



NORTHERN TRUST CORPORATION

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# Fourth Quarter 2023 Quarterly Earnings Review

# THE NORTHERN TRUST DIFFERENCE

- | 130+ years of strength, stability & stewardship
- | Disciplined, client-centric strategy
- | Product leadership & innovation
- | Highest standards of client service
- | Solutions-focused technology & integrated operating platform

# FINANCIAL HIGHLIGHTS

# Financial Highlights & Key Metrics

RESULTS INCLUDE IMPACT OF NOTABLE ITEMS \$ in millions (except EPS and as noted)	% CHANGE VS.		
	4Q 2023	3Q 2023	4Q 2022
Revenue (FTE <sup>1</sup> )	\$ 1,563.3	(10)%	2 %
Noninterest Expense	\$ 1,388.5	9 %	5 %
Provision for Credit Losses	11.0	N/M	N/M
Net Income	\$ 113.1	(65)%	(27)%
Diluted Earnings per Share	\$ 0.52	(65)%	(27)%
Return on Average Common Equity <sup>2</sup>	4.0 %	11.6 %	5.9 %
Profit Margin (Pre-Tax) <sup>1,2</sup>	10.5 %	25.7 %	13.4 %
Expense to Trust Fee Ratio <sup>2</sup>	127 %	115 %	127 %
Assets under Custody / Administration <sup>3</sup> (AUC/A) (in billions)	\$ 15,404.9	9 %	13 %
Assets under Custody <sup>3</sup> (AUC) (in billions)	\$ 11,916.5	8 %	12 %
Assets under Management <sup>3</sup> (AUM) (in billions)	\$ 1,434.5	8 %	15 %

<sup>1</sup> Revenue and profit margin (pre-tax) stated on a fully taxable equivalent (FTE) basis are non-GAAP financial measures. A reconciliation to reported revenue and reported profit margin (pre-tax) prepared in accordance with U.S. generally accepted accounting principles (GAAP) is included in the Appendix on page 12.

<sup>2</sup> Actual numbers for all periods, not % change.

<sup>3</sup> Client assets for the current quarter are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.

N/M - Not meaningful

## Notable Items:

### 4Q23 Pre-tax

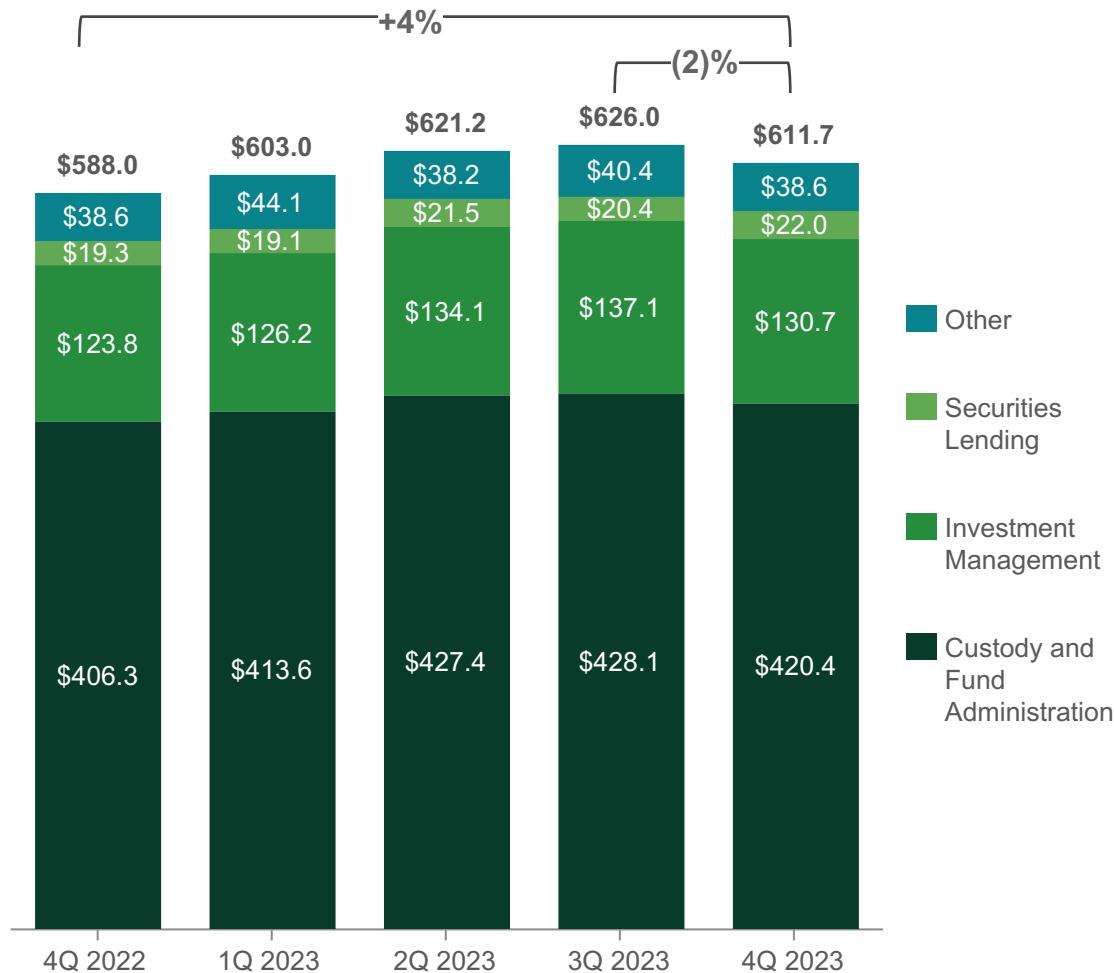
- \$176.4 million investment security loss
- \$84.6 million Federal Deposit Insurance Corporation (FDIC) special assessment

### 4Q22 Pre-tax

- \$213.0 million investment security loss
- \$32.0 million severance-related charge
- \$14.0 million occupancy charge
- \$6.8 million pension settlement charge

# Asset Servicing Highlights

Asset Servicing Revenues  
(\$ in millions)



## Asset Servicing Client Assets<sup>1</sup> (in billions):

	% CHANGE VS.		
	4Q 2023	3Q 2023	4Q 2022
Assets under Custody / Administration (AUC/A)	\$ 14,362.6	9 %	13 %
Assets under Custody (AUC)	\$ 10,882.0	8 %	12 %
Assets under Management (AUM)	\$ 1,032.0	7 %	15 %
Securities Lending Collateral	\$ 167.4	3 %	13 %

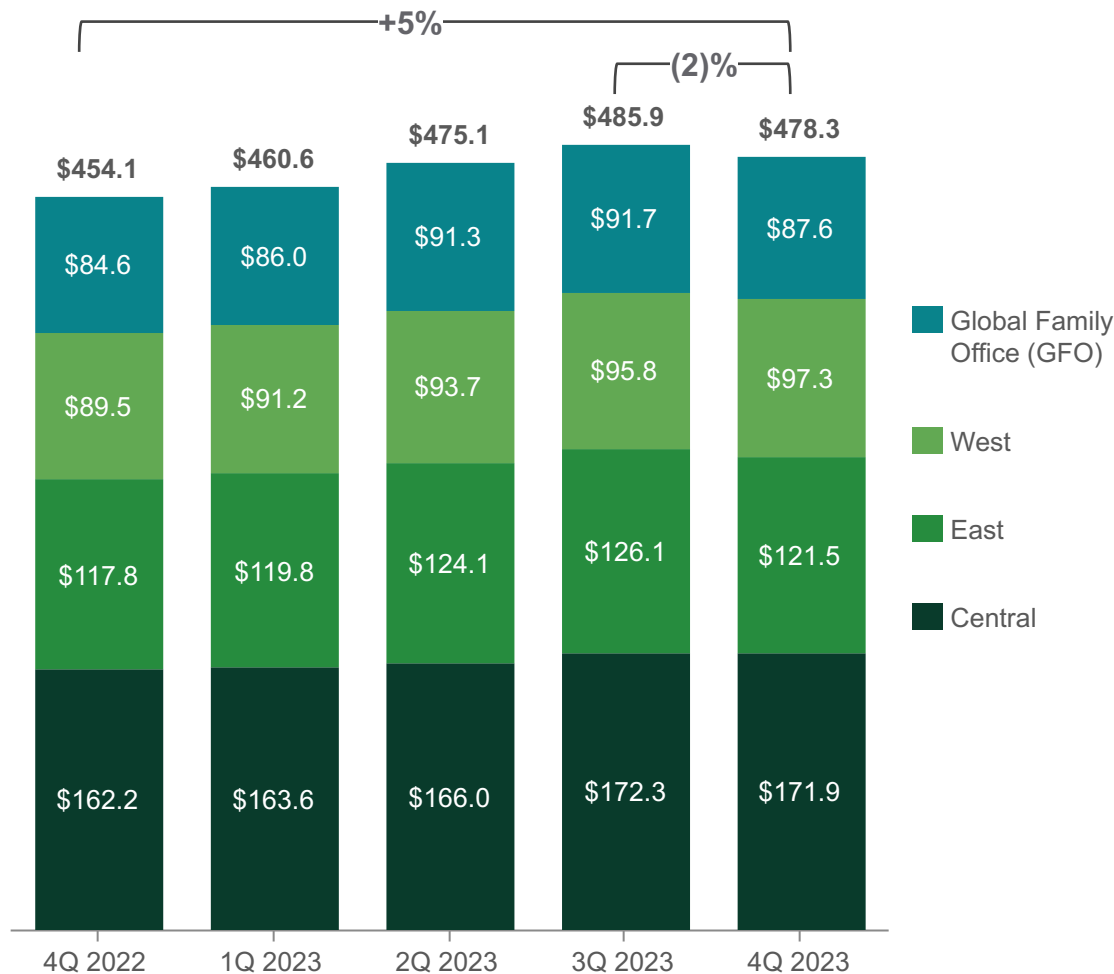
Categories may not sum due to rounding.

<sup>1</sup> Client assets for the current quarter are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.



# Wealth Management Highlights

**Wealth Management Revenues**  
(\$ in millions)



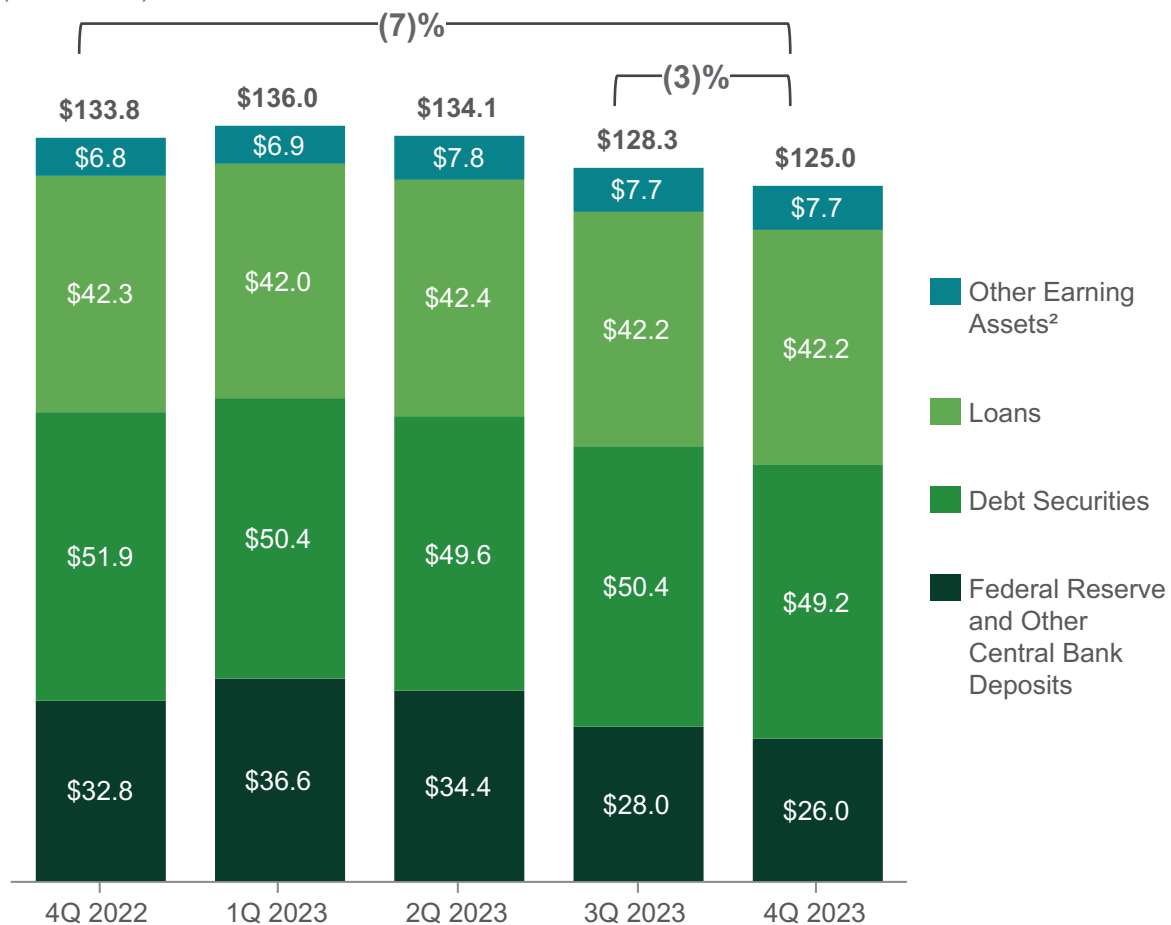
		% CHANGE VS.	
	4Q 2023	3Q 2023	4Q 2022
<b>Wealth Management Client Assets<sup>1</sup> (in billions):</b>			
Assets under Custody / Administration (AUC/A)	\$ 1,042.3	9 %	16 %
Assets under Custody (AUC)	\$ 1,034.5	9 %	16 %
Assets under Management (AUM)	\$ 402.5	9 %	15 %

Categories may not sum due to rounding.  
<sup>1</sup> Client assets for the current quarter are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.

# Net Interest Income and Balance Sheet Trends

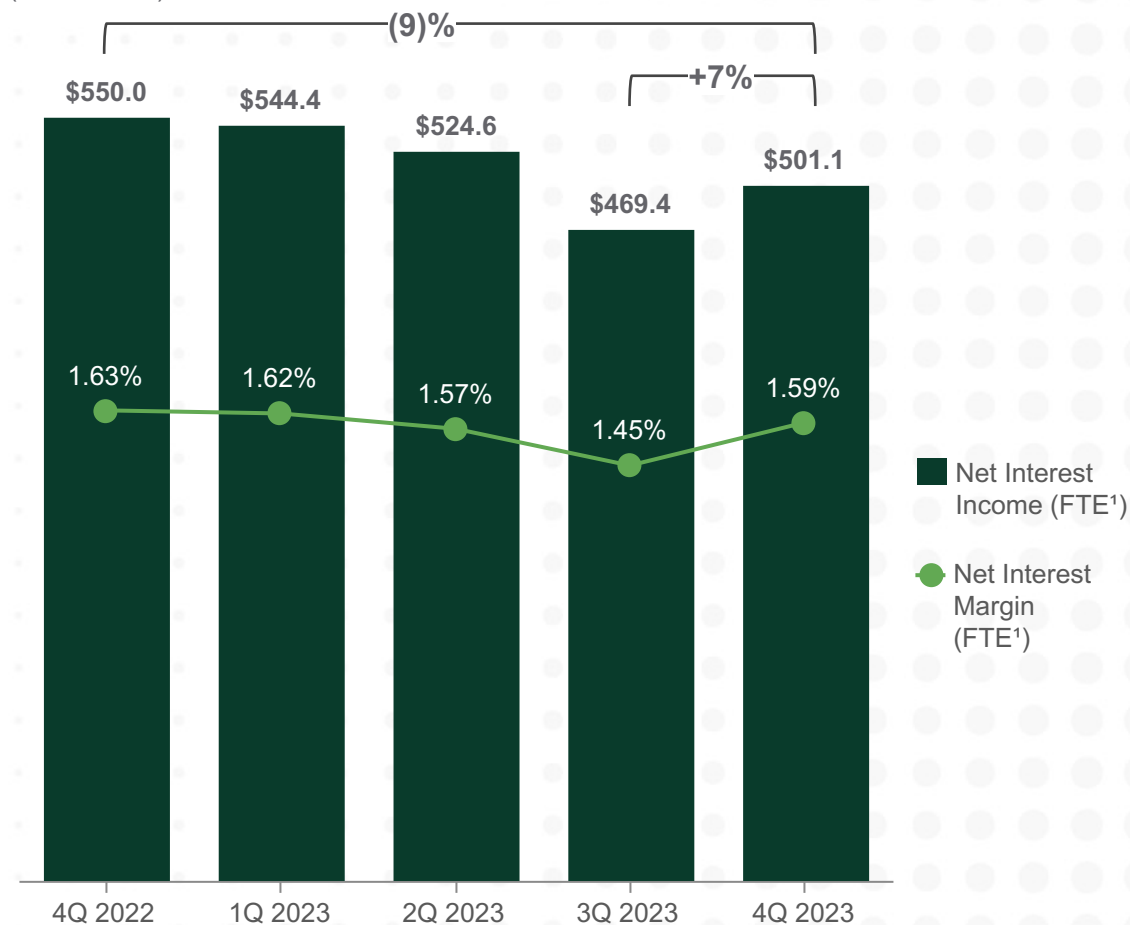
## Average Earning Assets

(\$ in billions)



## Net Interest Income (FTE<sup>1</sup>)

(\$ in millions)



Categories may not sum due to rounding.

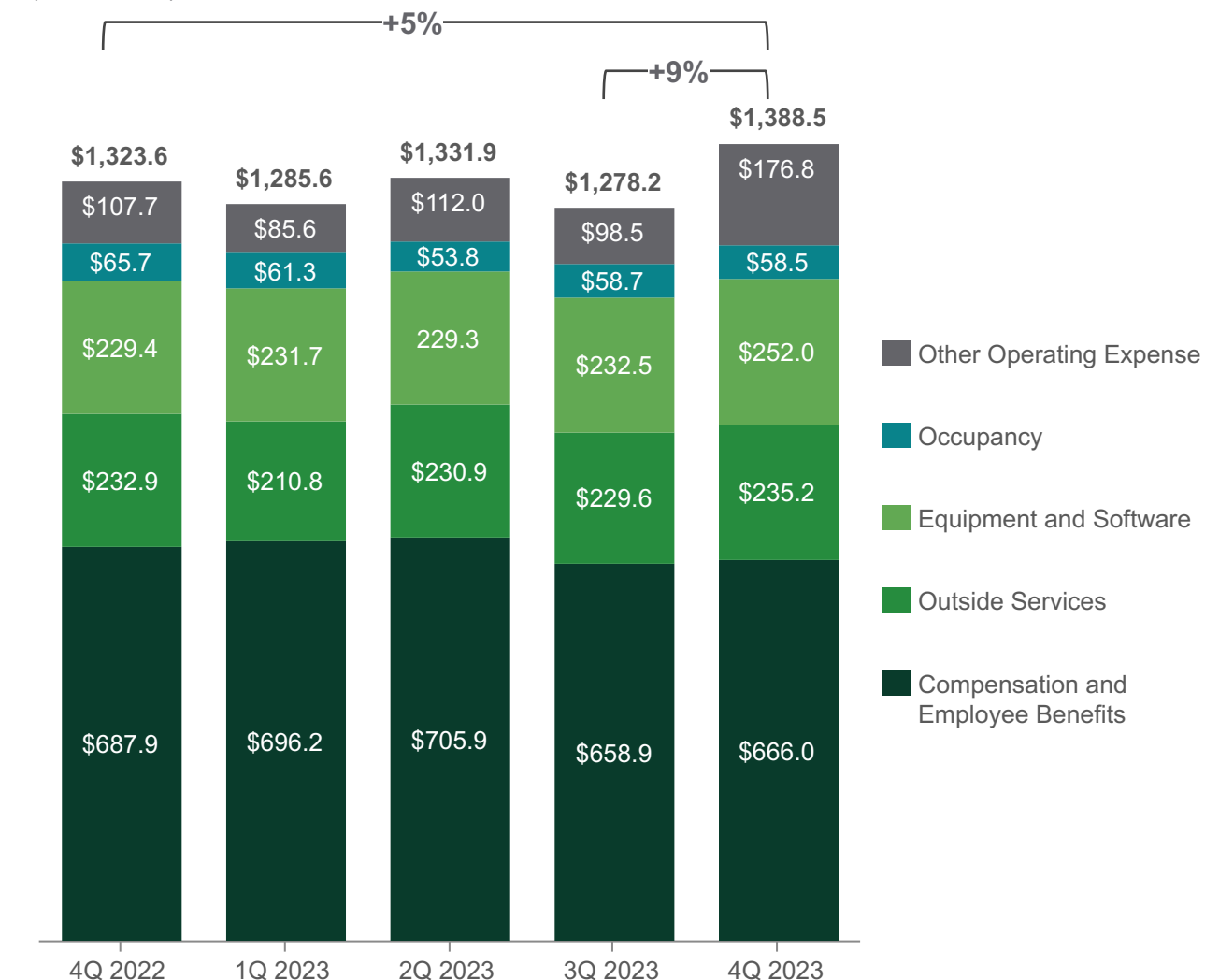
<sup>1</sup> Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 12.

<sup>2</sup> Other Earning Assets includes Interest-Bearing Due from and Deposits with Banks, Federal Funds Sold, Securities Purchased under Agreements to Resell, and Other Interest-Earning Assets.

# Noninterest Expense

## Total Noninterest Expense

(\$ in millions)



Categories may not sum due to rounding.

## Expense Notes

- Expenses included the following:
  - Severance-related charge of \$38.7 million in 2Q23 (\$36.7 million in Compensation expense and \$2.0 million in Outside Services expense); \$32.0 million in 4Q22 (\$30.4 million in Compensation expense and \$1.6 million in Outside Services)
  - Equipment and Software credit of \$4.1 million in 3Q23
  - FDIC special assessment in Other Operating Expense of \$84.6 million in 4Q23
  - Write-off of an investment in a client capability in Other Operating Expense of \$25.6 million in 2Q23
  - Occupancy charge of \$3.0 million in 3Q23; \$9.8 million in 1Q23; and \$14.0 million in 4Q22
  - Pension settlement charge of \$6.8 million in 4Q22



# Highlights & Key Metrics: *Full Year 2023*

## RESULTS INCLUDE IMPACT OF NOTABLE ITEMS

\$ in millions (except EPS and as noted)

	2023	% CHANGE VS. 2022
Revenue (FTE <sup>1</sup> )	\$ 6,831.0	—
Noninterest Expense	\$ 5,284.2	6 %
Provision for Credit Losses	24.5	N/M
Net Income	\$ 1,107.3	(17)%
Diluted Earnings per Share	\$ 5.08	(17)%
Return on Average Common Equity <sup>2</sup>	10.0 %	12.7 %
Profit Margin (Pre-Tax) <sup>1,2</sup>	22.3 %	26.6 %
Expense to Trust Fee Ratio <sup>2</sup>	121 %	112 %
Assets under Custody / Administration <sup>3</sup> (AUC/A) (in billions)	\$ 15,404.9	13 %
Assets under Custody <sup>3</sup> (AUC) (in billions)	\$ 11,916.5	12 %
Assets under Management <sup>3</sup> (AUM) (in billions)	\$ 1,434.5	15 %

<sup>1</sup> Revenue and profit margin (pre-tax) stated on a fully taxable equivalent (FTE) basis are non-GAAP financial measures. A reconciliation to reported revenue and reported profit margin (pre-tax) prepared in accordance with U.S. GAAP is included in the Appendix on page 12.

<sup>2</sup> Actual numbers for all periods, not % change.

<sup>3</sup> Client assets for the current quarter are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.

N/M - Not meaningful

## Notable Items:

### 2023 Pre-tax

- \$176.4 million investment security loss
- \$84.6 million FDIC special assessment
- \$38.7 million severance-related charge
- \$25.6 million client capability charge
- \$12.8 million occupancy charge
- \$6.9 million investment security gain

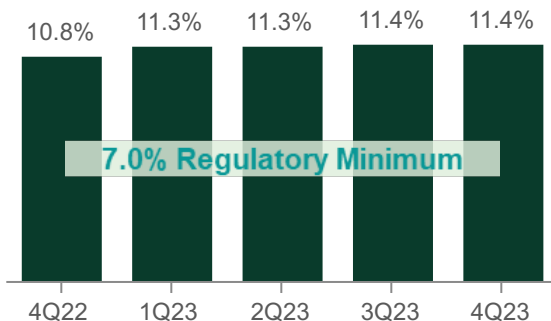
### 2022 Pre-tax

- \$213.0 million investment security loss
- \$44.1 million pension settlement charge
- \$32.0 million severance-related charge
- \$14.0 million occupancy charge

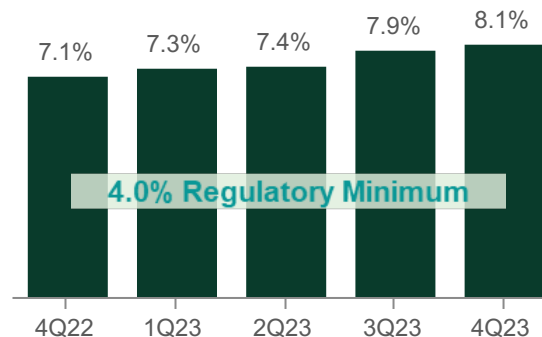
# Capital Update

## Northern Trust Corporation Capital Ratios

Standardized Common Equity Tier 1 Ratio



Standardized Tier 1 Leverage Ratio



### 4Q 2023 CAPITAL RATIOS

	STANDARDIZED APPROACH	ADVANCED APPROACH
Common Equity Tier 1 Capital	11.4%	13.4%
Tier 1 Capital	12.3%	14.5%
Total Capital	14.2%	16.5%
Tier 1 Leverage	8.1%	8.1%
Supplementary Leverage	N/A	8.6%

## Capital Highlights

- Robust capital and liquidity
  - *\$10.2 billion in Tier 1 capital*
  - *55% of deposits covered by highly liquid assets including 30% by cash and central bank deposits*
- Declared \$156.2 million in common stock dividends and \$4.7 million in preferred stock dividends in 4Q23
- Repurchased \$146.2 million of common stock in 4Q23; totaling \$347.5 million for 2023
- Unrealized MTM loss on available-for-sale securities of \$923.9 million as of December 31, 2023



# Appendix

# Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of interest income, net interest income, net interest margin, total revenue, pre-tax income, and profit margin (pre-tax) prepared in accordance with GAAP to such measures on a fully taxable equivalent (FTE) basis, which are non-GAAP financial measures. Management believes this presentation provides a clearer indication of these financial measures for comparative purposes. The adjustment to an FTE basis has no impact on net income.

(\$ in Millions)	QUARTERS					YEARS	
	2023				2022	2023	2022
	FOURTH	THIRD	SECOND	FIRST	FOURTH		
<b>Net Interest Income</b>							
Interest Income - GAAP	\$ 2,199.6	\$ 1,935.0	\$ 1,735.0	\$ 1,455.4	\$ 1,170.1	\$ 7,325.0	\$ 2,877.7
Add: FTE Adjustment	18.0	13.2	13.1	13.2	15.5	57.5	45.6
Interest Income (FTE) - Non-GAAP	\$ 2,217.6	\$ 1,948.2	\$ 1,748.1	\$ 1,468.6	\$ 1,185.6	\$ 7,382.5	\$ 2,923.3
Net Interest Income - GAAP	\$ 483.1	\$ 456.2	\$ 511.5	\$ 531.2	\$ 534.5	\$ 1,982.0	\$ 1,887.2
Add: FTE Adjustment	18.0	13.2	13.1	13.2	15.5	57.5	45.6
Net Interest Income (FTE) - Non-GAAP	\$ 501.1	\$ 469.4	\$ 524.6	\$ 544.4	\$ 550.0	\$ 2,039.5	\$ 1,932.8
Net Interest Margin - GAAP	1.53 %	1.41 %	1.53 %	1.58 %	1.58 %	1.52 %	1.36 %
Net Interest Margin (FTE) - Non-GAAP	1.59 %	1.45 %	1.57 %	1.62 %	1.63 %	1.56 %	1.39 %
<b>Total Revenue</b>							
Total Revenue - GAAP	\$ 1,545.3	\$ 1,726.5	\$ 1,757.1	\$ 1,744.6	\$ 1,519.0	\$ 6,773.5	\$ 6,761.2
Add: FTE Adjustment	18.0	13.2	13.1	13.2	15.5	57.5	45.6
Total Revenue (FTE) - Non-GAAP	\$ 1,563.3	\$ 1,739.7	\$ 1,770.2	\$ 1,757.8	\$ 1,534.5	\$ 6,831.0	\$ 6,806.8
<b>Pre-Tax Income</b>							
Pre-Tax Income - GAAP	\$ 145.8	\$ 434.3	\$ 440.7	\$ 444.0	\$ 190.4	\$ 1,464.8	\$ 1,766.3
Add: FTE Adjustment	18.0	13.2	13.1	13.2	15.5	57.5	45.6
Pre-Tax Income (FTE) - Non-GAAP	\$ 163.8	\$ 447.5	\$ 453.8	\$ 457.2	\$ 205.9	\$ 1,522.3	\$ 1,811.9
<b>Profit Margin (Pre-Tax)</b>							
Profit Margin (Pre-Tax) - GAAP	9.4 %	25.2 %	25.1 %	25.4 %	12.5 %	21.6 %	26.1 %
Profit Margin (Pre-Tax) (FTE) - Non-GAAP	10.5 %	25.7 %	25.6 %	26.0 %	13.4 %	22.3 %	26.6 %

# Forward-looking Statements

This presentation may include statements which constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified typically by words or phrases such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “likely,” “plan,” “goal,” “target,” “strategy,” and similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” and “could.” Forward-looking statements include statements, other than those related to historical facts, that relate to Northern Trust’s financial results and outlook, capital adequacy, dividend policy and share repurchase program, accounting estimates and assumptions, credit quality including allowance levels, future pension plan contributions, effective tax rate, anticipated expense levels, contingent liabilities, acquisitions, strategies, market and industry trends, and expectations regarding the impact of accounting pronouncements and legislation. These statements are based on Northern Trust’s current beliefs and expectations of future events or future results, and involve risks and uncertainties that are difficult to predict and subject to change. These statements are also based on assumptions about many important factors, including the factors discussed in Northern Trust’s most recent annual report on Form 10-K and other filings with the U.S. Securities and Exchange Commission, all of which are available on Northern Trust’s website. We caution you not to place undue reliance on any forward-looking statement as actual results may differ materially from those expressed or implied by forward-looking statements. Northern Trust assumes no obligation to update its forward-looking statements.

This presentation should be reviewed together with Northern Trust Corporation’s Fourth Quarter 2023 earnings press release.





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