

Northern Trust Corporation

Second Quarter 2020 Quarterly Earnings Review

July 22, 2020



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$313.3 million, diluted earnings per common share of \$1.46
- Return on average common equity of 12.2%

Key Macroeconomic Factors

	2Q20 End of Period		Month Lag ¹		Quarter Lag ²	
	YoY	Seq	YoY	Seq	YoY	Seq
S&P 500	5.4%	20.0%	0.1%	(9.2)%	(8.8)%	(20.0)%
MSCI EAFE Local	(6.5)%	11.9%	(11.2)%	(14.3)%	(15.1)%	(21.2)%
1 month Libor	(224) bps	(83) bps				
3 month Libor	(202) bps	(115) bps				
EUR / USD	1.4%	(2.3)%				
GBP / USD	3.0%	0.4%				

¹ Month Lag YoY represents the average month-ends of Mar. 2020 – May 2020 vs. Mar. 2019 – May 2019. Month Lag Seq represents the average month-ends of Mar. 2020 – May 2020 vs. Dec. 2019 – Feb. 2020.

² Quarter Lag YoY represents quarter-end Mar. 2020 vs. Mar. 2019. Quarter Lag Seq represents quarter-end Mar. 2020 vs. Dec. 2019.

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

	% Change Vs.		
	2Q 2020	2Q 2019	1Q 2020
Revenue (FTE ¹)	\$1,513.8	-	(5)%
Noninterest Expense	1,036.9	+3%	(3)%
Provision for Credit Losses	66.0	N/M	+8%
Net Income	\$313.3	(20)%	(13)%
Diluted Earnings per Share	\$1.46	(16)%	(6)%
Return on Average Common Equity ²	12.2%	15.9%	13.4%
Pre-Tax Margin ^{1,2}	27.1%	34.0%	29.4%
Expense to Trust Fee Ratio ²	108%	105%	106%
Assets under Custody / Administration ³ (<i>in billions</i>)	\$12,098	+7%	+11%
Assets under Custody ³ (<i>in billions</i>)	\$9,291	+9%	+13%
Global Custody Assets ³ (<i>in billions</i>)	\$5,881	+11%	+12%
Assets under Management ³ (<i>in billions</i>)	\$1,258	+7%	+12%

¹ Revenue and pre-tax margin stated on a fully taxable equivalent (FTE) basis are non-GAAP financial measures. A reconciliation to reported revenue and reported pre-tax margin prepared in accordance with U.S. generally accepted accounting principles (GAAP) is included in the Appendix on page 10.

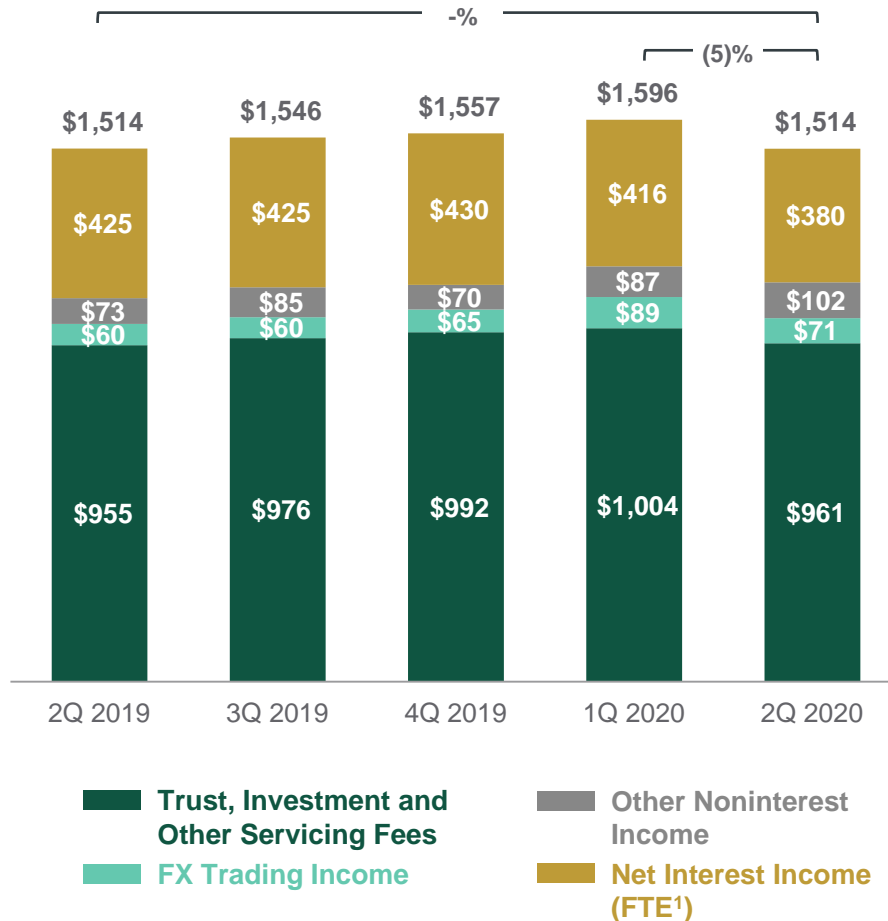
² Actual numbers for all periods, not % change.

³ Client assets for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment & Other Servicing Fees were up 1% year-over-year and down 4% sequentially.
- Foreign Exchange Trading Income increased 18% year-over-year and decreased 20% sequentially.
- Other Noninterest Income was up 38% year-over-year and 16% sequentially.
- Net Interest Income (FTE¹) was down 11% year-over-year and 9% sequentially.

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 10.

TRUST, INVESTMENT & OTHER SERVICING FEES

\$ in millions (except as noted)

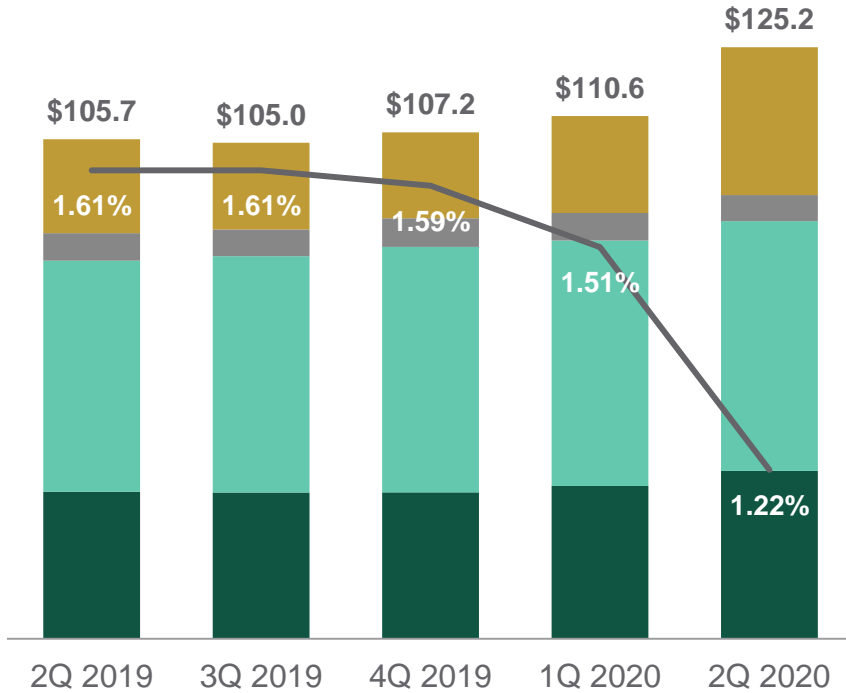
Trust, Investment & Other Servicing Fees	2Q 2020	% Change Vs.	
		2Q 2019	1Q 2020
Custody & Fund Administration	\$376.3	(2)%	(5)%
Investment Management	128.4	+16%	+6%
Securities Lending	27.3	+25%	+17%
Other	34.2	+8%	(3)%
<i>Total Corporate & Institutional Services</i>	\$566.2	+3%	(1)%
Central	\$142.1	(7)%	(11)%
East	104.2	-	(7)%
West	80.0	(3)%	(8)%
Global Family Office	69.0	+5%	(3)%
<i>Total Wealth Management</i>	\$395.3	(3)%	(8)%
<u>Client Assets¹ (in billions):</u>			
C&IS AUC/A	\$11,347	+7%	+11%
C&IS AUC	\$8,543	+9%	+12%
Global Custody Assets	\$5,881	+11%	+12%
C&IS AUM	\$954	+8%	+13%
Securities Lending Collateral	\$166	+1%	(1)%
Wealth Management AUC/A	\$751	+8%	+17%
Wealth Management AUC	\$748	+7%	+18%
Wealth Management AUM	\$304	+4%	+10%

- C&IS Trust, Investment & Other Servicing Fees were up 3% year-over-year and down 1% sequentially.
 - Custody & fund administration fees decreased year-over-year primarily due to unfavorable lagged markets and currency translation, partially offset by new business and favorable transaction fees. Sequentially, custody & fund administration fees decreased primarily due to unfavorable lagged markets, partially offset by favorable transaction fees.
 - Investment management fees increased year-over-year primarily due to new business. Sequentially, investment management fees increased primarily due to new business, partially offset by unfavorable lagged markets.
 - Securities lending fees increased year-over-year and sequentially primary due to higher spreads.
- Wealth Management Trust, Investment & Other Servicing Fees were down 3% year-over-year, primarily due to unfavorable lagged markets, partially offset by new business. Sequentially, trust fees were down 8%, primarily due to unfavorable lagged markets.

¹ Client assets for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

NET INTEREST INCOME

Average Earning Assets (\$ in billions)



- Net Interest Income (FTE¹) was down 11% year-over-year and 9% sequentially. Net interest margin (FTE¹) was 1.22%.
- Average Earning Assets were up 18% year-over-year and 13% sequentially.
- Average Total Deposits were up 24% year-over-year and up 17% sequentially.
- Net Interest Margin decreased 39 basis points versus the prior-year quarter and 29 basis points versus the prior quarter. Both declines were primarily due to lower interest rates and a balance sheet mix shift.

	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
NII (FTE ¹) in millions	\$425.1	\$425.3	\$430.5	\$416.2	\$379.8

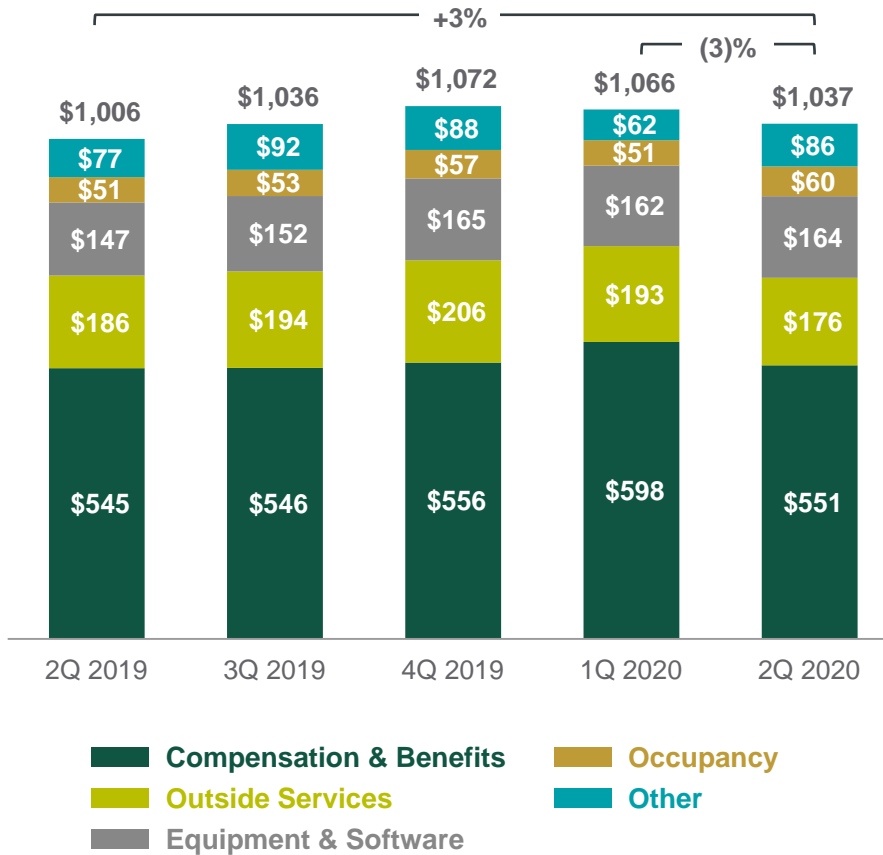


¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 10.

NONINTEREST EXPENSE

\$ in millions

Total Noninterest Expense



- Expenses totaled \$1.0 billion in the second quarter, up 3% year-over-year and down 3% sequentially.
- The year-over-year growth in expenses was primarily driven by increases in equipment & software related costs, occupancy and other operating expenses, partially offset by favorability in outside services.
- The sequential decline in expenses was primarily driven by decreases in compensation and benefits and outside services, partially offset by increases in other operating expenses and occupancy.

Categories may not sum due to rounding.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

Common Equity Tier 1	13.9%
Tier 1	15.2%
Total	16.8%
Tier 1 Leverage	7.6%
Supplementary Leverage	9.0%

Standardized Approach

Common Equity Tier 1	13.4%
Tier 1	14.6%
Total	16.5%
Tier 1 Leverage	7.6%

Capital Return

- Declared \$148.2 million in common stock dividends and \$4.8 million in preferred stock dividends.
- On March 16, 2020, the Corporation suspended its open-market share repurchase program.
- On July 21, 2020, the Board of Directors declared a dividend of \$0.70 per share for the third quarter of 2020.
- Stress Capital Buffer requirement of 2.5%, effective October 1, 2020; resulting in minimum Common Equity Tier 1 requirement of 7%.

As of June 30, 2020. Capital ratios for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

Appendix

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	Revenue				
	2Q20	1Q20	4Q19	3Q19	2Q19
Reported	\$ 1,506.1	\$ 1,587.7	\$ 1,547.7	\$ 1,537.9	\$ 1,506.6
FTE Adj.	\$ 7.7	\$ 8.1	\$ 9.7	\$ 7.6	\$ 7.7
FTE	\$ 1,513.8	\$ 1,595.8	\$ 1,557.4	\$ 1,545.5	\$ 1,514.3

	Net Interest Income				
	2Q20	1Q20	4Q19	3Q19	2Q19
Reported	\$ 372.1	\$ 408.1	\$ 420.8	\$ 417.7	\$ 417.4
FTE Adj.	\$ 7.7	\$ 8.1	\$ 9.7	\$ 7.6	\$ 7.7
FTE	\$ 379.8	\$ 416.2	\$ 430.5	\$ 425.3	\$ 425.1

NIM - Reported	1.20%	1.48%	1.56%	1.58%	1.58%
NIM - FTE	1.22%	1.51%	1.59%	1.61%	1.61%

	Pre-Tax Margin		
	2Q20	1Q20	2Q19
Revenue - Reported	\$ 1,506.1	\$ 1,587.7	\$ 1,506.6
Pre-Tax Income - Reported	\$ 403.2	\$ 461.1	\$ 506.9
FTE Adj.*	\$ 7.7	\$ 8.1	\$ 7.7
Revenue - FTE	\$ 1,513.8	\$ 1,595.8	\$ 1,514.3
Pre-Tax Income - FTE	\$ 410.9	\$ 469.2	\$ 514.6
Pre-Tax Margin - Reported	26.8%	29.0%	33.6%
Pre-Tax Margin - FTE	27.1%	29.4%	34.0%

* FTE Adjustment applies to both revenue and pre-tax income

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. Forward-looking statements also include statements, other than those related to historical facts, that relate to the ongoing COVID-19 (coronavirus) pandemic and its impact on global economic and market conditions and Northern Trust’s business, financial condition, and results of operations. 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-Q 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
Second Quarter 2020 earnings press release, which is available at:*

www.northerntrust.com/about-us/investor-relations