

NORTHERN TRUST CORPORATION

# Raymond James Institutional Investors Conference 2017

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**J.W. Marriott Grande Lakes**  
Orlando  
7 March 2017



NORTHERN TRUST

# 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, anticipated expense levels, spending related to technology and regulatory initiatives, risk management policies, contingent liabilities, strategic initiatives, industry trends, and expectations regarding the impact of recent 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.



# NORTHERN TRUST CORPORATION

## Service

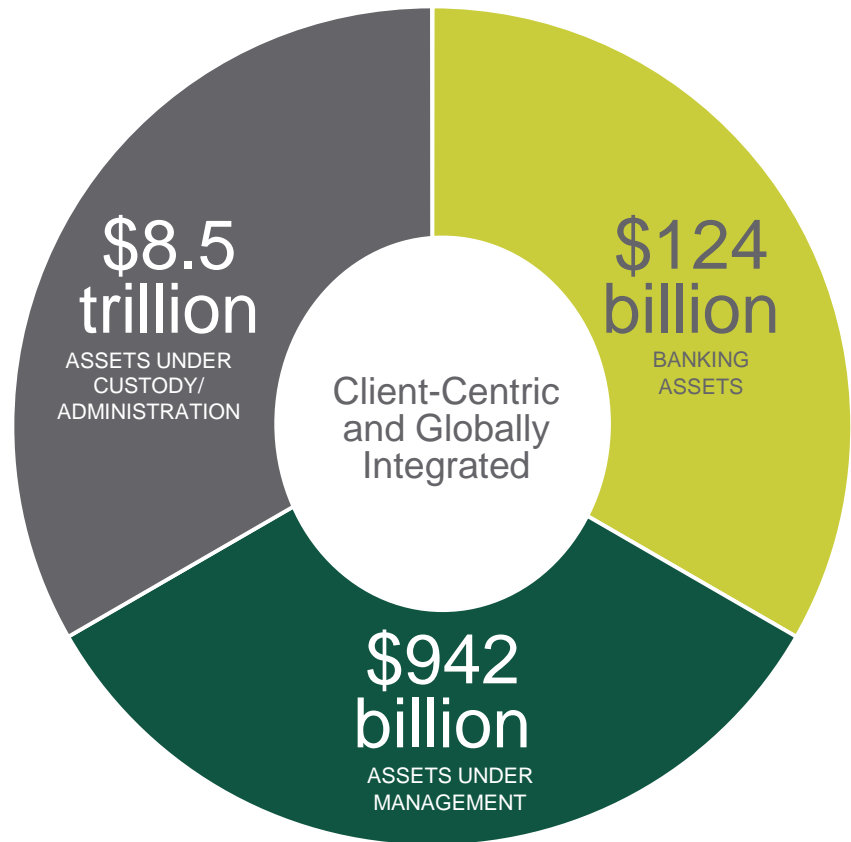
Relentless drive to provide exceptional service.

## Expertise

Resolving complex challenges with multi-asset class capabilities.

## Integrity

Acting with the highest ethics, utmost honesty and unfailing reliability.

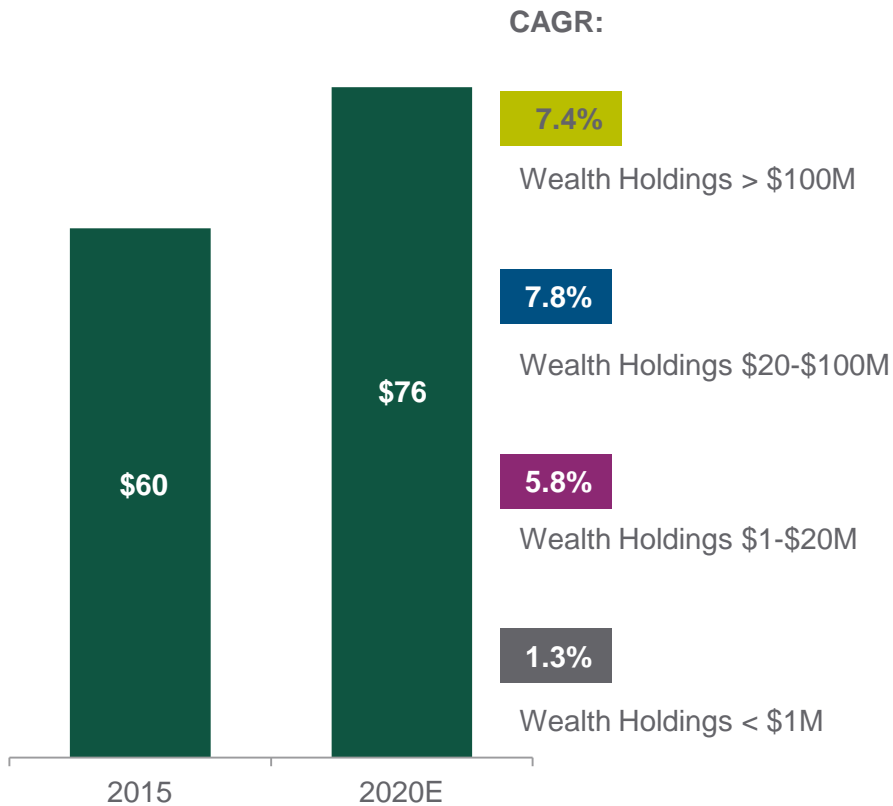


As of 12/31/2016

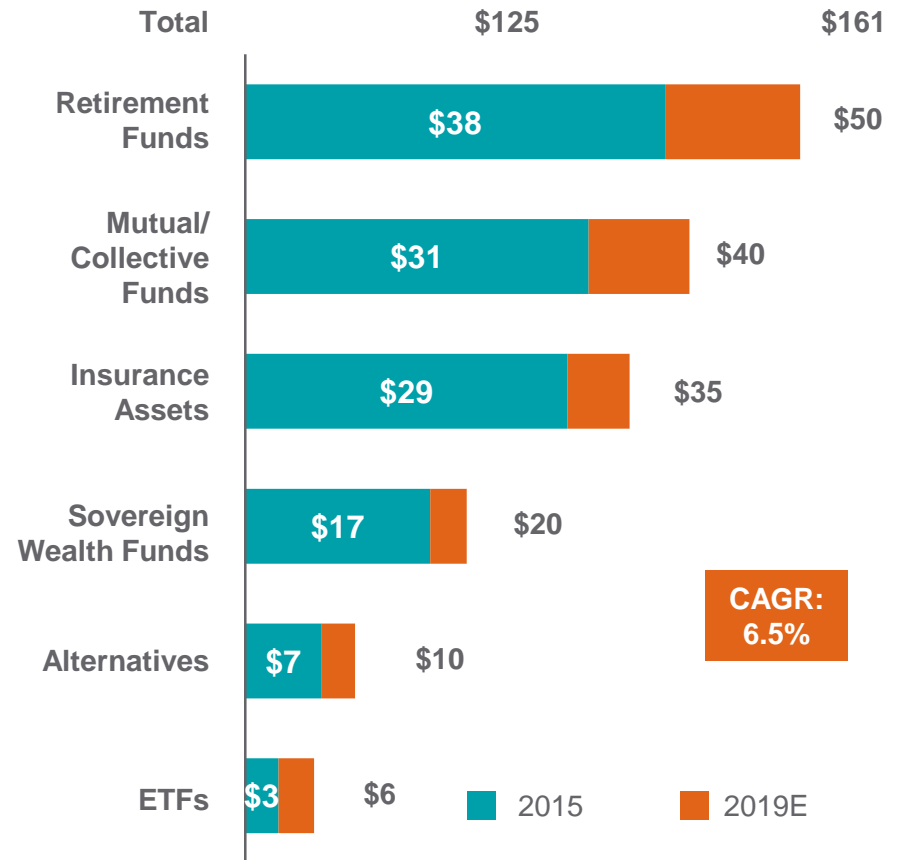
# FOCUSED ON ATTRACTIVE MARKETS

*The personal and institutional markets, where we focus, are large and growing.*

## North America Private Financial Wealth \$US Trillion



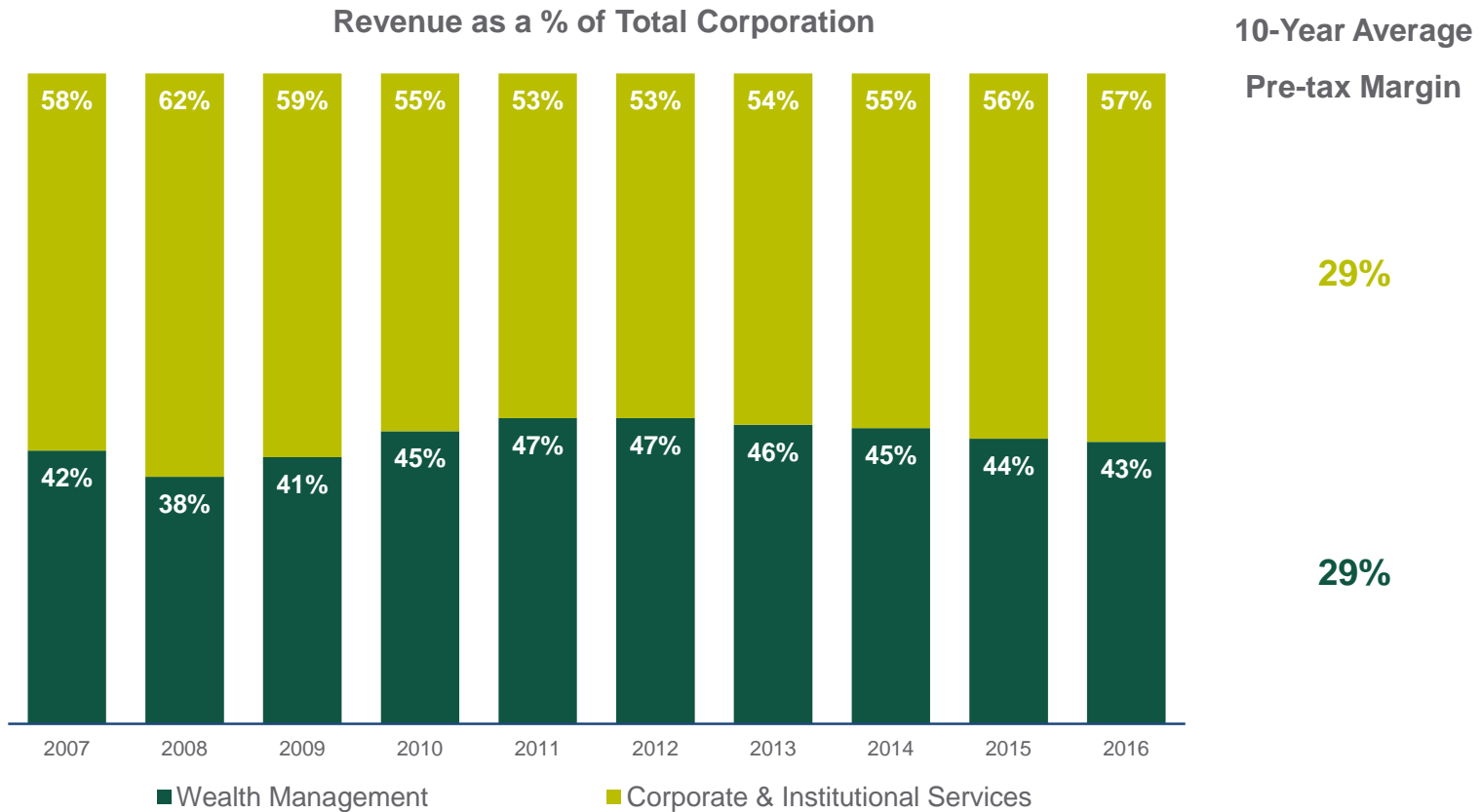
## Global Institutional Assets \$US Trillion



Sources: BCG Global Wealth 2016, Cerulli Associates Global Markets 2016, The City UK, eVestment, PWC, ETFGI, Ernst & Young and internal estimates

# BALANCED BETWEEN PERSONAL & INSTITUTIONAL CLIENTS

*Our business is balanced between our personal and institutional client segments, which have similarly attractive profitability over time.*



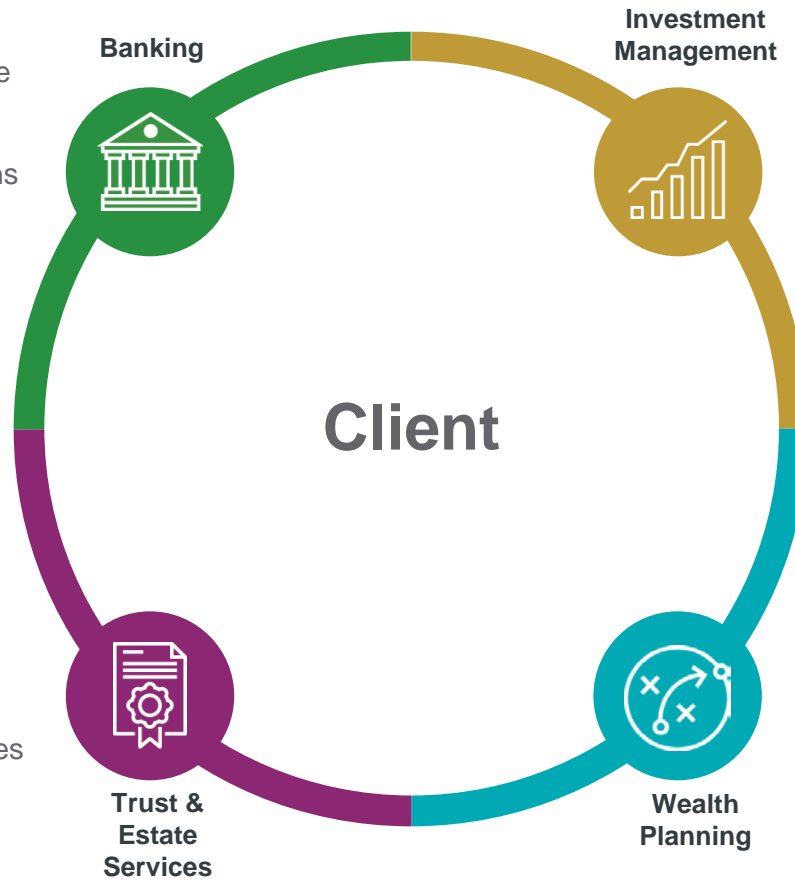
Note: Revenue contribution excludes "Treasury & Other" segment results.

# WEALTH MANAGEMENT

*A full array of goals driven holistic wealth management solutions for individuals, families and private businesses.*

- Deposit and loan solutions
- Private equity and premium finance
- Art, aircraft and yacht lending
- Working capital and corporate loans
- Margin and stock option lending

- Personal trust services
- Estate settlement
- Guardianship administration
- Real estate and agricultural services



- Goals Driven Investing process
- Investment capabilities
- Portfolio management
- Broad menu of outside managers
- Brokerage

- Financial planning
- Family education and governance
- Wealth transfer and tax strategies
- Philanthropic advisory services
- Business owner services

# SPOTLIGHT: GOALS DRIVEN INVESTING

*The Goals Driven Wealth Management approach helps align financial resources with personal goals creating an integrated strategy that empowers a full understanding of how to achieve lifetime goals.*

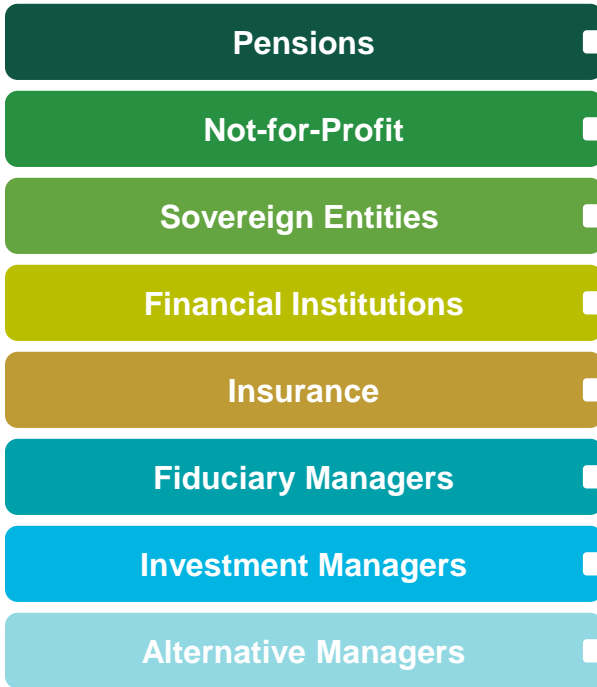
## YOUR LIFE. YOUR GOALS.



# CORPORATE & INSTITUTIONAL SERVICES

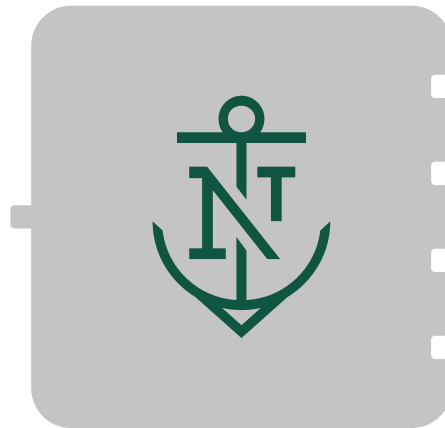
*Delivering asset servicing and asset management solutions to institutional clients globally.*

## CLIENT EMPHASIS

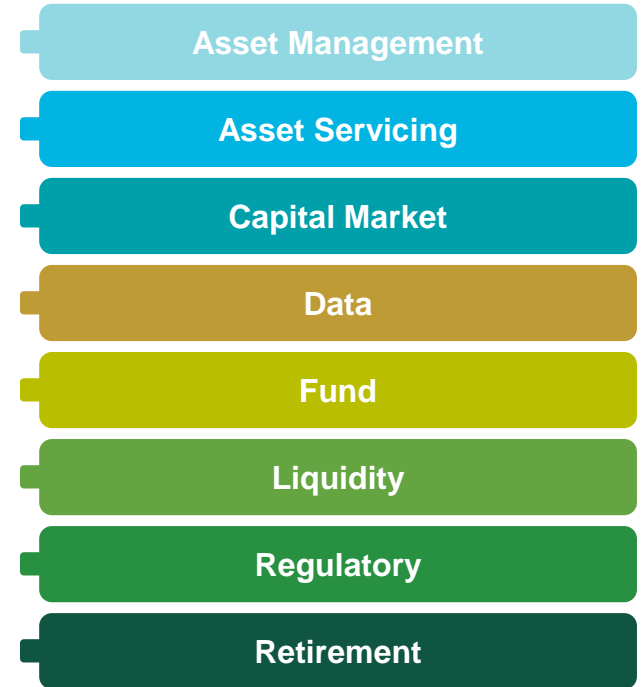


GLOBAL DISTRIBUTION

## CUSTOMIZED OFFERING



## SOLUTION SET



TECHNOLOGY AND EXPERTISE

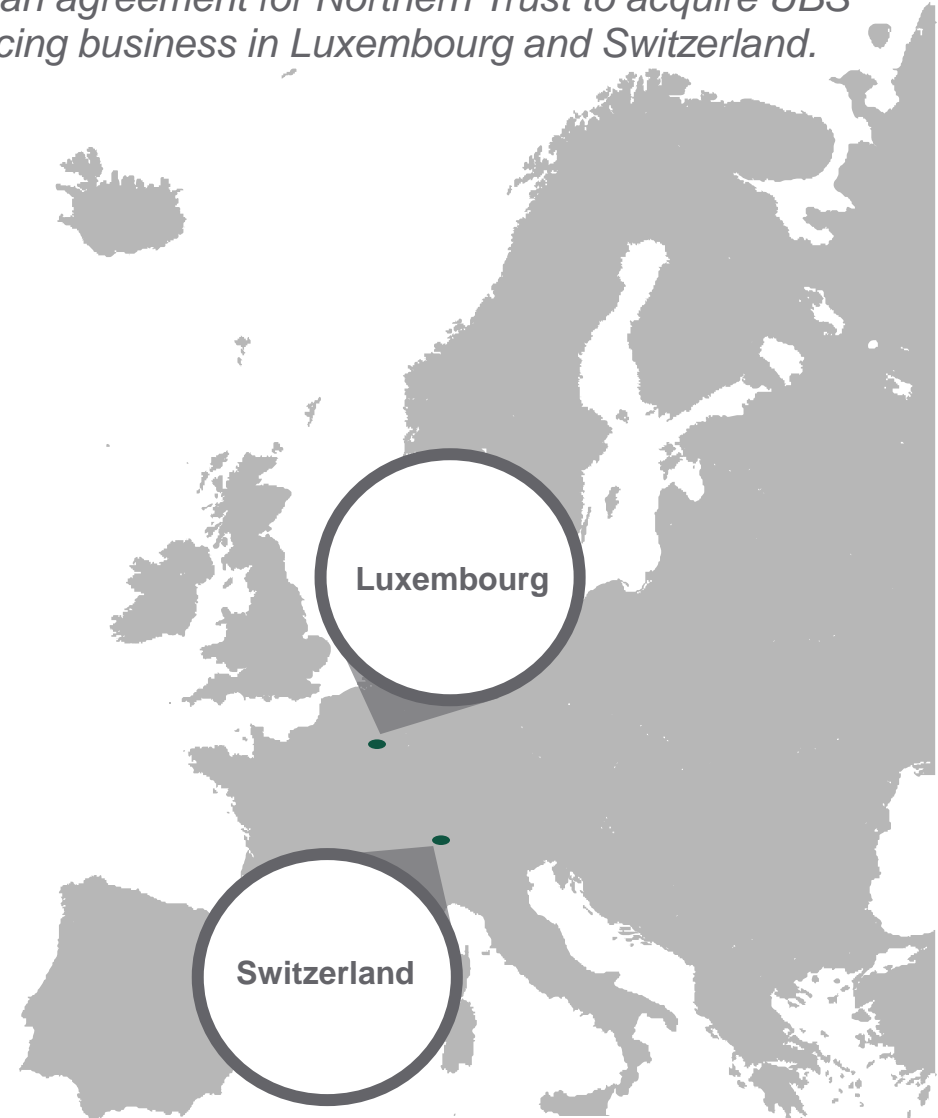


# SPOTLIGHT: ACQUISITION

*Northern Trust and UBS AG have entered into an agreement for Northern Trust to acquire UBS Asset Management's fund administration servicing business in Luxembourg and Switzerland.*

## UBS Asset Management Fund Administration Servicing Acquisition

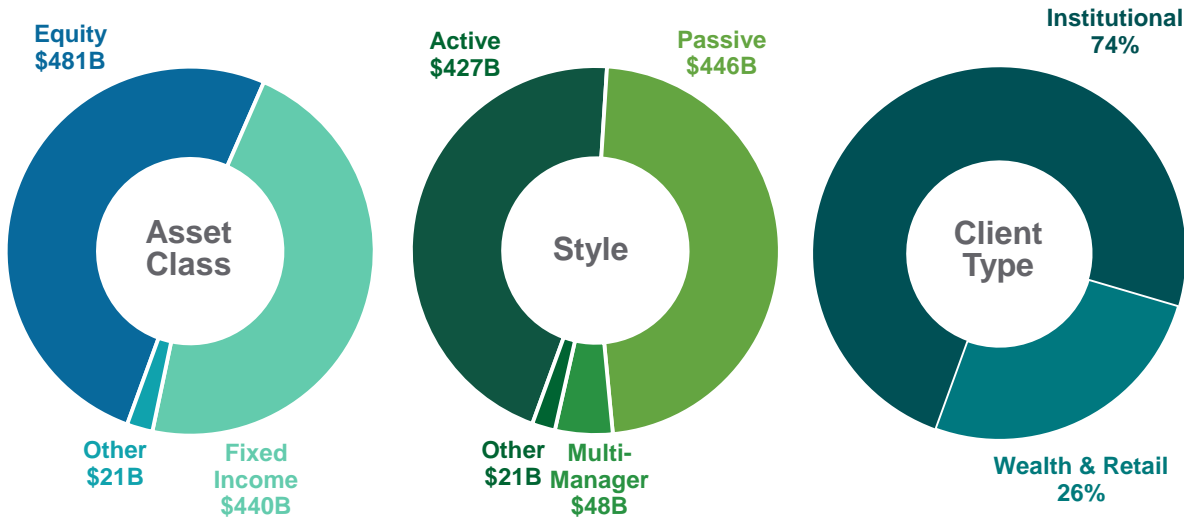
- Approximately \$413 billion in assets under administration
- Approximately 95 clients and 230 FTE staff
- Significantly expands presence in Luxembourg where Northern Trust has had an office since 2004
- Provides local fund administration capabilities in Switzerland



# ASSET MANAGEMENT

*A leading global investment manager with a client-centric culture rooted in a fiduciary heritage.*

## ASSETS UNDER MANAGEMENT



## A TRUSTED PARTNER

**Leveraging** the strength of Northern Trust

**Global** network of investment professionals with deep expertise

**Demonstrated** ability to thrive in various market environments

**Progressive** thought leadership and unique insights

**Solving** complex global challenges with innovative solutions

**Focused** on the needs of our clients

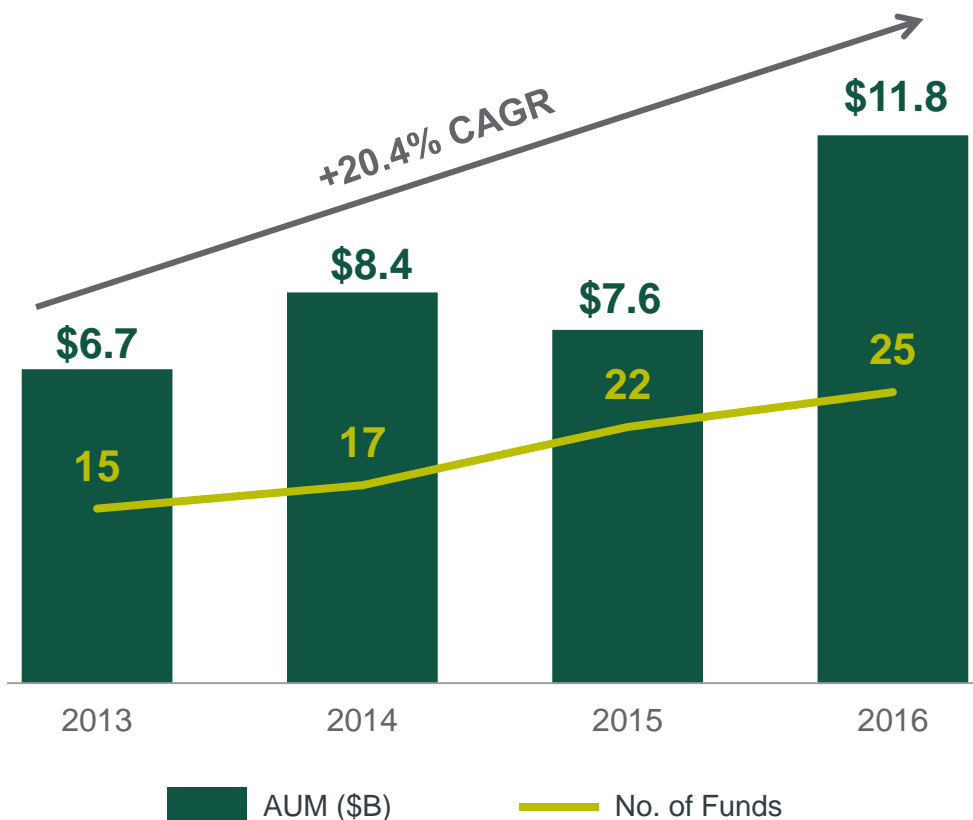
**\$942 billion**  
TOTAL AUM

World's **13th largest** asset manager

As of December 31, 2016. The above rankings are not indicative of future performance. Rankings are based on total worldwide assets under management of \$875 billion as of December 31, 2015 by *Pensions & Investments* magazine's 2016 Special Report on the Largest Money Managers.

# SPOTLIGHT: FLEXSHARES

*FlexShares has 25 funds across equity, alternatives and fixed income categories and is the 14<sup>th</sup> largest ETF sponsor in the United States and the 25<sup>th</sup> largest globally.*



## FlexShares

- FlexShares ETFs are designed to help investors pursue targeted investment opportunities, by blending:
  - Intelligent Portfolio Construction – engineering strategies to pursue targeted outcomes, with
  - Passive Management – minimizing turnover and containing costs, or
  - Active Management – combining research and fundamental analysis with quantitative filters
- Since 2013, FlexShares AUM has grown at a 20.4% CAGR versus the industry growth of 14.5%

# ENTERPRISE ENABLEMENT

*Maximizing value both now and in the future*

## LEADING CAPABILITIES

Continually modernizing our technology and tools to competitively differentiate the client experience while also improving the partner experience.

**EASE and SPEED**

## OPTIMIZATION

Leveraging our resources – from our partners, our organizational structure and locations, to technology capabilities.

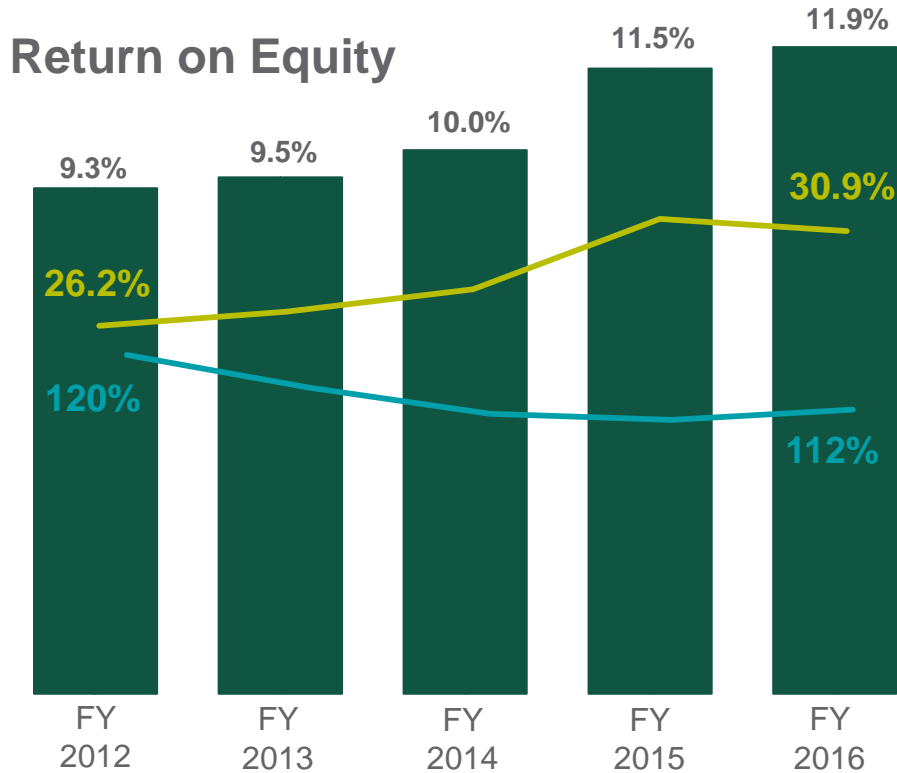
**PRODUCTIVITY**

## INNOVATION

Exploring emerging technologies and market changes to solve business challenges.

**POSSIBILITIES**

# PROFITABILITY AND RETURNS



- We remain focused on sustainably improving profitability and returns
- Ratio of expenses to trust & investment fees was 112% on a reported basis for 2016
- Return on equity was 11.9%, which is within our target range of 10%-15%

— Noninterest Expense as a % of Trust & Investment Fees  
 — Pre-tax Margin (FTE)<sup>1</sup>

<sup>1</sup> Pre-tax margin stated on an FTE basis is a non-GAAP financial measure. A reconciliation to pre-tax margin prepared in accordance with U.S. GAAP is included in the Appendix on page 16.

# 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

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following tables present a reconciliation of pre-tax income, total revenue and pre-tax margin 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.

Twelve Months Ended									
(\$ In Millions)	December 31, 2016			December 31, 2015			December 31, 2014		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Pre-tax Income	\$ 1,517.1	\$ 25.1	\$ 1,542.2	\$ 1,465.0	\$ 25.3	\$ 1,490.3	\$ 1,190.2	\$ 29.4	\$ 1,219.6
Total Revenue	\$ 4,961.8	\$ 25.1	\$ 4,986.9	\$ 4,702.6	\$ 25.3	\$ 4,727.9	\$ 4,331.2	\$ 29.4	\$ 4,360.6
Pre-tax Margin	30.6 %		30.9 %	31.2 %		31.5 %	27.5 %		28.0 %

Twelve Months Ended						
(\$ In Millions)	December 31, 2013			December 31, 2012		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Pre-tax Income	\$ 1,075.5	\$ 32.5	\$ 1,108.0	\$ 992.3	\$ 40.8	\$ 1,033.1
Total Revenue	\$ 4,089.3	\$ 32.5	\$ 4,121.8	\$ 3,896.1	\$ 40.8	\$ 3,936.9
Pre-tax Margin	26.3 %		26.9 %	25.5 %		26.2 %