



Northern Trust Corporation

Third Quarter 2022
Quarterly Earnings Review

October 19, 2022



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$394.8 million, earnings per diluted common share of \$1.80.
- Return on average common equity of 14.9%.
- The current quarter included:
 - *Pre-tax pension settlement charge of \$17.0 million in the current year, compared to \$6.9 million in the prior year.*
 - *Results for the quarter included the impact of certain accounting reclassifications implemented at the start of 2022 which impact the year-over-year comparisons. For the current quarter, this resulted in a \$15.6 million increase to Trust, Investment and Other Servicing Fees, with:*
 - *\$6.2 million (\$3.2 million in Other Asset Servicing fees and \$3.0 million in Wealth Management) relating to amounts previously recorded in Other Operating Income in the prior year*
 - *\$9.4 million relating to amounts previously recorded as a reduction in Other Operating Expense in the prior year now reported in Asset Servicing Investment Management fees.*

| Key Macroeconomic Factors | | | Month Lag ¹ | | Quarter Lag ² | |
|---------------------------|---------|---------|------------------------|--------|--------------------------|---------|
| | YoY | Seq | YoY | Seq | YoY | Seq |
| S&P 500 | (16.8)% | (9.3)% | (10.2)% | (7.2)% | (11.9)% | (16.4)% |
| MSCI EAFE Local | (13.5)% | (6.6)% | (7.5)% | (5.1)% | (9.0)% | (8.8)% |
| 1 month Libor (Avg) | 238 bps | 146 bps | | | | |
| 3 month Libor (Avg) | 287 bps | 147 bps | | | | |
| EUR / USD | 18.3% | 6.7% | | | | |
| GBP / USD | 20.8% | 8.8% | | | | |

¹ Month Lag YoY represents the average month-ends of Jun. 2022 – Aug. 2022 vs. Jun. 2021 – Aug. 2021. Month Lag Seq represents the average month-ends of Jun. 2022 – Aug. 2022 vs. Mar. 2022 – May. 2022.

² Quarter Lag YoY represents quarter-end Jun. 2022 vs. Jun. 2021. Quarter Lag Seq represents quarter-end Jun. 2022 vs. Mar. 2022.

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

| | 3Q 2022 | % Change Vs. | |
|---|------------------|--------------|---------|
| | | 3Q 2021 | 2Q 2022 |
| Revenue (FTE ¹) | \$1,767.1 | 7% | (1%) |
| Noninterest Expense | 1,229.8 | 9% | 1% |
| Provision for Credit Losses | 0.5 | N/M | N/M |
| Net Income | \$394.8 | 0% | 0% |
| Diluted Earnings per Share | \$1.80 | 0% | (3%) |
| Return on Average Common Equity ² | 14.9% | 13.7% | 15.7% |
| Pre-Tax Margin ^{1,2} | 30.4% | 32.2% | 31.0% |
| Expense to Trust Fee Ratio ² | 114% | 102% | 107% |
| Assets under Custody / Administration ³ (<i>in billions</i>) | \$12,822 | (19)% | (7)% |
| Assets under Custody ³ (<i>in billions</i>) | \$9,986 | (18)% | (7)% |
| Assets under Management ³ (<i>in billions</i>) | \$1,210 | (21)% | (7)% |

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.

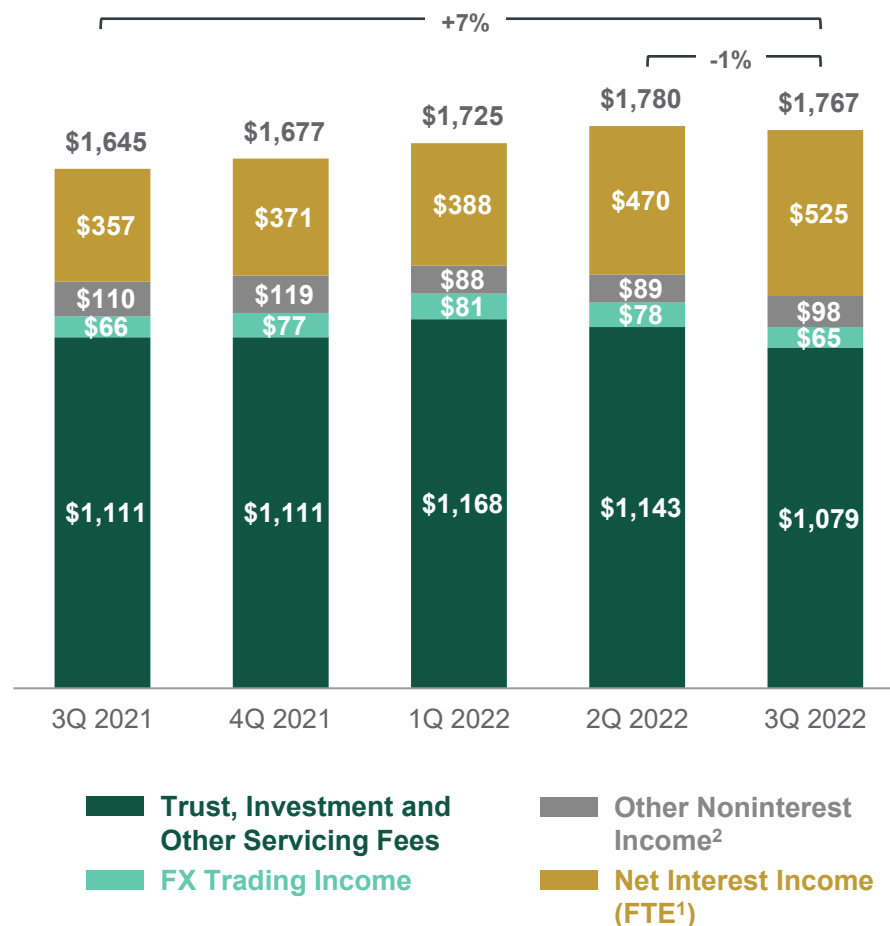
³ Client assets for the current quarter are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

N/M - Not meaningful

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment & Other Servicing Fees were down 3% year-over-year and down 6% sequentially.
- Foreign Exchange Trading Income was down 3% year-over-year and down 17% sequentially.
- Other Noninterest Income was down 11% year-over-year and up 11% sequentially.
- Net Interest Income (FTE¹) was up 47% year-over-year and up 12% 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
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TRUST, INVESTMENT & OTHER SERVICING FEES

\$ in millions (except as noted)

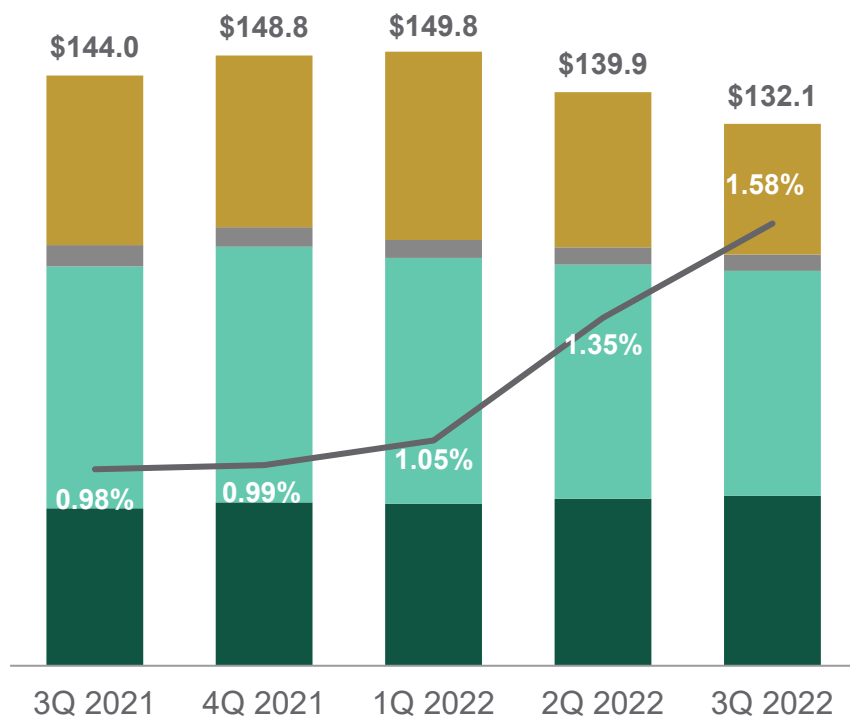
| Trust, Investment & Other Servicing Fees | 3Q 2022 | % Change Vs. | |
|---|----------------|--------------|---------|
| | | 3Q 2021 | 2Q 2022 |
| Custody & Fund Administration | \$407.3 | (12)% | (6)% |
| Investment Management | 136.0 | +20% | (8)% |
| Securities Lending | 21.7 | +8% | +1% |
| Other | 38.2 | +6% | (2)% |
| <i>Total Asset Servicing</i> | \$603.2 | (4)% | (6)% |
| Central | \$171.3 | (4)% | (3)% |
| East | 124.1 | (5)% | (3)% |
| West | 92.5 | (5)% | (6)% |
| Global Family Office (GFO) | 87.6 | +17% | (9)% |
| <i>Total Wealth Management</i> | \$475.5 | (1)% | (5)% |
| <u>Client Assets¹ (in billions):</u> | | | |
| Asset Servicing AUC/A | \$11,954 | (19)% | (7)% |
| Asset Servicing AUC | \$9,126 | (19)% | (7)% |
| Asset Servicing AUM | \$874 | (25)% | (8)% |
| Securities Lending Collateral | \$162 | (22)% | (4)% |
| Wealth Management AUC/A | \$868 | (11)% | (6)% |
| Wealth Management AUC | \$861 | (11)% | (6)% |
| Wealth Management AUM | \$336 | (10)% | (5)% |

- Asset Servicing Trust, Investment & Other Servicing Fees were down 4% year-over-year and down 6% sequentially.
 - Custody and fund administration fees decreased sequentially primarily due to unfavorable markets, unfavorable currency translation and lower transaction volumes. Custody and fund administration fees decreased from the prior-year quarter primarily due to unfavorable currency translation and unfavorable markets, partially offset by new business.
 - Investment management fees decreased sequentially primarily due to unfavorable markets and asset outflows. Investment management fees increased from the prior-year quarter primarily due to lower money market fund fee waivers and the accounting reclassification previously discussed, partially offset by asset outflows and unfavorable markets.
- Wealth Management Trust, Investment & Other Servicing Fees were down 1% year-over-year and down 5% sequentially.
 - Fees in the regions (Central, East and West) decreased sequentially primarily due to unfavorable markets. Fees in the regions decreased from the prior-year quarter primarily due to unfavorable markets, partially offset by lower money market fund fee waivers.
 - Fees in GFO decreased sequentially primarily due to unfavorable markets. Fees in GFO increased from the prior-year quarter primarily due to lower money market fund fee waivers and new business, partially offset by unfavorable 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 up 47% year-over-year and up 12% sequentially. Net interest margin (FTE¹) was 1.58%.
- Average Earning Assets were down 8% year-over-year and down 6% sequentially.
- Average Total Deposits were down 9% year-over-year and down 8% sequentially.
- Net Interest Margin increased 60 basis points from the prior-year quarter and increased 23 basis points sequentially. The prior-year quarter increase was primarily due to higher average interest rates and a favorable balance sheet mix shift. The sequential increase was primarily due to higher average interest rates.

| | 3Q 2021 | 4Q 2021 | 1Q 2022 | 2Q 2022 | 3Q 2022 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| NII (FTE¹) | \$ 357.1 | \$ 370.6 | \$ 387.7 | \$ 469.8 | \$ 525.3 |

in millions

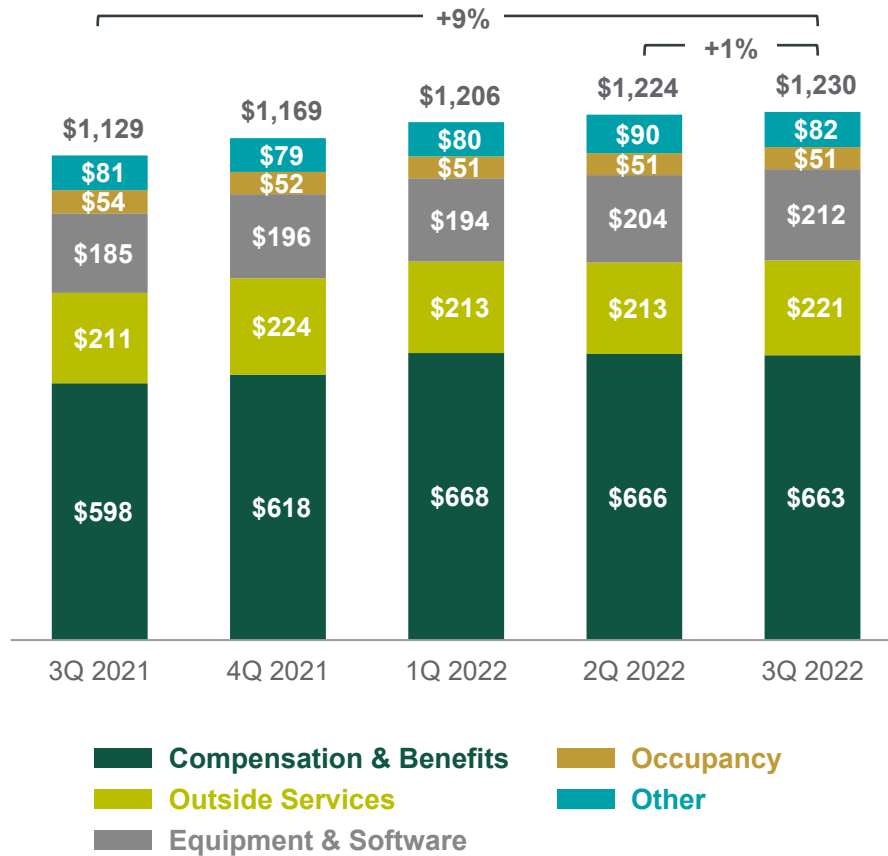


¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 10.

NONINTEREST EXPENSE

\$ in millions

Total Noninterest Expense



- Expenses totaled \$1.2 billion in the third quarter, up 9% year-over-year and up 1% sequentially.
- The year-over-year growth in expenses was primarily driven by increases in compensation, and equipment and software related costs.
- The sequential expense increase was primarily driven by increases in equipment and software, outside services and compensation, partially offset by decreases in employee benefits and other operating expense.

Categories may not sum due to rounding.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

| | |
|------------------------|-------|
| Common Equity Tier 1 | 11.4% |
| Tier 1 | 12.5% |
| Total | 13.5% |
| Tier 1 Leverage | 7.0% |
| Supplementary Leverage | 7.7% |

Standardized Approach

| | |
|----------------------|-------|
| Common Equity Tier 1 | 10.1% |
| Tier 1 | 11.1% |
| Total | 12.2% |
| Tier 1 Leverage | 7.0% |

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

Capital Return

- Increased quarterly cash dividend on common stock by \$0.05 or 7%, to \$0.75 per share.
- Declared \$158.4 million in common stock dividends and \$16.2 million in preferred stock dividends in 3Q 2022.
- Repurchased \$1.1 million of common stock in 3Q 2022.
- Accumulated other comprehensive income (loss) was (\$1.8 billion) as of September 30, 2022, a change of (\$0.3 billion) during the third quarter.



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 | | | | |
|----------|------------|------------|------------|------------|------------|
| | 3Q22 | 2Q22 | 1Q22 | 4Q21 | 3Q21 |
| Reported | \$ 1,754.8 | \$ 1,768.7 | \$ 1,718.7 | \$ 1,667.0 | \$ 1,633.8 |
| FTE Adj. | \$ 12.3 | \$ 11.1 | \$ 6.7 | \$ 10.0 | \$ 10.7 |
| FTE | \$ 1,767.1 | \$ 1,779.8 | \$ 1,725.4 | \$ 1,677.0 | \$ 1,644.5 |

| | Net Interest Income | | | | |
|----------|---------------------|----------|----------|----------|----------|
| | 3Q22 | 2Q22 | 1Q22 | 4Q21 | 3Q21 |
| Reported | \$ 513.0 | \$ 458.7 | \$ 381.0 | \$ 360.6 | \$ 346.4 |
| FTE Adj. | \$ 12.3 | \$ 11.1 | \$ 6.7 | \$ 10.0 | \$ 10.7 |
| FTE | \$ 525.3 | \$ 469.8 | \$ 387.7 | \$ 370.6 | \$ 357.1 |

| | | | | | |
|----------------|-------|-------|-------|-------|-------|
| NIM - Reported | 1.54% | 1.31% | 1.03% | 0.96% | 0.95% |
| NIM - FTE | 1.58% | 1.35% | 1.05% | 0.99% | 0.98% |

| | Pre-Tax Margin | | |
|---------------------------|----------------|------------|------------|
| | 3Q22 | 2Q22 | 3Q21 |
| Revenue - Reported | \$ 1,754.8 | \$ 1,768.7 | \$ 1,633.8 |
| Pre-Tax Income - Reported | \$ 524.5 | \$ 540.6 | \$ 518.1 |
| FTE Adj.* | \$ 12.3 | \$ 11.1 | \$ 10.7 |
| Revenue - FTE | \$ 1,767.1 | \$ 1,779.8 | \$ 1,644.5 |
| Pre-Tax Income - FTE | \$ 536.8 | \$ 551.7 | \$ 528.8 |
| Pre-Tax Margin - Reported | 29.9% | 30.6% | 31.7% |
| Pre-Tax Margin - FTE | 30.4% | 31.0% | 32.2% |

* 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. 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 2022 earnings press release, which is available at:*

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