

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Second Quarter 2015

Quarterly Earnings Review

July 22, 2015



Northern Trust

northerntrust.com



Executive Summary

- Net income of \$269.2 million, earnings per common share of \$1.10
- The current quarter included the following items with a net benefit of \$36.3 million (\$22.5 million after tax, or \$.09 per share):
 - ◆ A \$99.9 million gain on the sale of 1 million Visa Class B shares
 - ◆ A \$45.8 million charge associated with voluntary cash contributions to certain constant dollar NAV funds
 - ◆ A \$17.8 million impairment of the residual value of certain aircraft under leveraged lease agreements
- Adjusted for these items, net income was \$246.7 million, earnings per common share were \$1.01, and return on average common equity was 11.8%
- Assets under custody increased 3% year-over-year and 1% sequentially
- Assets under management were 2% higher year-over-year and down 2% sequentially





Summary Results & Key Metrics

\$ in millions (except EPS and as noted)

	2Q 2015	% Change Vs.	
		2Q 2014	1Q 2015
Revenue (FTE ^{1,2})	\$1,262.3	+16%	+11%
Noninterest Expense	854.5	+5%	+8%
Provision for Credit Losses	(10.0)	N/M	+122%
Net Income	\$269.2	+48%	+17%
Earnings per Share	\$1.10	+47%	+17%
Return on Equity ³	12.8%	9.2%	11.3%
Assets under Custody (<i>in billions</i>)	\$6,177	+3%	+1%
Global Custody Assets (<i>in billions</i>)	\$3,599	+1%	+2%
Assets under Management (<i>in billions</i>)	\$946	+2%	-2%

- Excluding the current quarter gain and charges and \$42.3 million in charges and write-offs recorded in 2Q 2014:
 - ◆ Revenues increased 8% year-over-year and 3% sequentially
 - ◆ Expenses increased 5% year-over-year and 3% sequentially
 - ◆ Net Income increased 18% year-over-year and 7% sequentially
 - ◆ Return on Equity was 11.8%

¹ Revenue stated on an FTE basis is a non-GAAP financial measure. A reconciliation to reported revenue prepared in accordance with U.S. generally accepted accounting principles (GAAP) is included in the Appendix on page 11.

² Fully taxable equivalent

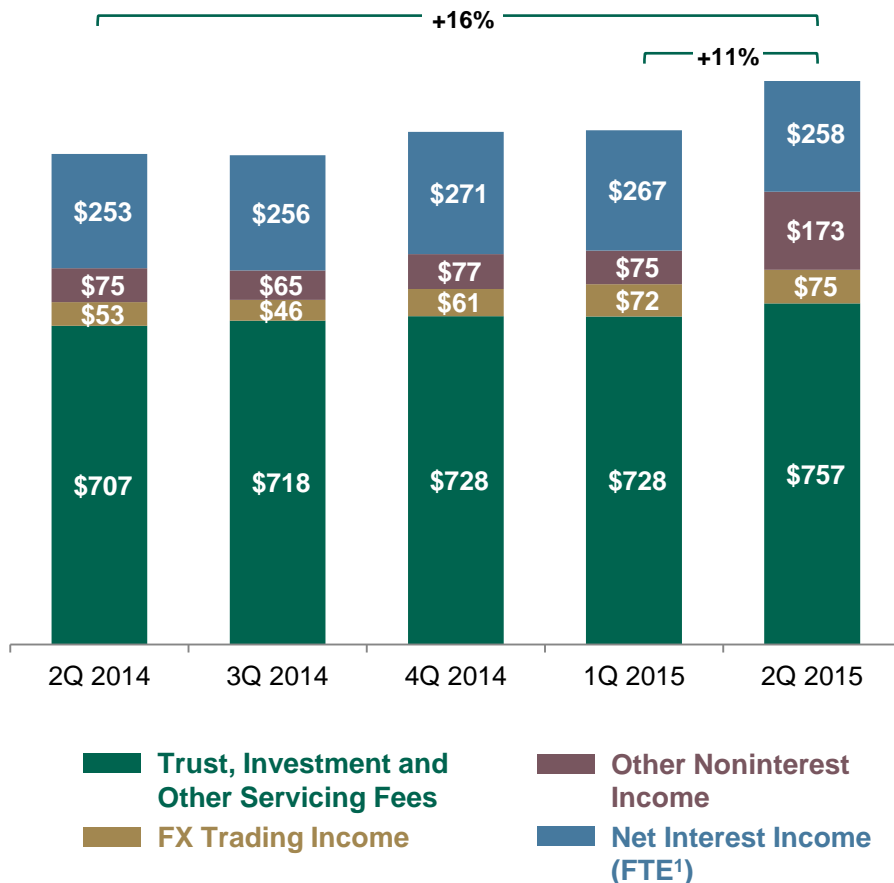
³ Actual numbers for all periods, not % change.



Total Revenue

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 7% year-over-year and 4% sequentially due to new business and favorable equity markets
- ◆ Movements in foreign exchange rates detracted from fee growth in the year-over-year comparison
- Foreign Exchange Trading Income increased 41% from the prior year and 5% versus the prior quarter
- Other Noninterest Income, adjusted for the \$99.9 million gain, was down 3% versus the prior year and 2% lower sequentially
- Net Interest Income (FTE¹), adjusted for the lease impairment, was up 9% from the prior year and 3% versus the prior quarter

Categories may not sum due to rounding.

¹ Net interest income and total revenue 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 11.





Trust, Investment & Other Servicing Fees

\$ in millions (except as noted)

<u>Trust, Investment & Other Servicing Fees</u>	2Q 2015	% Change Vs.	
		<u>2Q 2014</u>	<u>1Q 2015</u>
Custody & Fund Administration	\$293.6	+12%	+6%
Investment Management	80.6	+4%	+5%
Securities Lending	26.8	-11%	+24%
Other	31.0	+16%	-4%
<i>Total Corporate & Institutional Services</i>	\$432.0	+9%	+6%
Central	\$128.2	+2%	-2%
East	85.9	+3%	+4%
West	68.5	+5%	+3%
Global Family Office	42.2	+13%	+5%
<i>Total Wealth Management</i>	\$324.8	+4%	+1%
<u>Client assets (in billions):</u>			
C&IS AUC	\$5,653	+3%	+2%
Global Custody Assets	\$3,599	+1%	+2%
C&IS AUM	\$714	+2%	-2%
Securities Lending Collateral	\$120	+3%	-2%
Wealth Management AUC	\$524	+2%	-
Wealth Management AUM	\$232	+4%	-

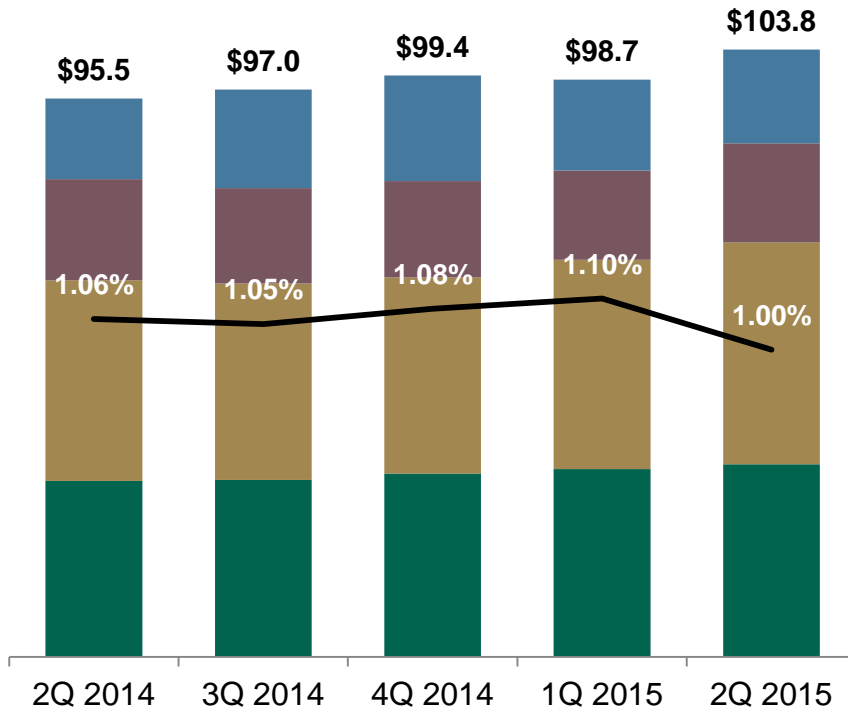
- Versus 2Q 2014, net new business and higher markets helped client assets and fees but were partially offset by the impact of a stronger dollar
- 1Q 2015 market movements helped fees sequentially, due to lagged pricing, though markets negatively impacted client asset values in the current quarter
- Money market fee waivers totaled \$13.6 million in C&IS and \$14.6 million in Wealth Management in 2Q 2015, lower versus both the prior year and the prior quarter
- Securities Lending fees increased 24% sequentially due to the international dividend season





Net Interest Income

Average Earning Assets (\$ in billions)



	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
NII (FTE¹)	\$253.4	\$256.2	\$270.9	\$266.8	\$257.6

in millions

- Loans & Leases
- Securities
- Deposits w/ Banks
- Fed Deposits & Other

— NIM (FTE¹)

- Adjusted for the lease impairment in the current quarter, Net Interest Income (FTE¹) was up 9% from the prior year and 3% versus the prior quarter and the NIM was 1.06%
- Average Earning Assets were 9% higher than the prior year and 5% higher sequentially due to increased levels of client deposits
 - ◆ Loans and leases were up 10% on average versus the prior year
- The adjusted Net Interest Margin declined versus the prior quarter due to a lower yield on the loan portfolio and higher premium amortization in our mortgage-backed securities portfolio

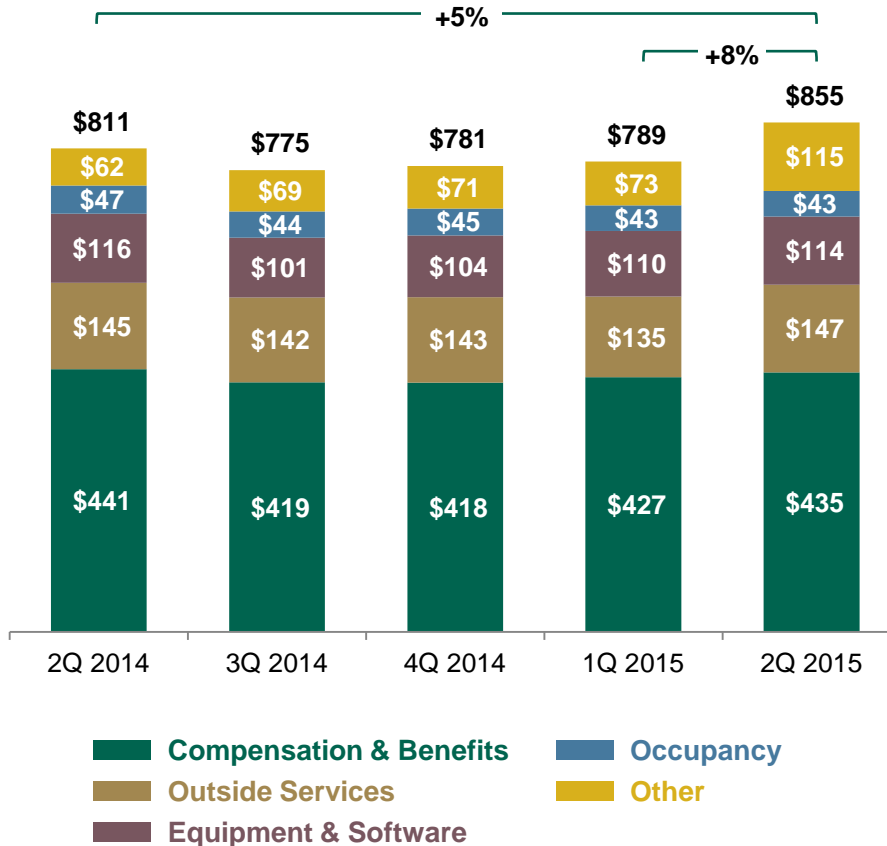
¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 11.



Noninterest Expense

\$ in millions

Total Noninterest Expense



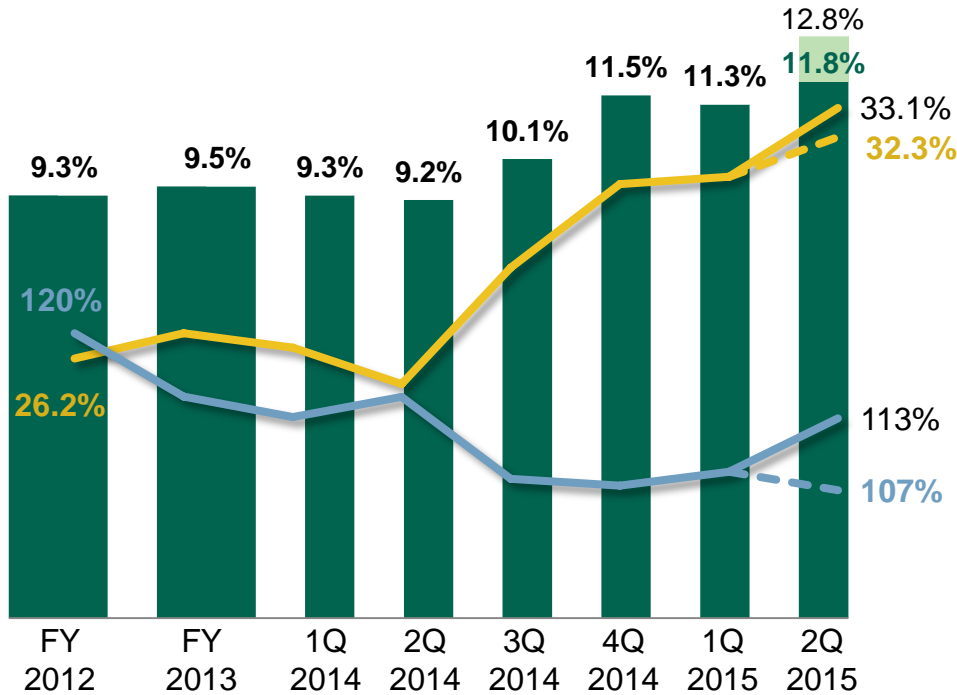
- Adjusted for severance-related charges of \$25.5 million in 2Q 2014, Compensation expense increased 4% year-over-year and 2% sequentially
- ◆ Growth in salaries and incentives were partially offset by the impact of a stronger dollar in the year-over-year comparison
- Adjusted for severance-related charges of \$1.9 million in 2Q 2014, employee benefit expense was up 10% versus last year and essentially flat sequentially
- Adjusted for severance-related charges of \$1.1 million in 2Q 2014, Outside Services expense was 3% higher than last year and 9% higher than last quarter
- Adjusted for \$9.5 million of software write-offs in 2Q 2014, Equipment & Software expense was 7% higher than the prior year and 4% higher sequentially
- Other operating expense included the \$45.8 million charge associated with voluntary cash contributions to certain constant dollar NAV funds in the current quarter

Categories may not sum due to rounding.





Return on Equity



- Pre-tax Margin (FTE¹)
- Noninterest Expense as a % of Trust & Investment Fees
- - Adjusted for gain and charges

- We remain focused on sustainably improving profitability and returns
- The ratio of expenses to trust & investment fees continued to improve when adjusted to exclude the current quarter charge
- We achieved a return on equity of 12.8%, or 11.8% when adjusted for the current quarter gain and charges, which is within our target range of 10% - 15%

¹ Pre-tax margin stated on an FTE basis is a non-GAAP financial measure. A reconciliation to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 11.



Northern Trust Corporation Capital Ratios

Advanced Approach

Common Equity Tier 1	12.0%
Tier 1	12.6%
Total	14.4%
Supplementary Leverage	6.3%

Standardized Approach

Common Equity Tier 1	10.7%
Tier 1	11.2%
Total	13.2%
Leverage	7.6%

Capital Return

- Declared \$85 million in common stock dividends and repurchased \$97 million of common stock in 2Q 2015
- Remaining capacity to repurchase up to \$578 million of common stock through June 2016 under our 2015 capital plan

As of June 30, 2015. Capital ratios are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.



PRINCIPLES THAT ENDURE



Appendix

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of interest income, net interest income, 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.

(\$ In Millions)	Three Months Ended								
	June 30, 2015			March 31, 2015			June 30, 2014		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Net Interest Income									
Interest Income	\$ 288.8	\$ 6.4	\$ 295.2	\$ 298.8	\$ 6.2	\$ 305.0	\$ 293.8	\$ 6.8	\$ 300.6
Interest Expense	37.6	–	37.6	38.2	–	38.2	47.2	–	47.2
Net Interest Income	\$ 251.2	\$ 6.4	\$ 257.6	\$ 260.6	\$ 6.2	\$ 266.8	\$ 246.6	\$ 6.8	\$ 253.4
Net Interest Margin	0.97%		1.00%	1.07%		1.10%	1.04%		1.06%
Total Revenue	\$1,255.9	\$ 6.4	\$1,262.3	\$1,134.5	\$ 6.2	\$1,140.7	\$1,081.7	\$ 6.8	\$1,088.5
Pre-tax Margin	32.8%		33.1%	30.9%		31.2%	25.0%		25.5%



Forward Looking Statement

This presentation may include forward-looking statements concerning Northern Trust's financial results and outlook, capital adequacy, dividend policy, anticipated expense levels and technology spending, risk management policies, contingent liabilities, strategic initiatives, industry trends, and expectations regarding the impact of recent legislation. 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.

