

Northern Trust Corporation

Third Quarter 2020

Quarterly Earnings Review

October 21, 2020



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$294.5 million, diluted earnings per common share of \$1.32
- Return on average common equity of 10.5%
- The third quarter included:
 - \$43.4 million pre-tax charge related to a corporate action processing error

Key Macroeconomic Factors

	3Q20 End of Period		Month Lag ¹		Quarter Lag ²	
	YoY	Seq	YoY	Seq	YoY	Seq
S&P 500	13.0%	8.5%	11.6%	15.6%	5.4%	20.0%
MSCI EAFE Local	(6.9)%	0.6%	(6.1)%	6.8%	(6.5)%	11.9%
1 month Libor (Avg)	(202) bps	(19) bps				
3 month Libor (Avg)	(195) bps	(35) bps				
EUR / USD	(7.0)%	(4.2)%				
GBP / USD	(4.7)%	(4.4)%				

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

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

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

	% Change Vs.		
	3Q 2020	3Q 2019	2Q 2020
Revenue (FTE ¹)	\$1,493.0	(3)%	(1)%
Noninterest Expense	1,094.7	6%	6%
Provision for Credit Losses	0.5	N/M	(99)%
Net Income	\$294.5	(23)%	(6)%
Diluted Earnings per Share	\$1.32	(22)%	(10)%
Return on Average Common Equity ²	10.5%	14.9%	12.2%
Pre-Tax Margin ^{1,2}	26.6%	33.4%	27.1%
Expense to Trust Fee Ratio ²	109%	106%	108%
Assets under Custody / Administration ³ (<i>in billions</i>)	\$13,078	+13%	+8%
Assets under Custody ³ (<i>in billions</i>)	\$10,123	+16%	+9%
Global Custody Assets ³ (<i>in billions</i>)	\$6,537	+18%	+11%
Assets under Management ³ (<i>in billions</i>)	\$1,312	+9%	+4%

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.

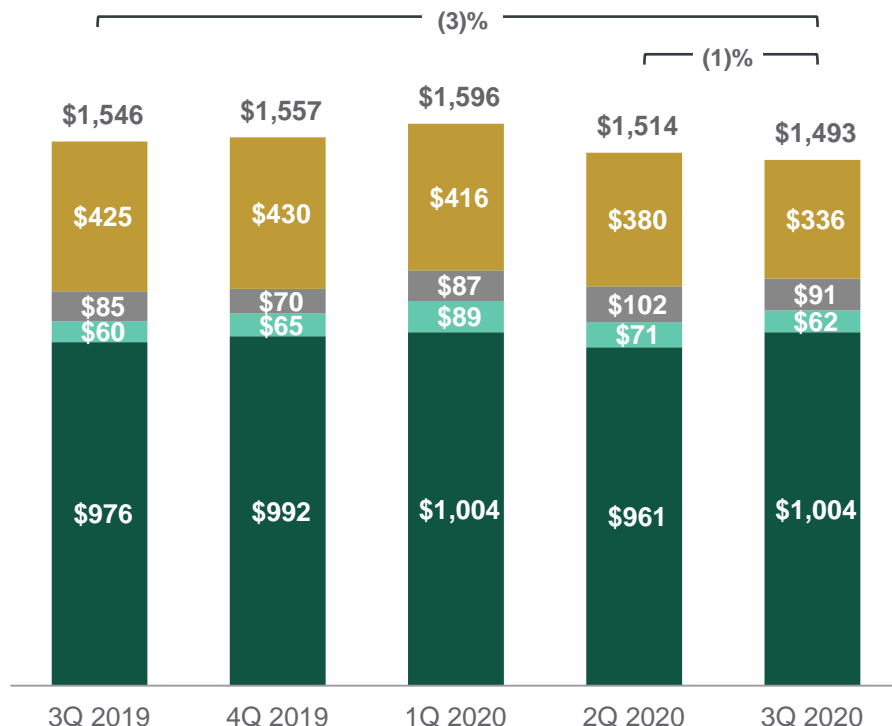
³ Client assets for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

N/M - Not meaningful

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



Trust, Investment and Other Servicing Fees

FX Trading Income

Other Noninterest Income²

Net Interest Income (FTE¹)

- Trust, Investment & Other Servicing Fees were up 3% year-over-year and 4% sequentially.
- Foreign Exchange Trading Income increased 3% year-over-year and decreased 14% sequentially.
- Other Noninterest Income was up 7% year-over-year and down 10% sequentially.
- Net Interest Income (FTE¹) was down 21% year-over-year and 11% 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.

² Other Noninterest Income includes Security Commissions & Trading Income, Treasury Management Fees, Other Operating Income, and Investment Security Gains (Losses)

TRUST, INVESTMENT & OTHER SERVICING FEES

\$ in millions (except as noted)

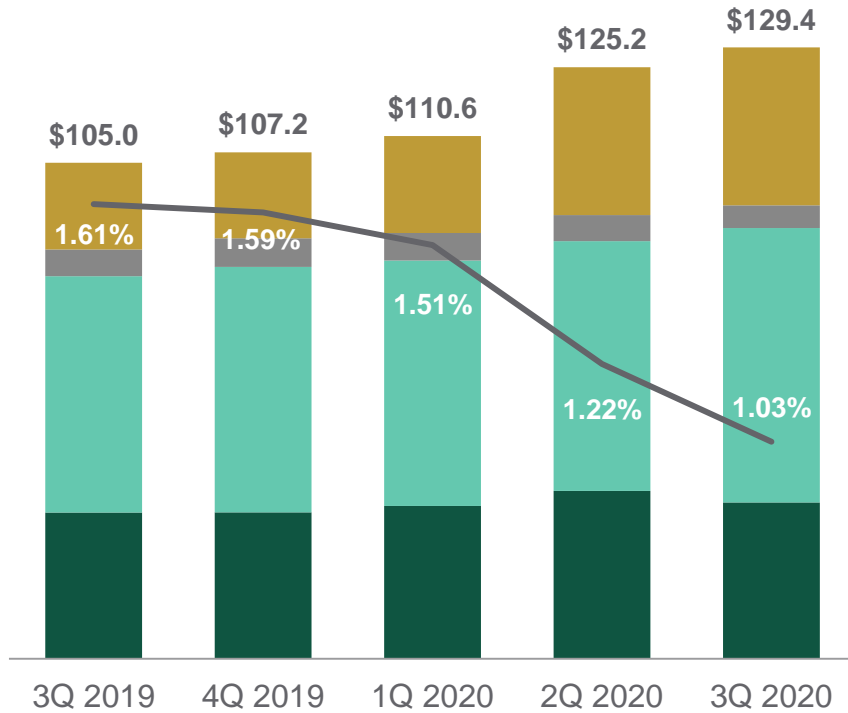
Trust, Investment & Other Servicing Fees	3Q 2020	% Change Vs.	
		3Q 2019	2Q 2020
Custody & Fund Administration	\$395.0	+1%	+5%
Investment Management	136.8	+19%	+7%
Securities Lending	19.7	(2)%	(28)%
Other	33.4	+2%	(2)%
<i>Total Corporate & Institutional Services</i>	\$584.9	+4%	+3%
Central	\$151.1	(4)%	+6%
East	110.9	+4%	+7%
West	84.7	+1%	+6%
Global Family Office	72.2	+6%	+4%
<i>Total Wealth Management</i>	\$418.9	+1%	+6%
<u>Client Assets¹ (in billions):</u>			
C&IS AUC/A	\$12,263	+13%	+8%
C&IS AUC	\$9,312	+16%	+9%
Global Custody Assets	\$6,537	+18%	+11%
C&IS AUM	\$993	+10%	+4%
Securities Lending Collateral	\$173	(3)%	+4%
Wealth Management AUC/A	\$814	+16%	+8%
Wealth Management AUC	\$810	+16%	+8%
Wealth Management AUM	\$319	+6%	+5%

- C&IS Trust, Investment & Other Servicing Fees were up 4% year-over-year and 3% sequentially.
 - Custody & fund administration fees increased year-over-year primarily due to favorable currency translation and new business, partially offset by unfavorable markets. Sequentially, custody & fund administration fees increased primarily due to favorable currency translation and favorable markets.
 - Investment management fees increased year-over-year primarily due to new business. Sequentially, investment management fees increased primarily due to favorable markets.
 - Securities lending fees decreased sequentially primarily due to lower spreads.
- Wealth Management Trust, Investment & Other Servicing Fees were up 1% year-over-year and 6% sequentially. Both increases were primarily due to favorable markets, partially offset by higher money market mutual fund waivers.
- Money market fee waivers totaled \$0.9 million in C&IS and \$4.4 million in Wealth Management in 3Q 2020.

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)



	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020
NII (FTE ¹)	\$425.3	\$430.5	\$416.2	\$379.8	\$336.5

in millions



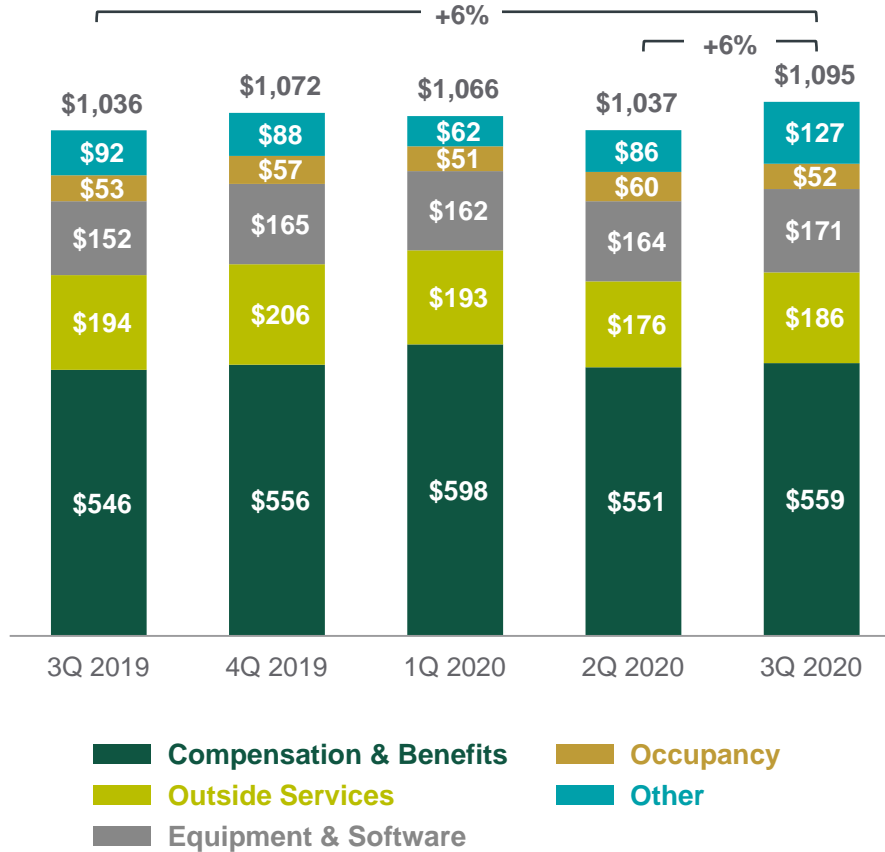
- Net Interest Income (FTE¹) was down 21% year-over-year and 11% sequentially. Net interest margin (FTE¹) was 1.03%.
- Average Earning Assets were up 23% year-over-year and 3% sequentially.
- Average Total Deposits were up 27% year-over-year and 2% sequentially.
- Net Interest Margin decreased 58 basis points versus the prior-year quarter primarily due to lower interest rates and a balance sheet mix shift. Net Interest Margin decreased 19 basis points versus the prior quarter primarily due to declining asset yields as securities and loans repriced to lower interest rates.

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 \$1.1 billion in the third quarter, up 6% both year-over-year and sequentially.
- The year-over-year growth in expenses was primarily driven by increases in other operating expenses, equipment & software related costs, and compensation and benefits, partially offset by favorability in outside services and occupancy.
- The sequential growth in expenses was primarily driven by increases in other operating expenses, outside services, compensation and benefits, and equipment & software related costs, partially offset by a decline in occupancy.
- The current quarter included a \$43.4 million pre-tax charge related to a corporate action processing error.

Categories may not sum due to rounding.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

Common Equity Tier 1	13.9%
Tier 1	15.1%
Total	16.7%
Tier 1 Leverage	7.7%
Supplementary Leverage	8.8%

Standardized Approach

Common Equity Tier 1	13.4%
Tier 1	14.5%
Total	16.5%
Tier 1 Leverage	7.7%

Capital Return

- Declared \$148.4 million in common stock dividends and \$16.2 million in preferred stock dividends.
- On March 16, 2020, the Corporation suspended its open-market share repurchase program.
- On October 20, 2020, the Board of Directors declared a dividend of \$0.70 per share for the fourth 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 September 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				
	3Q20	2Q20	1Q20	4Q19	3Q19
Reported	\$ 1,485.1	\$ 1,506.1	\$ 1,587.7	\$ 1,547.7	\$ 1,537.9
FTE Adj.	\$ 7.9	\$ 7.7	\$ 8.1	\$ 9.7	\$ 7.6
FTE	\$ 1,493.0	\$ 1,513.8	\$ 1,595.8	\$ 1,557.4	\$ 1,545.5

	Net Interest Income				
	3Q20	2Q20	1Q20	4Q19	3Q19
Reported	\$ 328.6	\$ 372.1	\$ 408.1	\$ 420.8	\$ 417.7
FTE Adj.	\$ 7.9	\$ 7.7	\$ 8.1	\$ 9.7	\$ 7.6
FTE	\$ 336.5	\$ 379.8	\$ 416.2	\$ 430.5	\$ 425.3

NIM - Reported	1.01%	1.20%	1.48%	1.56%	1.58%
NIM - FTE	1.03%	1.22%	1.51%	1.59%	1.61%

	Pre-Tax Margin		
	3Q20	2Q20	3Q19
Revenue - Reported	\$ 1,485.1	\$ 1,506.1	\$ 1,537.9
Pre-Tax Income - Reported	\$ 389.9	\$ 403.2	\$ 508.6
FTE Adj.*	\$ 7.9	\$ 7.7	\$ 7.6
Revenue - FTE	\$ 1,493.0	\$ 1,513.8	\$ 1,545.5
Pre-Tax Income - FTE	\$ 397.8	\$ 410.9	\$ 516.2
Pre-Tax Margin - Reported	26.3%	26.8%	33.1%
Pre-Tax Margin - FTE	26.6%	27.1%	33.4%

* 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
Third Quarter 2020 earnings press release, which is available at:*

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