

FINANCIAL HIGHLIGHTS



	2022	2021	PERCENT CHANGE ¹
For the year ended December 31 (\$ in millions)			
Revenues (Fully Taxable Equivalent Basis ²)	\$ 6,806.8	\$ 6,500.1	5%
Net Income	1,336.0	1,545.3	(14)
Dividends Declared on Common Stock	613.0	593.9	3
Dividends Declared on Preferred Stock	41.8	41.8	—
Per Common Share			
Net Income — Basic	\$ 6.16	\$ 7.16	(14)%
Net Income — Diluted	6.14	7.14	(14)
Cash Dividends Declared per Common Share	2.90	2.80	4
Book Value — End of Period	49.78	53.58	(7)
Market Value — End of Period	88.49	119.61	(26)
At Year-End (\$ in millions)			
Earning Assets	\$ 142,484.7	\$ 172,276.0	(17)%
Total Assets	155,036.7	183,889.8	(16)
Deposits	123,932.1	159,928.4	(23)
Stockholders' Equity	11,259.5	12,016.8	(6)
Average Balances (\$ in millions)			
Earning Assets	\$ 138,839.0	\$ 143,873.0	(3)%
Total Assets	152,551.9	156,363.2	(2)
Deposits	125,592.4	130,083.1	(3)
Stockholders' Equity	11,081.4	11,697.0	(5)
Client Assets at Year-End (\$ in billions)			
Assets Under Custody / Administration	\$ 13,604.0	\$ 16,248.8	(16)%
Assets Under Custody	10,604.6	12,612.3	(16)
Assets Under Management	1,249.5	1,607.1	(22)
Financial Ratios and Metrics			
Return on Average Common Equity	12.7%	13.9%	
Return on Average Assets	0.88	0.99	
Dividend Payout Ratio	47.2	39.2	
Net Interest Margin (Fully Taxable Equivalent Basis ²)	1.39	0.99	

CAPITAL RATIOS	DECEMBER 31, 2022		DECEMBER 31, 2021	
	Standardized Approach	Advanced Approach	Standardized Approach	Advanced Approach
Common Equity Tier 1 Capital	10.8%	11.5%	11.9%	13.2%
Tier 1 Capital	11.8	12.5	12.9	14.3
Total Capital	13.9	14.5	14.1	15.3
Tier 1 Leverage	7.1	7.1	6.9	6.9
Supplementary Leverage	N/A	7.9	N/A	8.2

¹ Percentage change calculations are based on actual balances rather than the rounded amounts presented.

² Revenues and net interest margin are presented on a fully taxable equivalent basis, a non-generally accepted accounting principle financial measure that facilitates the analysis of asset yields. A reconciliation of revenues and net interest margin on a GAAP basis to revenue and net interest margin on an FTE basis is provided [here](#).

Note:

FY 2022 revenue includes \$213.0 million of pre-tax investment securities losses recorded in Investment Security Gains (Losses), net, related to the intent to sell certain available-for-sale debt securities which were sold in January, 2023. FY 2022 expenses include \$44.1 million of pre-tax pension settlement charges, \$32.0 million of pre-tax severance-related charges and \$14.0 million of pre-tax occupancy charges.

FY 2021 revenue includes \$13.0 million of pre-tax gains relating to property sales recorded in Other Operating Income. FY 2021 expenses include \$27.9 million of pre-tax pension settlement charges and \$8.5 million of pre-tax severance-related charges.

MESSAGE TO SHAREHOLDERS

FROM MICHAEL O'GRADY
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
NORTHERN TRUST CORPORATION



DEAR SHAREHOLDERS,

The past year proved challenging on a variety of fronts. Russia invaded Ukraine commencing a war that continues at great human cost. The COVID-19 pandemic entered its third year with supply chains and work habits still deeply altered, eventually giving way to some semblance of a new normal. We experienced a host of macroeconomic headwinds, with high inflation, rising interest rates and slowing growth, leading to the rare instance of stocks and bonds falling in unison. The S&P 500 lost 19 percent in 2022, its worst year since 2008, and the Bloomberg U.S. Aggregate Bond Index was down 13 percent, its worst performance since its inception in 1976.

This backdrop presented difficulties for many of our stakeholders. For some Northern Trust clients, it brought understandable anxiety as markets tumbled. Our global employees, who we call partners, adapted with resiliency but not without stresses of their own. Our communities struggled with new realities, such as urban centers having to redefine their purpose in an increasingly hybrid work world, fraying nerves amid public safety concerns, and leaders worldwide grappling with increased polarization.

For Northern Trust, the tumultuous year highlighted the importance of resiliency. We strengthened controls and took actions to manage and reduce risk. We continued to invest heavily in our technology infrastructure to ensure our platform remains strong and secure. We made progress on our digital journey to empower our partners and clients with the data they need, when and how they need it. We cannot predict the next major life- and business-altering event, but we constantly prepare to operate in any environment.

Our financial performance in 2022 reflected both the operating environment and execution of our strategic priorities. Total revenue increased 5 percent, or 8 percent excluding a charge of \$213 million related to a repositioning of our securities portfolio. Trust fees increased 2 percent as growth was dampened as a result of assets we custody, administer and manage for our clients declining during 2022. Net interest income increased 36 percent as our net interest margin expanded due to several interest rate increases implemented by the Federal Reserve.

Total expenses increased 10 percent, or 9 percent excluding \$90 million in charges related to early steps we have taken to manage our cost structure. Our heightened level of expenses reflected the highly inflationary environment as well as investments to fuel continued growth in the business, recruit and retain our partners and, as noted, strengthen the company's resiliency.

Net income and earnings per share were both down 14 percent. Return on average common equity declined to 12.7 percent from 13.9 percent in the prior year. Excluding the charges above, net income and earnings per share were flat, and return on average common equity was 14.9 percent.¹

Our capital levels remained strong and we returned \$648 million to our common shareholders, largely in the form of quarterly dividends, which we increased 7 percent during the year to \$0.75 per share.

THE WAY FORWARD

As we look ahead, we cannot change the direction or force of the winds, but we can adjust our sails to reach our destination.

Our strategy to create sustainable, increasing value for our stakeholders remains firmly grounded in our enduring principles of exceptional service, deep expertise and unwavering integrity. However, we must also adapt our plans and actions to the changing conditions.

To guide the execution of our strategy, our global leadership team incorporates a strategic framework with five primary goals:

Exceed Client Expectations

Since our company was founded in 1889, our mission has been to be our clients' most trusted financial partner, guarding and growing their assets as if they were our own. Our success begins and ends with our clients. At every turn, the choices we make must support how we exceed their expectations.

Our aim is to deliver a world-class client experience each and every day, inclusive of enriched digital and operational performance. By one measure, our success is reflected in a long record of industry awards and recognition. The Financial Times Group named us the Best Private Bank in the U.S. 12 times out of 14 years and the Best Private Bank for Family Offices three times. In addition, we were included in the American Financial Technology Awards by Waters Technology.

But our focus, always, centers on our clients. Whether it's discerning families or institutional investors, we put our clients' best interests first. That is how we build relationships that endure and add value over time.

An example of a strong client relationship is the Border to Coast Pensions Partnership, a UK Local Government Pension Scheme (LGPS) pool. Northern Trust has worked with Border to Coast since its inception in 2018, helping establish and evolve its operating model. The Partnership is currently expanding its strategy to include property assets, and we are working in close collaboration to create a bespoke operating model supporting the complexity of pooling assets across 11 pension funds, approximately 100 properties in the UK, and global funds. The result will enable Border to Coast to leverage economies of scale and efficiencies through a consolidated operating infrastructure.

"Northern Trust has been key to us delivering solutions to support our evolving strategy."

FIONA MILLER

DEPUTY CHIEF EXECUTIVE OFFICER
BORDER TO COAST PENSIONS PARTNERSHIP



"Partnership is fundamental to our success," said Fiona Miller, Deputy Chief Executive Officer, Border to Coast Pensions Partnership. "Northern Trust has been key to us delivering solutions to support our evolving strategy. Through the expansion of our partnership in 2022, Northern Trust has helped Border to Coast to grow rapidly to a position where we have now aggregated over £38 billion of assets in public and private markets with a further £4 billion in real estate in the pipeline."

The importance of exceeding expectations is evident: one well-executed opportunity tends to lead to another. Over time, a consistent culture of excellence leads to growth.

An illustration of that began several years ago, when a Northern Trust Wealth Management team was honored to begin working with a legendary, Florida-based developer, Tibor Hollo. Over 60 years, Mr. Hollo's company has built landmark residential and commercial high-rises, marinas, high-end retail centers and more. Mr. Hollo, a Holocaust survivor, is not only a highly successful business person but also has a long record of civic engagement.

Development at Mr. Hollo's level is a capital-intensive business that relies on deep credit relationships. Our relationship started relatively small. We began by providing investment, personal and business accounts, along with a line of credit. The relationship grew to include structuring an extensive investment portfolio and then, importantly, a substantial line of credit secured by the portfolio. Now, we serve multiple generations of the family on estate and fiduciary planning—examples of our holistic approach to wealth management.



Florida East Coast Realty, LLC

60 Years/60 Million sq ft of construction

"We appreciate the level of support we have received from our Northern Trust team."

TIBOR HOLLO

CHAIRMAN & PRESIDENT
FLORIDA EAST COAST REALTY, LLC

"I am blessed to have both a close-knit family and a large and complex family-owned business," Mr. Hollo said. "We appreciate the level of support we have received from our Northern Trust team. They consistently have exceeded our expectations with their professionalism, experience, knowledge and customer service."

Enhance the Experience of our Partners

Our ability to exceed our clients' expectations relies on attracting and retaining the best talent. We must offer a compelling value proposition which includes, but goes well beyond, rewarding our partners for their contributions. We seek people who are committed to our mission and have the relevant expertise to deliver.

Our people are driven, accomplished and striving for more—for their clients, careers and communities. No matter where they are on their career journeys, we seek to expand their skills, invest in their ambitions and connect them with opportunities to grow, lead, thrive, and make a real impact.

Northern Trust embraces the benefits of diversity, equity and inclusion and seeks to create a work environment in which all individuals are welcomed, respected, supported and valued so that they can fully participate in, and contribute to, our success.

A crucial part of building on our diverse and inclusive culture is measuring progress and holding ourselves accountable. As of the end of 2022, our global employees were 46 percent female and 54 percent male, and 40 percent of our U.S. employees self-identified as ethnically diverse. To continue to advance our diversity, equity and inclusion strategy, we use a global dashboard to track and report on our progress to our board of directors.

Drive Growth

For more than 130 years, growth has been the lifeblood of our company. Expanding relationships with existing clients and developing new relationships generates incremental revenue, which can be invested in new capabilities and opportunities.

Our three businesses compete effectively in attractive sectors of the financial services industry: wealth management, asset management and asset servicing. Our organic growth strategy focuses on driving profitable growth by optimizing our more mature products and services; accelerating investment in areas where we are strongly positioned to win new business; and extending capabilities to create new opportunities. This growth strategy is applied in each of our business units.

In Wealth Management, demand for our services from high net worth and ultra-high net worth families and individuals continues to grow. An example of a market delivering above average growth is Florida, where we recently celebrated our 50th year. We continue to invest and expand our presence, with 20 offices in the state including one opened last year in Jacksonville. Today, Northern Trust is entrusted with more than \$50 billion in assets under management for our clients in Florida.

At the same time, we are accelerating investment in our Global Family & Private Investment Offices (GFO) group, which recently celebrated its 40th year and was recognized by the Financial Times Group as the Best Private Bank for Family Offices globally, an honor GFO has received three times. Our GFO clients' complexity, investment horizon and need for advanced technology architecture set them apart from the broader universe of Wealth Management. Our GFO team serves approximately 30 percent of the Forbes 400 wealthiest Americans and is the fastest-growing segment within Wealth Management, with a compound annual revenue growth rate of 9 percent over the past five years. GFO had more than \$615 billion of assets under custody and nearly \$120 billion of assets under management as of December 31, 2022.

To complement our longstanding presence in Europe, Middle East and Africa, last year we expanded GFO globally, with the addition of a team in Singapore to focus on relationships in the Asia-Pacific region, and supplementary leadership dedicated to family office relationships across Latin America and Canada.

In Asset Management, we continue to optimize core investment capabilities, such as liquidity and indexing, that deliver efficient beta to institutional, family office and high net worth investors. We are accelerating investment in our quantitative and sustainable investing capabilities to help clients integrate critical factors, such as climate transition risk, into their portfolios. An example of this approach is our factor-based Northern U.S. Quality ESG fund, which was named to Barron's 2022 list of Best Performing ESG Funds.

Another example is our work with ANZ Investments, a leading New Zealand-based financial services firm. ANZ appointed Northern Trust Asset Management to assist with the goal of continuing to improve financial outcomes for its clients across multiple strategies and asset classes.

"We greatly value Northern Trust Asset Management's partnership approach in helping to meet our objectives."

PAUL HUXFORD
CHIEF EXECUTIVE OFFICER
ANZ INVESTMENTS



"We greatly value Northern Trust Asset Management's partnership approach in helping to meet our objectives," said Paul Huxford, Chief Investment Officer for ANZ Investments. "Their deep expertise was essential to cementing our relationship, and we continue to work closely with the team to design bespoke quantitative solutions to suit our needs. As our business needs change, our partnership evolves and grows, and the scale, expertise and global presence of Northern Trust's platform allows us to leverage their investment insights and solutions to help ANZ Investments meet the long-term investment objectives of our clients."

Northern Trust Asset Management also continues to extend its capabilities in alternative investments within our 50 South Capital business. During 2022, we launched our new Distressed Credit Alternatives Fund, as well as raised several of our largest funds ever, including Sponsor Backed Credit Fund II and Private Equity Fund X.

Our Asset Servicing business continues to satisfy the expanding needs of clients that include the world's most sophisticated asset owners and managers. Last year, we accelerated our Whole Office strategy to support client needs across the entire investment lifecycle. In short, we support the broadest spectrum of investment processes—with solutions ranging from the straightforward to the most complex.

A particularly bright spot in this approach is our Capital Markets Group. Capital Markets has been a source of both organic growth from existing services such as foreign exchange and securities lending, as well as a hub of innovation for new ones. For example, last year we launched a new service for our institutional clients: Fixed Income Clearing Corporation (FICC) Sponsored Repo, which introduces our clients to valuable liquidity and enables them to consistently invest or borrow cash via the FICC to generate incremental returns on their funds.

Last year, we also extended our solutions ecosystem through formal arrangements with SimCorp and Enfusion, two leading providers of financial technology. By supplementing our strengths with other leading solutions, we become the framework our clients use to better design and run their businesses.

Improve Productivity

To increase profitability and create the capacity to invest in additional growth opportunities, we need to constantly improve our productivity. Productivity has always been a component of our strategy. In response to higher inflation in 2022 and our elevated spending, we took multiple steps, including creating a Productivity Office that will coordinate and lead our efforts to maximize the efficient deployment of resources.

We manage our expenses to gain the highest value from the dollars spent. Productivity can take many forms, such as rationalizing our real estate footprint as appropriate and using data and analytics across the enterprise to govern how we deploy capital for technology, whether in-house or via external providers.

We are continuously seeking ways to do things more efficiently. For example, our Asset Servicing team created an artificial intelligence-based solution we call the "NT Digitizer." The Digitizer reads unstructured information such as emailed instructions or legal documents and puts it into formats that can be ingested by processing systems. In 2022, the NT Digitizer avoided over 150,000 manual touches across several functions and businesses. Similarly, we created machine-learning models for global reconciliations that analyze millions of past transactions in seconds to auto-match issues and increase straight-through processing. These machine-learning models were deployed in 2022 and eliminated more than a million manual actions. In both examples, our tasks remained the same but were completed faster.

Strengthen the Foundation

As noted above, we invested last year to enhance our resiliency in all environments. This reflects the crucial nature of what we do for our clients and our role in the financial system.

By investing in critical elements of our company—our technology infrastructure, digital and data capabilities, risk management controls, balance sheet strength and health of our brand—we create an enduring foundation that underpins all we do. Building resiliency into our systems enables us to meet evolving needs such as new regulatory mandates and operational norms, and supports the growth of the company.

COMMUNITY IMPACT

Northern Trust seeks to serve the communities where we live and work, and we have a long history of supporting underserved communities through our social impact, philanthropic and civic initiatives. In 2022, we invested a total of \$229 million in low-interest, “patient capital” to help create long-term positive change. Additionally, Northern Trust donated approximately 1 percent of pretax net income through charitable grants focused on supporting human needs—food security, affordable housing, accessible healthcare and quality education.

Northern Trust encourages employees to volunteer in meaningful ways by providing two paid days off per year to participate in volunteer work. For every hour employees volunteer during our global month of service, we donate 50 meals to those in need through global food banking networks. We applaud our partners for making a difference.

Lastly, in 2022, we achieved a significant milestone in reducing our total carbon footprint by limiting and removing all carbon pollution directly linked to our operations from the atmosphere through the purchase of government-regulated carbon permits (i.e., we achieved Carbon Neutrality). Going forward, we expect to build on this important step and continue to take action to permanently reduce our carbon dioxide emissions directly linked to our operations and offset any unabated emissions (i.e., achieve Net Zero Carbon) by 2050. We expect to do so by increasing our use of renewable energy, reducing our overall energy use and working with suppliers to set science-based, target-aligned reduction goals.

CLOSING THOUGHTS

Before closing, I must acknowledge with sadness the death last year of Harold B. Smith Jr., who served on the Northern Trust Corporation board for three decades until 2010. Harold served with distinction, providing wise counsel that significantly contributed to Northern Trust's growth and continued success. His expertise and leadership followed a long history, as he was the great-grandson of Northern Trust founder Byron L. Smith.

While our strategic imperatives will evolve over time, our principles of service, expertise and integrity will remain the bedrock upon which we will continue to grow. To our clients, partners, shareholders and other stakeholders, I offer my deepest thanks for your steadfast support.



MICHAEL O'GRADY
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
NORTHERN TRUST CORPORATION

1. Please refer to the [Reconciliation of Certain Non-GAAP Metrics](#).