

Northern Trust Corporation

Third Quarter 2021

Quarterly Earnings Review

October 20, 2021



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$395.7 million, diluted earnings per common share of \$1.80
- Return on average common equity of 13.7%

Key Macroeconomic Factors

	3Q21 End of Period		Month Lag ¹		Quarter Lag ²	
	YoY	Seq	YoY	Seq	YoY	Seq
S&P 500	28.1%	0.2%	33.9%	6.9%	38.6%	8.2%
MSCI EAFE Local	24.4%	0.7%	25.4%	3.4%	24.3%	4.0%
1 month Libor (Avg)	(7) bps	(1) bps				
3 month Libor (Avg)	(13) bps	(3) bps				
EUR / USD	1.2%	2.3%				
GBP / USD	(4.1)%	2.5%				

¹ Month Lag YoY represents the average month-ends of Jun. 2021 – Aug. 2021 vs. Jun. 2020 – Aug. 2020. Month Lag Seq represents the average month-ends of Jun. 2021 – Aug. 2021 vs. Mar. 2021 – May 2021.

² Quarter Lag YoY represents quarter-end Jun. 2021 vs. Jun. 2020. Quarter Lag Seq represents quarter-end Jun. 2021 vs. Mar. 2021.

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

	% Change Vs.		
	3Q 2021	3Q 2020	2Q 2021
Revenue (FTE ¹)	\$1,644.5	10%	4%
Noninterest Expense	1,128.7	3%	1%
Provision for Credit Losses	(13.0)	N/M	N/M
Net Income	\$395.7	34%	7%
Diluted Earnings per Share	\$1.80	37%	5%
Return on Average Common Equity ²	13.7%	10.5%	13.7%
Pre-Tax Margin ^{1,2}	32.2%	26.6%	31.1%
Expense to Trust Fee Ratio ²	102%	109%	104%
Assets under Custody / Administration ³ (<i>in billions</i>)	\$15,776	+21%	—
Assets under Custody ³ (<i>in billions</i>)	\$12,247	+21%	—
Global Custody Assets ³ (<i>in billions</i>)	\$8,069	+23%	—
Assets under Management ³ (<i>in billions</i>)	\$1,532	+17%	—

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.

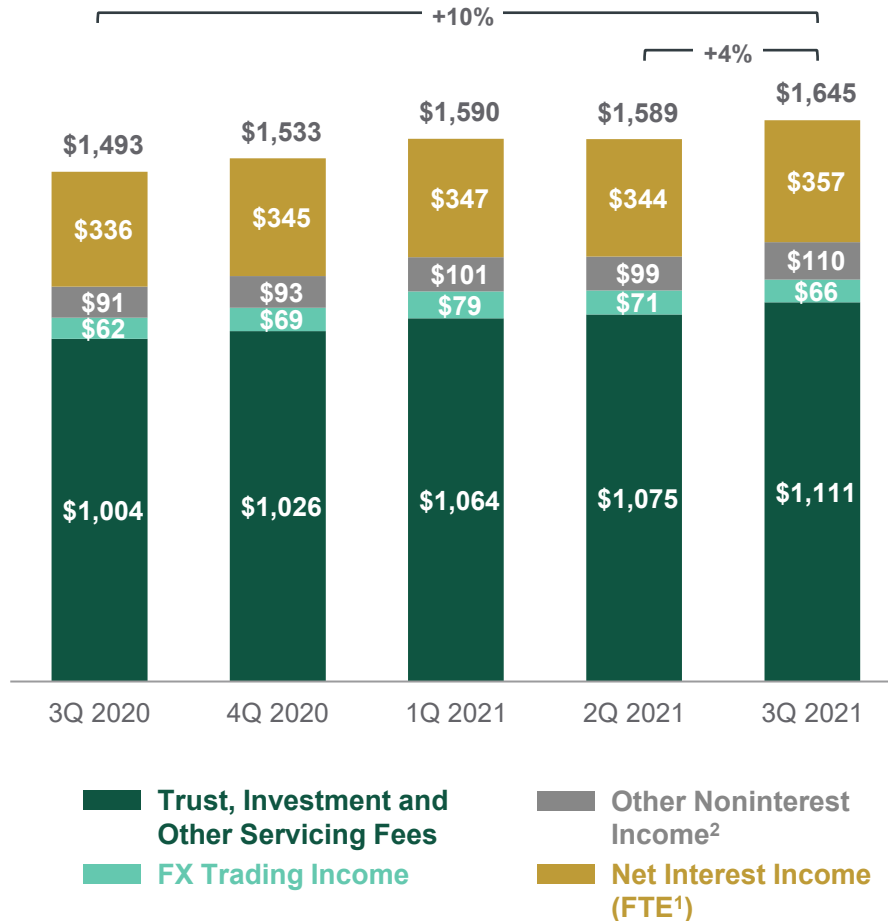
³ Client assets for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

N/M - Not meaningful

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 11% year-over-year and 3% sequentially.
- Foreign Exchange Trading Income was up 8% year-over-year and decreased 6% sequentially.
- Other Noninterest Income was up 21% year-over-year and 11% sequentially.
- Net Interest Income (FTE¹) was up 6% year-over-year and 4% 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 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)

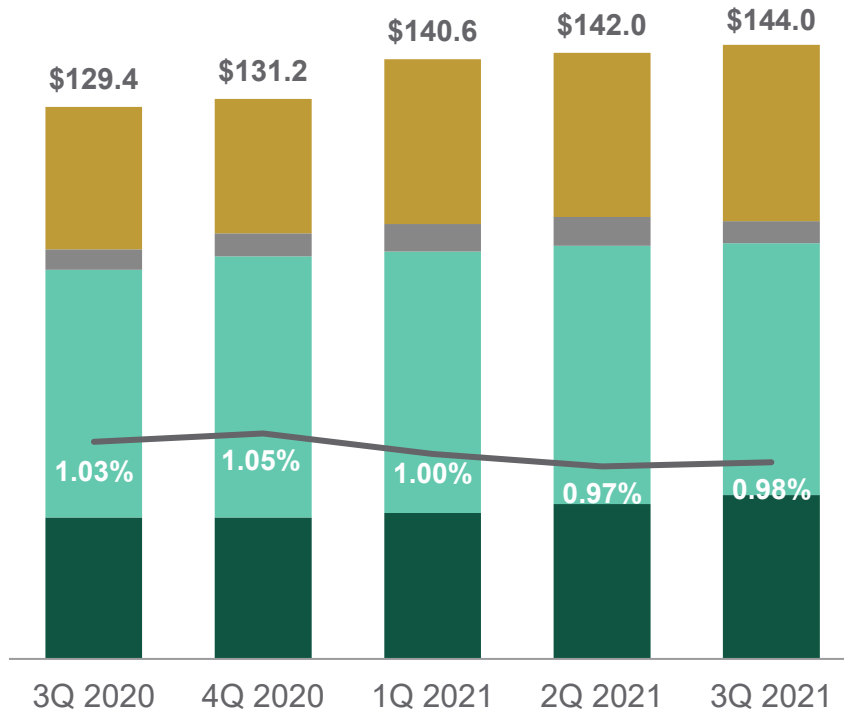
Trust, Investment & Other Servicing Fees	3Q 2021	% Change Vs.	
		3Q 2020	2Q 2021
Custody & Fund Administration	\$460.2	+17%	+1%
Investment Management	113.6	(17)%	+13%
Securities Lending	20.2	+2%	+3%
Other	36.2	+8%	—
<i>Total Corporate & Institutional Services</i>	\$630.2	+8%	+3%
Central	\$178.8	+18%	+3%
East	130.2	+17%	+2%
West	97.0	+15%	+3%
Global Family Office (GFO)	74.8	+4%	+9%
<i>Total Wealth Management</i>	\$480.8	+15%	+4%
<u>Client Assets¹ (in billions):</u>			
C&IS AUC/A	\$14,800	+21%	—
C&IS AUC	\$11,284	+21%	—
Global Custody Assets	\$8,069	+23%	—
C&IS AUM	\$1,160	+17%	(1)%
Securities Lending Collateral	\$208	+20%	+4%
Wealth Management AUC/A	\$976	+20%	—
Wealth Management AUC	\$963	+19%	—
Wealth Management AUM	\$373	+17%	—

- C&IS Trust, Investment & Other Servicing Fees were up 8% year-over-year and 3% sequentially.
 - Custody & fund administration fees increased year-over-year primarily due to favorable markets and new business. Sequentially, custody & fund administration fees increased primarily due to favorable markets and new business, partially offset by unfavorable currency translation and lower transaction volumes.
 - Investment management fees decreased year-over-year primarily due to higher money market mutual fund fee waivers, partially offset by favorable markets and new business. Sequentially, investment management fees increased primarily due to new business and favorable markets.
- Wealth Management Trust, Investment & Other Servicing Fees were up 15% year-over-year and 4% sequentially.
 - Fees in the regions (Central, East and West) increased year-over-year primarily due to favorable markets and new business, partially offset by higher money market mutual fund fee waivers. Sequentially, fees in the regions increased primarily due to favorable markets.
 - Fees in GFO increased year-over-year primarily due to favorable markets and new business, partially offset by higher money market mutual fund fee waivers. Sequentially, fees in GFO increased primarily due to new business, favorable markets and lower money market mutual fund fee waivers.
- Money market mutual fund fee waivers totaled \$49.9 million in C&IS and \$26.7 million in Wealth Management in 3Q 2021.

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 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
NII (FTE¹)	\$ 336.5	\$ 345.1	\$ 346.7	\$ 343.9	\$ 357.1

in millions



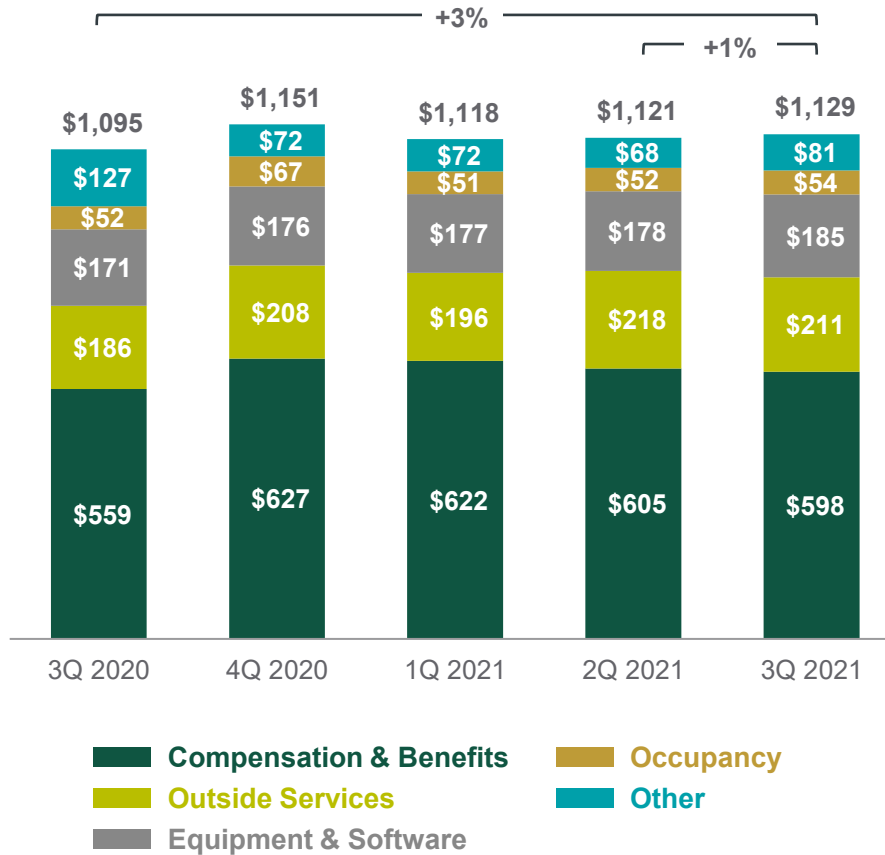
- Net Interest Income (FTE¹) was up 6% year-over-year and 4% sequentially. Net interest margin (FTE¹) was 0.98%.
- Average Earning Assets were up 11% year-over-year and 1% sequentially.
- Average Total Deposits were up 15% year-over-year and 1% sequentially.
- Net Interest Margin decreased 5 basis points from the prior-year quarter primarily due to lower average interest rates, partially offset by favorable balance sheet volume and mix shift. Net Interest Margin increased 1 basis point versus the prior quarter primarily due to favorable balance sheet volume and mix shift, partially offset by lower average 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 3% year-over-year and 1% sequentially.
- The year-over-year growth in expenses was primarily driven by increases in compensation and benefits, outside services, equipment & software related costs, and occupancy, partially offset by favorability in other operating expenses.
- The sequential expense performance was primarily driven by increases in other operating expenses, equipment & software related costs, occupancy, and compensation, partially offset by decreases in employee benefits and outside services.

Categories may not sum due to rounding.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

Common Equity Tier 1	13.0%
Tier 1	14.1%
Total	15.4%
Tier 1 Leverage	7.1%
Supplementary Leverage	8.4%

Standardized Approach

Common Equity Tier 1	11.9%
Tier 1	12.9%
Total	14.3%
Tier 1 Leverage	7.1%

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

Capital Return

- Declared \$148.0 million in common stock dividends and \$16.2 million in preferred stock dividends in 3Q 2021.
- Repurchased \$100.0 million of common stock in 3Q 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				
	3Q21	2Q21	1Q21	4Q20	3Q20
Reported	\$ 1,633.8	\$ 1,580.3	\$ 1,583.4	\$ 1,521.9	\$ 1,485.1
FTE Adj.	\$ 10.7	\$ 8.3	\$ 6.6	\$ 10.7	\$ 7.9
FTE	\$ 1,644.5	\$ 1,588.6	\$ 1,590.0	\$ 1,532.6	\$ 1,493.0

	Net Interest Income				
	3Q21	2Q21	1Q21	4Q20	3Q20
Reported	\$ 346.4	\$ 335.6	\$ 340.1	\$ 334.4	\$ 328.6
FTE Adj.	\$ 10.7	\$ 8.3	\$ 6.6	\$ 10.7	\$ 7.9
FTE	\$ 357.1	\$ 343.9	\$ 346.7	\$ 345.1	\$ 336.5

NIM - Reported	0.95%	0.95%	0.98%	1.01%	1.01%
NIM - FTE	0.98%	0.97%	1.00%	1.05%	1.03%

	Pre-Tax Margin		
	3Q21	2Q21	3Q20
Revenue - Reported	\$ 1,633.8	\$ 1,580.3	\$ 1,485.1
Pre-Tax Income - Reported	\$ 518.1	\$ 486.5	\$ 389.9
FTE Adj.*	\$ 10.7	\$ 8.3	\$ 7.9
Revenue - FTE	\$ 1,644.5	\$ 1,588.6	\$ 1,493.0
Pre-Tax Income - FTE	\$ 528.8	\$ 494.8	\$ 397.8
Pre-Tax Margin - Reported	31.7%	30.8%	26.3%
Pre-Tax Margin - FTE	32.2%	31.1%	26.6%

* 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
Third Quarter 2021 earnings press release, which is available at:*

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