

# Northern Trust Corporation

First Quarter 2021

Quarterly Earnings Review

April 20, 2021



NORTHERN TRUST

# EXECUTIVE SUMMARY

- Net income of \$375.1 million, diluted earnings per common share of \$1.70
- Return on average common equity of 13.7%

## Key Macroeconomic Factors

	1Q21 End of Period		Month Lag <sup>1</sup>		Quarter Lag <sup>2</sup>	
	YoY	Seq	YoY	Seq	YoY	Seq
S&P 500	53.7%	5.8%	19.9%	10.0%	16.3%	11.7%
MSCI EAFE Local	33.7%	6.9%	2.8%	10.0%	(1.4)%	11.1%
1 month Libor (Avg)	(128) bps	(3) bps				
3 month Libor (Avg)	(133) bps	(2) bps				
EUR / USD	(6.6)%	4.1%				
GBP / USD	(10.1)%	(0.9)%				

<sup>1</sup> Month Lag YoY represents the average month-ends of Dec. 2020 – Feb. 2021 vs. Dec. 2019 – Feb. 2020. Month Lag Seq represents the average month-ends of Dec. 2020 – Feb. 2021 vs. Sep. 2020 – Nov 2020.

<sup>2</sup> Quarter Lag YoY represents quarter-end Dec. 2020 vs. Dec. 2019. Quarter Lag Seq represents quarter-end Dec. 2020 vs. Sep. 2020.

# SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

	% Change Vs.		
	1Q 2021	1Q 2020	4Q 2020
Revenue (FTE <sup>1</sup> )	<b>\$1,590.0</b>	-	4%
Noninterest Expense	<b>1,117.5</b>	5%	(3)%
Provision for Credit Losses	<b>(30.0)</b>	N/M	N/M
Net Income	<b>\$375.1</b>	4%	56%
Diluted Earnings per Share	<b>\$1.70</b>	9%	51%
Return on Average Common Equity <sup>2</sup>	<b>13.7%</b>	13.4%	8.8%
Pre-Tax Margin <sup>1,2</sup>	<b>31.6%</b>	29.4%	25.1%
Expense to Trust Fee Ratio <sup>2</sup>	<b>105%</b>	106%	112%
Assets under Custody / Administration <sup>3</sup> ( <i>in billions</i> )	<b>\$14,795</b>	+36%	+2%
Assets under Custody <sup>3</sup> ( <i>in billions</i> )	<b>\$11,534</b>	+40%	+2%
Global Custody Assets <sup>3</sup> ( <i>in billions</i> )	<b>\$7,562</b>	+45%	+2%
Assets under Management <sup>3</sup> ( <i>in billions</i> )	<b>\$1,449</b>	+29%	+3%

<sup>1</sup> 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.

<sup>2</sup> Actual numbers for all periods, not % change.

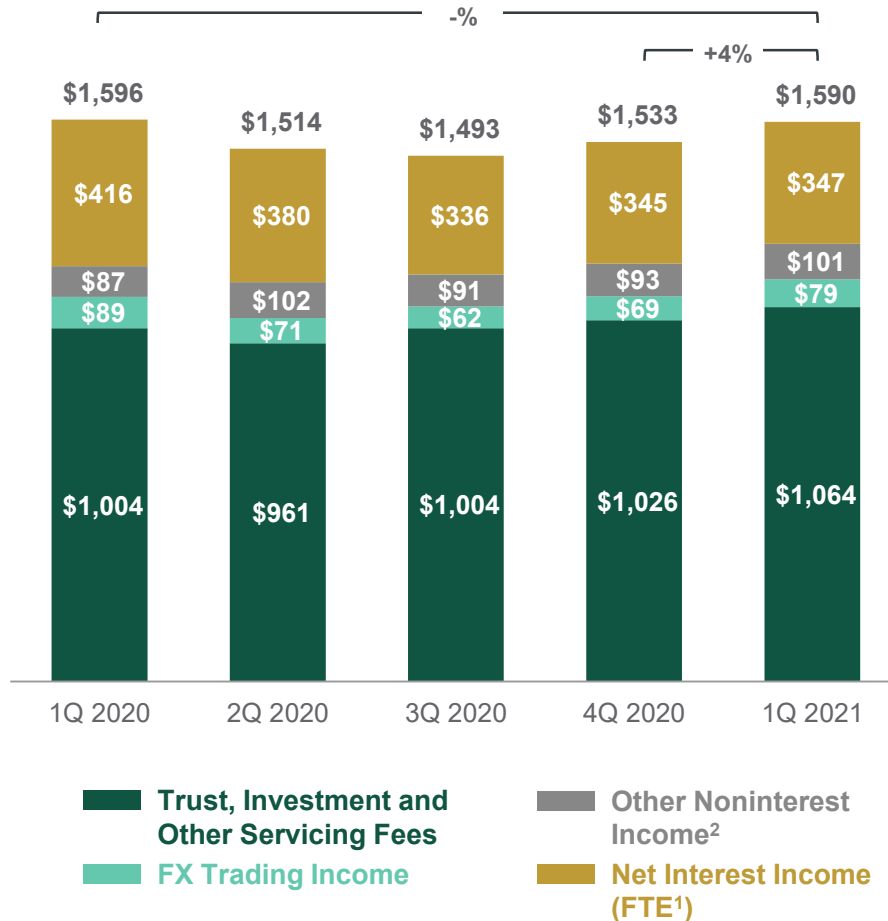
<sup>3</sup> Client assets for the current quarter are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.

N/M - Not meaningful

# TOTAL REVENUE

\$ in millions

## Total Revenue (FTE<sup>1</sup>)



- Trust, Investment and Other Servicing Fees were up 6% year-over-year and 4% sequentially.
- Foreign Exchange Trading Income decreased 12% year-over-year and increased 15% sequentially.
- Other Noninterest Income was up 16% year-over-year and 9% sequentially.
- Net Interest Income (FTE<sup>1</sup>) was down 17% year-over-year and up slightly sequentially.

Categories may not sum due to rounding.

<sup>1</sup> 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.

<sup>2</sup> Other Noninterest Income includes Security Commissions and Trading Income, Treasury Management Fees, Other Operating Income, and Investment Security Gains (Losses), net

# TRUST, INVESTMENT & OTHER SERVICING FEES

\$ in millions (except as noted)

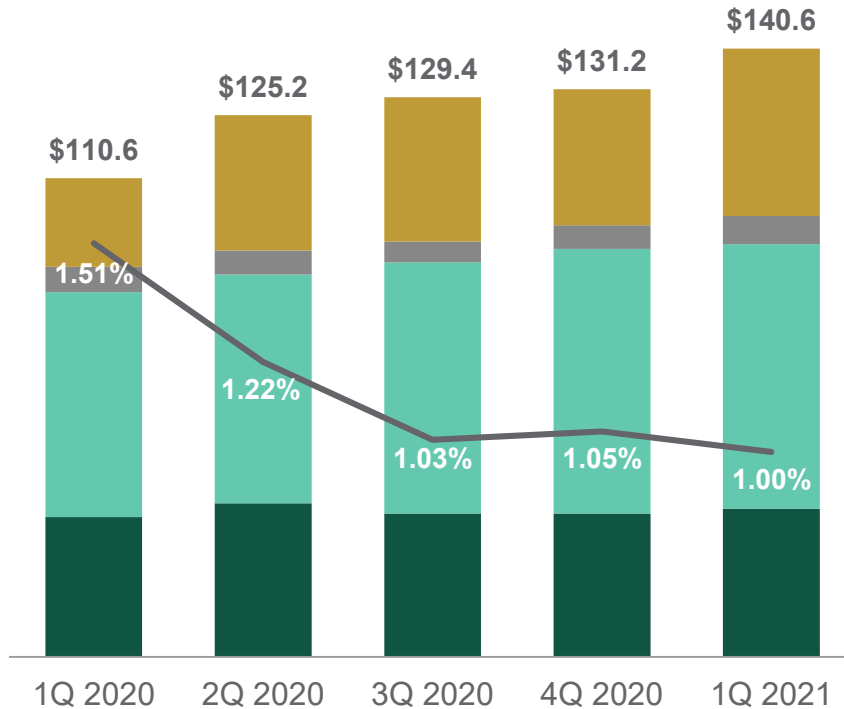
Trust, Investment & Other Servicing Fees	1Q 2021	% Change Vs.	
		1Q 2020	4Q 2020
Custody & Fund Administration	\$446.0	+13%	+6%
Investment Management	115.9	(4)%	(7)%
Securities Lending	18.2	(22)%	+4%
Other	40.4	+14%	+21%
<i>Total Corporate &amp; Institutional Services</i>	<b>\$620.5</b>	+8%	+4%
Central	\$164.2	+3%	+6%
East	119.0	+7%	+3%
West	90.8	+4%	+5%
Global Family Office	69.2	(3)%	(6)%
<i>Total Wealth Management</i>	<b>\$443.2</b>	+3%	+3%
<u>Client Assets<sup>1</sup> (in billions):</u>			
C&IS AUC/A	\$13,876	+36%	+2%
C&IS AUC	\$10,618	+39%	+2%
Global Custody Assets	\$7,562	+45%	+2%
C&IS AUM	\$1,094	+30%	+3%
Securities Lending Collateral	\$201	+20%	+8%
Wealth Management AUC/A	\$919	+44%	+4%
Wealth Management AUC	\$916	+45%	+5%
Wealth Management AUM	\$355	+28%	+2%

- C&IS Trust, Investment & Other Servicing Fees were up 8% year-over-year and 4% sequentially.
  - Custody & fund administration fees increased year-over-year primarily due to new business, favorable currency translation and higher transaction volumes. Sequentially, custody & fund administration fees increased primarily due to favorable markets, new business and favorable currency translation.
  - Investment management fees decreased year-over-year primarily due to money market mutual fund fee waivers, partially offset by new business and favorable markets. Sequentially, investment management fees decreased primarily due to higher money market mutual fund fee waivers, partially offset by favorable markets.
  - Securities lending fees decreased year-over-year primarily due to lower spreads.
  - Other fees increased sequentially primarily due to higher fees associated with seasonal benefit payment services in the current quarter.
- Wealth Management Trust, Investment & Other Servicing Fees were up 3% year-over-year and sequentially.
  - The regions (Central, East and West) increased year-over-year and sequentially due to favorable markets, partially offset by higher money market mutual fund fee waivers.
  - GFO decreased year-over-year and sequentially primarily due to higher money market mutual fund fee waivers, partially offset by favorable markets.
- Money market mutual fund fee waivers totaled \$28.0 million in C&IS and \$22.2 million in Wealth Management in 1Q 2021.

<sup>1</sup> 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)



	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021
NII (FTE <sup>1</sup> )	\$416.2	\$379.8	\$336.5	\$345.1	\$346.7

in millions



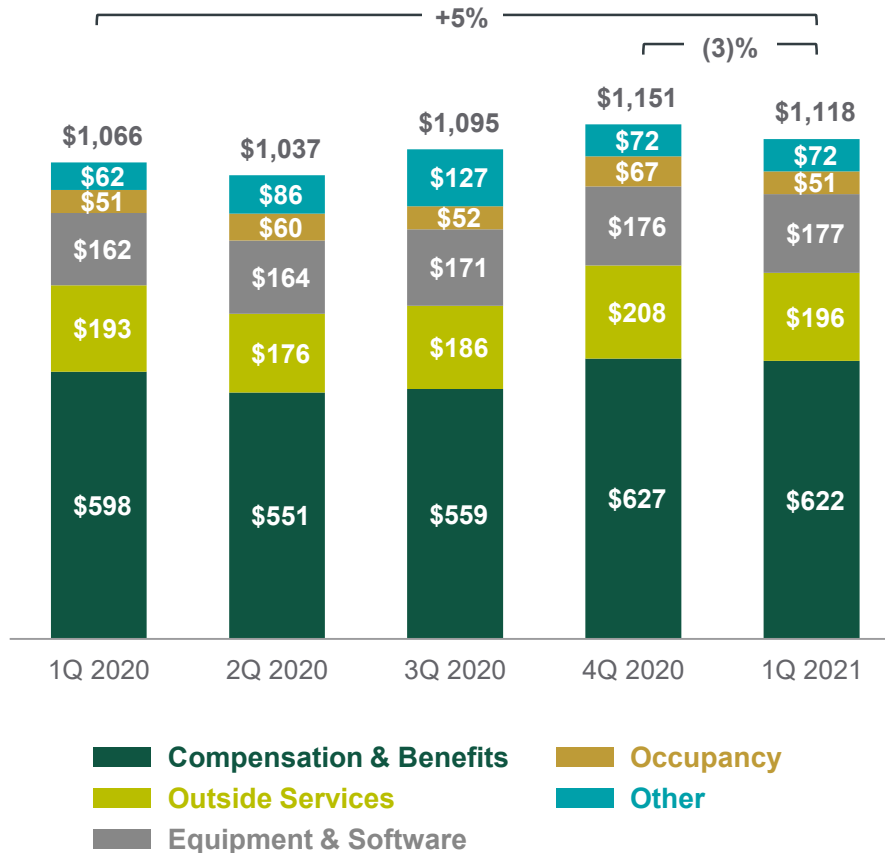
- Net Interest Income (FTE<sup>1</sup>) was down 17% year-over-year and up slightly sequentially. Net interest margin (FTE<sup>1</sup>) was 1.00%.
- Average Earning Assets were up 27% year-over-year and 7% sequentially.
- Average Total Deposits were up 33% year-over-year and 10% sequentially.
- Net Interest Margin decreased 51 basis points versus the prior-year quarter primarily due to lower interest rates and a balance sheet mix shift. Net Interest Margin decreased 5 basis points versus the prior quarter primarily due to a balance sheet mix shift and lower interest rates.

<sup>1</sup> 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 first quarter, up 5% year-over-year and down 3% sequentially.
- The year-over-year growth in expenses was primarily driven by increases in compensation and benefits, equipment & software related costs, other operating expenses, and outside services, partially offset by favorability in occupancy.
- The sequential decline in expenses was primarily driven by decreases in occupancy, outside services, compensation and benefits, and other operating expenses, partially offset by a slight increase in equipment & software related costs.

Categories may not sum due to rounding.

# CAPITAL

## Northern Trust Corporation Capital Ratios

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### *Advanced Approach*

Common Equity Tier 1	12.8%
Tier 1	14.0%
Total	15.2%
Tier 1 Leverage	6.9%
Supplementary Leverage	8.1%

### *Standardized Approach*

Common Equity Tier 1	12.0%
Tier 1	13.0%
Total	14.5%
Tier 1 Leverage	6.9%

- Stress Capital Buffer requirement of 2.5%; resulting in minimum Common Equity Tier 1 requirement of 7%.

## Capital Return

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- Declared \$151.0 million in common stock dividends and \$16.2 million in preferred stock dividends.
- Repurchased \$135.6 million of common stock in 1Q 2021.



# Appendix



NORTHERN TRUST

# 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				
	1Q21	4Q20	3Q20	2Q20	1Q20
Reported	\$ 1,583.4	\$ 1,521.9	\$ 1,485.1	\$ 1,506.1	\$ 1,587.7
FTE Adj.	\$ 6.6	\$ 10.7	\$ 7.9	\$ 7.7	\$ 8.1
FTE	\$ 1,590.0	\$ 1,532.6	\$ 1,493.0	\$ 1,513.8	\$ 1,595.8

	Net Interest Income				
	1Q21	4Q20	3Q20	2Q20	1Q20
Reported	\$ 340.1	\$ 334.4	\$ 328.6	\$ 372.1	\$ 408.1
FTE Adj.	\$ 6.6	\$ 10.7	\$ 7.9	\$ 7.7	\$ 8.1
FTE	\$ 346.7	\$ 345.1	\$ 336.5	\$ 379.8	\$ 416.2

NIM - Reported	0.98%	1.01%	1.01%	1.20%	1.48%
NIM - FTE	1.00%	1.05%	1.03%	1.22%	1.51%

	Pre-Tax Margin		
	1Q21	4Q20	1Q20
Revenue - Reported	\$ 1,583.4	\$ 1,521.9	\$ 1,587.7
Pre-Tax Income - Reported	\$ 495.9	\$ 373.4	\$ 461.1
FTE Adj.*	\$ 6.6	\$ 10.7	\$ 8.1
Revenue - FTE	\$ 1,590.0	\$ 1,532.6	\$ 1,595.8
Pre-Tax Income - FTE	\$ 502.5	\$ 384.1	\$ 469.2
Pre-Tax Margin - Reported	31.3%	24.5%	29.0%
Pre-Tax Margin - FTE	31.6%	25.1%	29.4%

\* 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 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-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.

*This presentation should be reviewed together with Northern Trust Corporation’s  
First Quarter 2021 earnings press release, which is available at:*

*[www.northerntrust.com/about-us/investor-relations](http://www.northerntrust.com/about-us/investor-relations)*