

NORTHERN TRUST CORPORATION

# Barclays Global Financial Services Conference 2015

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Chairman & Chief Executive Officer

New York | September 16, 2015



Northern Trust

# FORWARD-LOOKING STATEMENTS

This presentation may include forward-looking statements concerning Northern Trust's financial results and outlook, capital adequacy, dividend policy and stock repurchase program, anticipated expense levels and technology investments, risk management policies, contingent liabilities, strategic initiatives and investments, industry trends, and expectations regarding governmental and regulatory initiatives and developments. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "project", "likely", "may increase", "plan", "goal", "target", "strategy", and similar expressions or future or conditional verbs such as "may", "will", "should", "would", and "could". Forward-looking statements are Northern Trust's current estimates or expectations of future events or future results, and involve risks and uncertainties that are difficult to predict. These statements are 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.



# CLIENT CENTRIC AND HIGHLY FOCUSED BUSINESS MODEL

*Founded in 1889, Northern Trust is a global leader in asset servicing, asset management and banking for personal and institutional clients.*

## Wealth Management

Leading advisor to the affluent market

- Individuals
- Families
- Family offices
- Foundations
- Endowments
- Privately held businesses



## Corporate & Institutional Services

Global provider of investment services for institutional investors

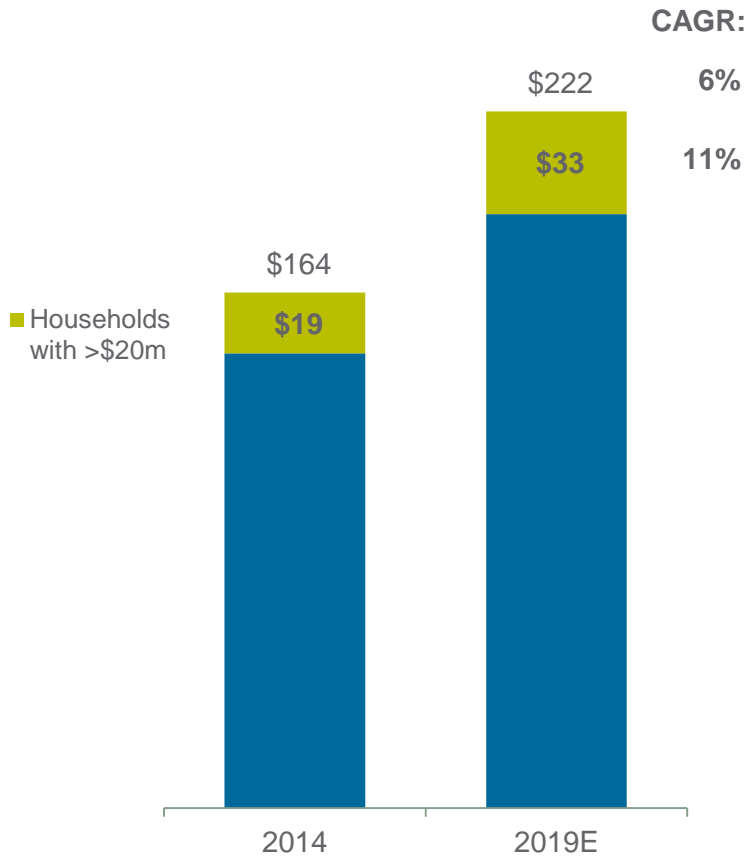
- Pensions
- Sovereign entities
- Fund managers
- Foundations & endowments
- Insurance companies

**Integrated Global Operating Platform**

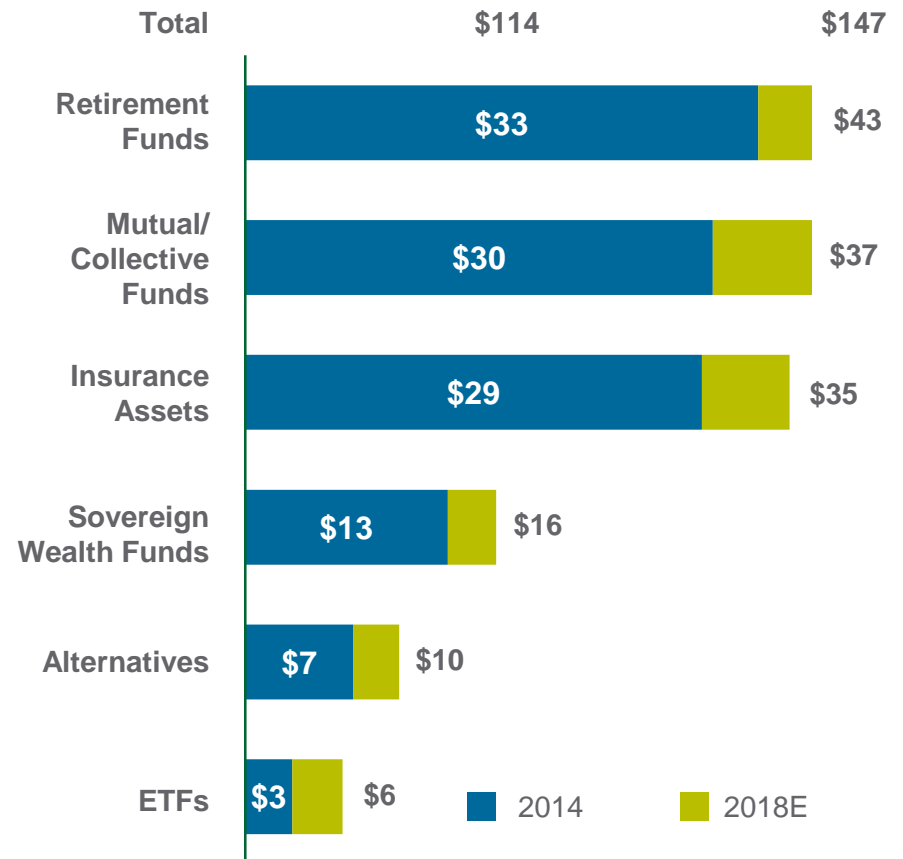
# INVESTED IN ATTRACTIVE MARKETS

*The personal and institutional markets are large and are growing.*

**Global Personal Financial Wealth \$US Trillion**



**Global Institutional Assets \$US Trillion**



Sources: BCG Global Wealth 2015, Cerulli Associates Global Markets 2015, Investment Company Institute, The City UK, eVestment, PWC, ETFGI, Ernst & Young and internal estimates

# POSITIONED FOR CONTINUED SUCCESS

*Favorable secular trends align well with Northern Trust's business model.*

## Growth Trends

- Global wealth creation
- Globalization/cross-border investing
- Expanding use of alternative assets
- Shift from active to passive management
- Increased regulation
- Focus on risk management
- Demand for transparency
- Back and middle office outsourcing

## Business Model

- Recurring fee revenue offers more sustainable economics
- Attractive financial returns versus many other sectors in financial services
- Fee-based models preferred over commission-oriented models

## Opportunity to Differentiate

- Relationship and client experience are critical drivers of provider selection
- Brand and differentiated service matter
- Integrated global operating platform

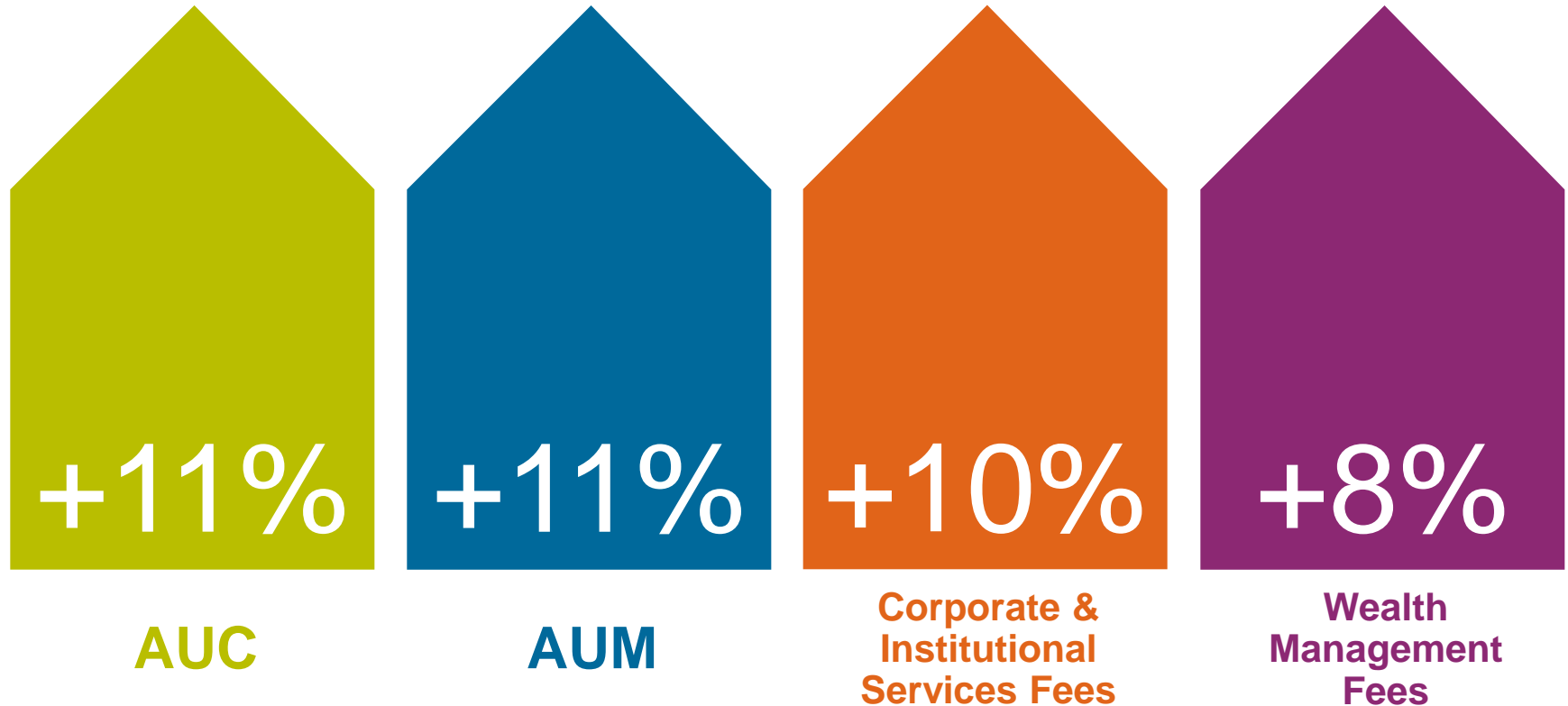
# FOCUSED ON ACHIEVING PROFITABLE GROWTH

**We are executing on our strategies to:**

- Accelerate growth
- Improve profitability & productivity
- Increase shareholder returns

# ACCELERATING GROWTH

*Producing strong results.*



**2011 – 1H2015 CAGRs**

1H2015 fees are annualized

# ACCELERATING GROWTH

*Investing for the future.*

## Corporate & Institutional Services

Focus on asset managers

**>\$75T** market

Est. **7%** CAGR through 2019<sup>1</sup>

Investing in our Global Fund Services business

Acquisitions **~\$750M**

Staffing up **>3x** in 10 years



## Wealth Management

Focus on New York

**~\$1T** market<sup>2</sup>

Augmenting our presence in New York

Staffing up **~30%** since 2013

Strategic **advertising** and **philanthropic** spending



## Asset Management

Focus on Engineered Equity

**>\$800B** market<sup>3</sup>

Est. **24%** CAGR through 2019<sup>3</sup>

Investing in products & capabilities

**17** FlexShares funds with AUM of **\$8.7B**



<sup>1</sup> Global asset management industry AUM and growth projections from Cerulli Associates Global Markets 2015

<sup>2</sup> Greater NY \$5MM+ household AUM from 2013 Nielsen Claritas (Wealth Management Markets)

<sup>3</sup> "Smart Beta" market size and growth projections from Casey Quirk



# IMPROVING PROFITABILITY AND PRODUCTIVITY

*Producing strong results.*

Expenses/Trust Fees =

**111%**

In 1H2015

**-20 pts**

**Since 2011**

Operating  
Leverage<sup>1</sup>

**+2.5 pts**

**Since 2011**

Pre-Tax Margin=

**32.2%**

In 1H2015

**+8pts**

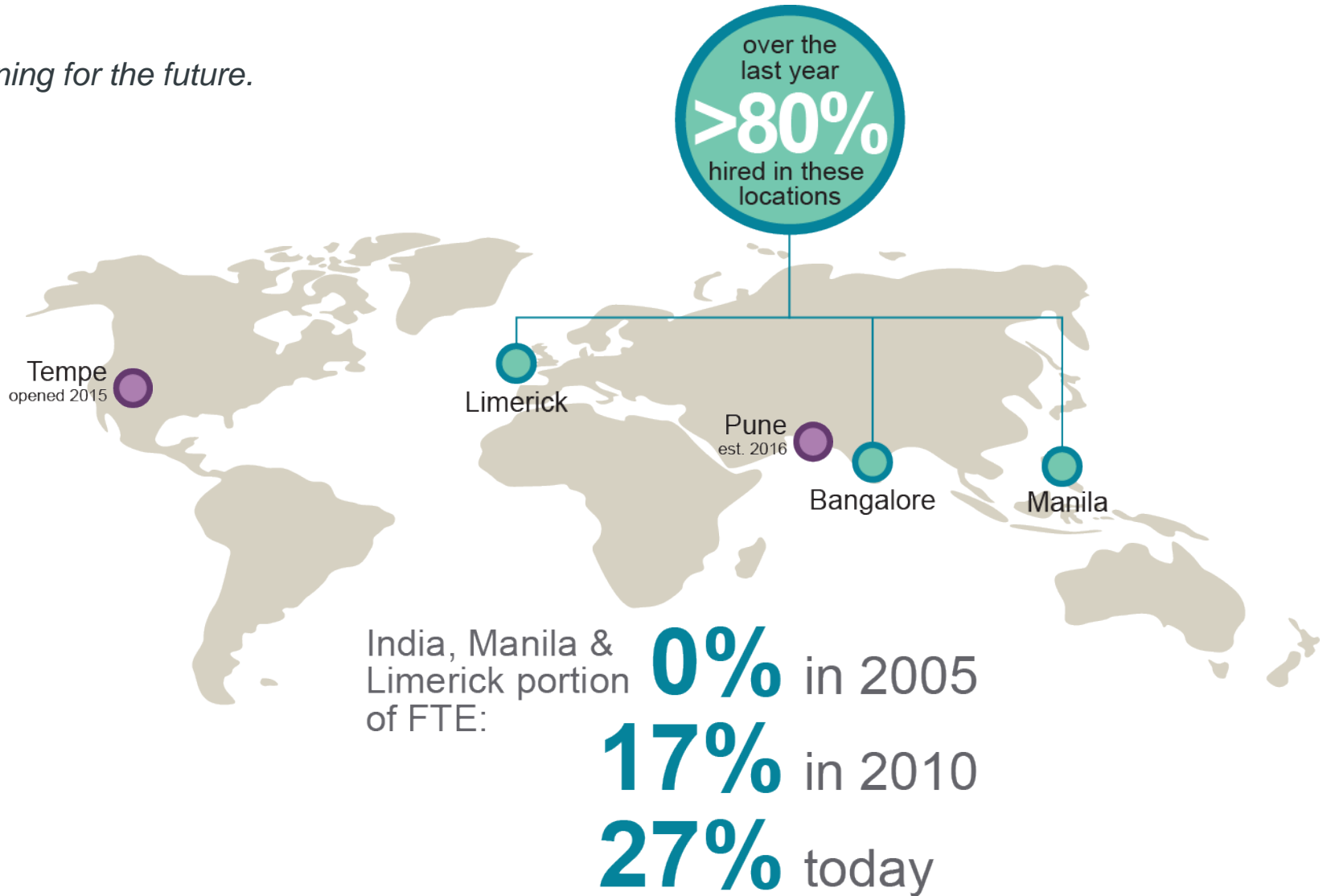
**Since 2011**



<sup>1</sup> Differential between revenue and expense CAGRs for the period 2011–1H2015, annualized.

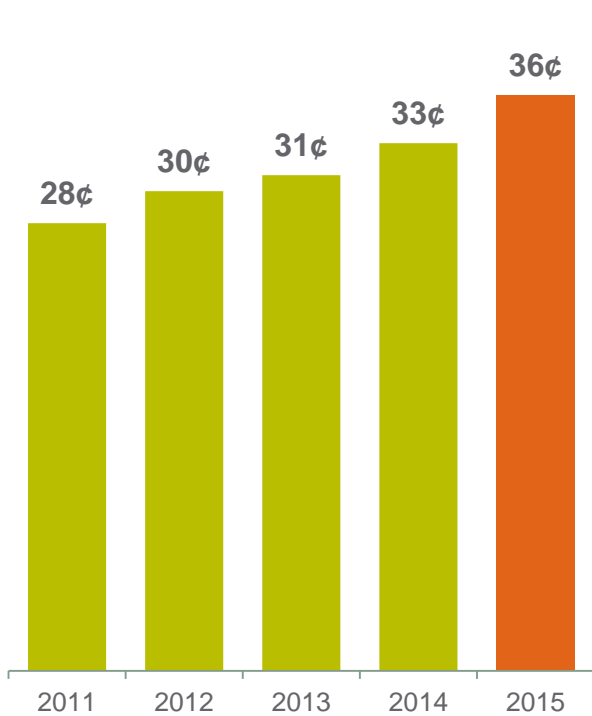
# IMPROVING PROFITABILITY AND PRODUCTIVITY

*Planning for the future.*



# INCREASING SHAREHOLDER RETURNS

Quarterly Dividend



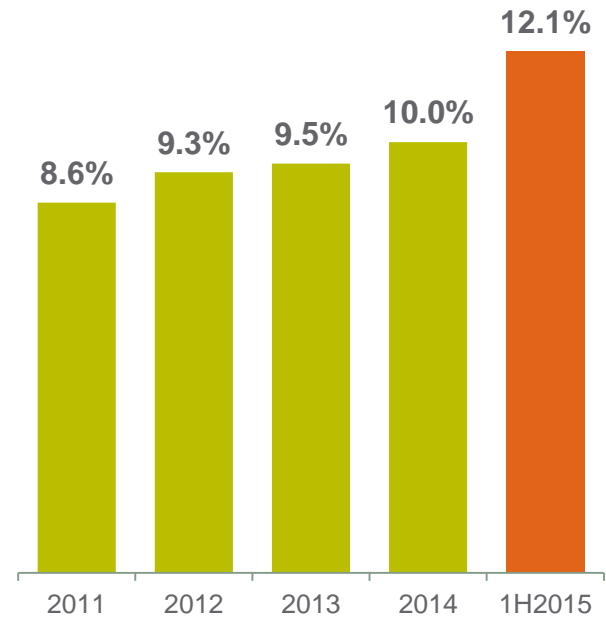
Total Payout

Ratios:

100% in 2014  
83% in 2013  
65% in 2012  
58% in 2011  
42% in 2010



Improving ROE into our target range of 10%-15%



# CONSISTENTLY STRONG AND FOCUSED

*Long-term success through a focused strategy.*

- Market Leader in Focused Businesses
- A History of Organic Growth
- Distinctive Financial Strength
- Proven Record of Managing for Long-term Growth and Profitability



**Northern Trust**