albeit in different ways. Under these conditions, we leveraged what we learned and developed new ways of adapting to support our clients and each other consistently.

While the pandemic presented no shortage of challenges, it did accelerate our investment in the digitalization of our business. This created a more seamless and efficient experience for our clients and employees, as well as presented new ways for us to innovate and expand.

Even with tremendous technological enhancements and capabilities, Northern Trust will always be a company that succeeds through its talent. It is the expertise, skills and diversity of our people that, when combined with our robust technology, differentiates us.

The importance of talent was highlighted during the year as the prolonged pandemic conditions caused people across all industries to reexamine their priorities. In many cases, employees decided to retire or change jobs. Almost 4 million U.S. workers, on average, left their jobs each month in 2021, a 30 percent increase from 2020. The labor force has not yet recovered to its pre-pandemic levels, creating a competition for workers that has elevated compensation and turnover. The expanded options for working remotely have also contributed to employees seeking new opportunities. With the resulting heightened competition for talent, it has become more important than ever to understand the needs of the workforce.

For Northern Trust to continue to attract and retain the best people to execute our strategy and serve our clients, we have realized the need to step back and holistically reassess the employee experience. Beyond having a meaningful role aligned to the company's values, we've identified additional areas to improve that experience, including a focus on work/life balance, career advancement and the continued development of a diverse and inclusive workplace.





## TRUE PERFORMANCE

An improving public health environment and substantial government stimulus fueled an impressive continuation of the global economic recovery in 2021. The favorable environment buoyed asset prices and produced strong investment returns. However, frictions in global production and an incomplete recovery in labor markets created the fastest inflation we have seen in quite some time. Interest rates remained extremely low, particularly on short-duration, high-quality bonds, which put additional pressure on the yield of our securities portfolio.

Against this backdrop, the company's financial performance was strong, with healthy growth and attractive returns on capital. Our revenue grew 6 percent, with all three of our businesses — Wealth Management, Asset Management and Asset Servicing — producing strong organic growth. Assets under custody and administration increased 12 percent to \$16.2 trillion and assets under management increased 14 percent to \$1.6 trillion. We used our capital and balance sheet strength to support client liquidity needs, with loans growing 20 percent and total deposits growing 11 percent by the year's end. Earnings per share increased 31 percent over 2020 to \$7.14 and the return on average common equity we produced was 13.9 percent.

We expect 2022 will be a year of transition and volatility. We anticipate central banks will start raising interest rates, supply disruptions will begin to unwind, and consumer demand will replace government stimulus to drive healthy economic growth.

I invite you to visit the [True Performance](#) section of our annual report, where Chief Financial Officer Jason Tyler shares additional perspectives on Northern Trust's performance in 2021.



## TRUE EXPERTISE

In times of uncertainty, expertise is essential. To help our clients make smart decisions, we draw on our deep insights, anticipating and solving client challenges. That's why our Wealth Management business earned the distinction of being named Best Private Bank by the Financial Times Group, for the 11<sup>th</sup> time in the past 13 years. The judges highlighted our ability to engage with clients and bring new ideas while maintaining strong leadership in a challenging time.

Our leadership in this area is exemplified by [The Northern Trust Institute](#), which allows clients to leverage timely, essential thought leadership and expertise in more than 40 practice areas relevant to affluent individuals and families. The Institute offers an array of resources and advice on how best to approach important life decisions, including retirement, philanthropy, estate planning, change in residency, sale of a family business and any number of other changes in circumstances clients may experience.

You can learn other ways we have used our collective expertise to make a difference for our clients by visiting the [True Expertise](#) section of our report.



## TRUE INNOVATION

Delivering innovative, digital solutions starts with reframing our perspective on what is possible. This requires knowledge, creativity and imagination to streamline how we deliver our services while simultaneously advancing our capabilities and offerings.

Our Asset Servicing business provides solutions to the world's most sophisticated institutional investors. These clients are faced with the challenge of managing the complexity of new technologies and harnessing their data, both central to success in today's world. We offer solutions that both fit with their unique needs and deliver improved efficiency. In 2021, we expanded our API store to support clients' growing need for on-demand data, launched a machine learning-powered document capture capability to digitize and process complex private market and unlisted assets, and piloted Digital Concierge, a strategic initiative to enable service excellence across instructions and inquiries.

Raising the bar for innovation, we also continue to invest in and expand [Front Office Solutions](#), our award-winning integrated, cloud-based digital and service solution for sophisticated, multi-asset class investors.

Institutional investors are increasingly looking at the front office and how technology and data can help generate alpha. In 2021, we announced the launch of [Investment Data Science](#), a suite of FinTech partners that leverage our core data to deliver solutions that help optimize the investment process for our clients.

The trend toward digitized assets — crypto, tokenization, fractionalization — continues, but industry digital infrastructure is still in the early stages of evolution. As institutional investors enter the arena, we must all work together to support standardized and scalable market practices. Our experience leading the efforts toward a digital infrastructure will be applied across the industry as we create both value and peace of mind for our clients.

I hope you'll visit the [True Innovation](#) section of our annual report to learn more about the innovations that move us all forward.



## TRUE IMPACT

Across all three of our businesses, clients have shown increasing interest in environmental, social and governance (ESG) considerations. This year, we drove innovation in the ESG space, launching a number of new products and services that support sustainability. [The Northern Trust ESG Vector Score™](#) was among the innovations of our Asset Management business. The ESG Vector Score assesses publicly traded companies in the context of financially relevant ESG-related criteria that could impact operating performance, and helps streamline reporting and transparency around these issues. It marries two leading sustainability frameworks — the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD) — to create a system that captures both the magnitude and direction of ESG risk.

Stewards not only of our clients' assets, but also of our planet, we are committed to achieving net-zero carbon emissions at Northern Trust by 2050. The move to a greener economy will not happen all at once, but we are resolved to being part of the solution.

The same is true when it comes to diversity, equity and inclusion. We continue to work toward fostering an environment where everyone feels they belong and have equitable opportunities to advance. In particular, we plan to increase meaningfully both the number of women, as well as Black, Hispanic and Asian people, in leadership positions.

I hope you'll visit the [True Impact](#) section of our report to hear the perspective of Kimberly Evans, our head of Corporate Sustainability, Inclusion and Social Impact.



## MOVING FORWARD TOGETHER

At Northern Trust, we strive each day to make a difference in our clients' businesses and lives, while seeking to address the needs of every stakeholder. We do so by upholding our enduring principles of service, expertise and integrity. Tom Richards, retired chairman and chief executive officer of CDW, exemplified this kind of leadership. Tom passed away during 2021 and I would like to express gratitude for all he contributed to Northern Trust. Tom had served admirably on our board of directors for six years. We are thankful for his outstanding leadership, guidance, wisdom and friendship. He will be greatly missed by the Northern Trust family.

I want to close by thanking our clients, shareholders and employees for their unwavering trust in our company. Even in the face of difficult circumstances like those we experienced over the past two years, I am confident that we will continue to celebrate many great successes together. Your trust and support allows us to do the work that we do, and motivates us to always strive for better on your behalf.

I wish you all a happy, healthy and prosperous 2022.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael O'Grady', written in a cursive style.

**Michael O'Grady**

Chairman and Chief Executive Officer  
Northern Trust Corporation