NORTHERN TRUST CORP
Form 10-Q
October 29, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2018

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-36609

NORTHERN TRUST CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-2723087
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
50 South LaSalle Street Chicago, Illinois	60603
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 630-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

221,395,358 Shares – $1.66 2/3 Par Value
(Shares of Common Stock Outstanding on September 30, 2018)

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NORTHERN TRUST CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018
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CONSOLIDATED FINANCIAL HIGHLIGHTS
(UNAUDITED)

CONDENSED INCOME STATEMENTS (In Millions)	Three Months Ended September 30, 2018	2017	% Change [1]	Nine Months Ended September 30, 2018	2017	% Change [1]
Noninterest Income	$1,066.1	$991.0	8 %	$3,250.9	$2,901.6	12 %
Net Interest Income	408.2	354.2	15	1,205.5	1,049.2	15
Provision for Credit Losses	(9.0)	(7.0)	29	(10.5)	(15.0)	(30)
Noninterest Expense	1,002.3	935.6	7	2,995.0	2,767.5	8
Income before Income Taxes	481.0	416.6	15	1,471.9	1,198.3	23
Provision for Income Taxes	106.5	118.2	(10)	325.4	355.9	(9)
Net Income	$374.5	$298.4	26 %	$1,146.5	$842.4	36 %

PER COMMON SHARE						
Net Income — Basic	$ 1.59	$ 1.21	31%	$ 4.87	$3.43	42%
— Diluted	1.58	1.20	32	4.84	3.41	42
Cash Dividends Declared Per Common Share	0.55	0.42	31	1.39	1.18	18
Book Value — End of Period (EOP)	42.83	40.82	5	42.83	40.82	5
Market Price — EOP	102.13	91.93	11	102.13	91.93	11

SELECTED BALANCE SHEET DATA (In Millions)

	September 30, 2018	December 31, 2017	% Change [1]
End of Period:			
Assets	$132,378.5	$138,590.5	(4)%
Earning Assets	122,348.9	129,656.6	(6)
Deposits	104,891.3	112,390.8	(7)
Stockholders’ Equity	10,364.5	10,216.2	1

	Three Months Ended September 30, 2018	2017	% Change [1]	Nine Months Ended September 30, 2018	2017	% Change [1]
Average Balances:						
Assets	$122,155.6	$121,159.4	1 %	$123,496.7	$118,696.0	4 %
Earning Assets	112,694.8	112,485.0	—	114,254.3	110,460.7	3
Deposits	93,501.8	97,112.0	(4)	95,759.5	96,269.6	(1)
Stockholders’ Equity	10,274.6	10,040.2	2	10,205.3	9,936.8	3

CLIENT ASSETS (In Billions)	September 30, 2018	December 31, 2017	% Change [1]
Assets Under Custody/Administration [2]	$10,829.8	$10,722.6	1 %
Assets Under Custody	8,188.9	8,084.6	1
Assets Under Management	1,171.5	1,161.0	1

(1) Percentage calculations are based on actual balances rather than the rounded amounts presented in the Consolidated Financial Highlights.

(2) For the purposes of disclosing Assets Under Custody/Administration, to the extent that both custody and administration services are provided, the value of the assets is included only once.

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SELECTED RATIOS AND METRICS

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Financial Ratios:				
Return on Average Common Equity	15.1%	12.2%	15.9%	11.8%
Return on Average Assets	1.22	0.98	1.24	0.95
Dividend Payout Ratio	34.8	35.0	28.7	34.6
Net Interest Margin (1)	1.47	1.29	1.44	1.31

	September 30, 2018 Advanced Approach	September 30, 2018 Standardized Approach	December 31, 2017 Advanced Approach	December 31, 2017 Standardized Approach
Capital Ratios:				
Northern Trust Corporation				
Common Equity Tier 1	13.4%	12.9 %	13.5%	12.6 %
Tier 1	14.8	14.2	14.8	13.8
Total	16.7	16.2	16.7	15.8
Tier 1 Leverage	7.8	7.8	7.8	7.8
Supplementary Leverage	6.9	N/A	6.8	N/A
The Northern Trust Company				
Common Equity Tier 1	14.1%	13.2 %	13.7%	12.6 %
Tier 1	14.1	13.2	13.7	12.6
Total	15.8	14.9	15.4	14.3
Tier 1 Leverage	7.2	7.2	7.0	7.0
Supplementary Leverage	6.4	N/A	6.1	N/A

(1) Net interest margin is presented on a fully taxable equivalent (FTE) basis, a non-generally accepted accounting principle (GAAP) financial measure that facilitates the analysis of asset yields. The net interest margin on a GAAP basis and a reconciliation of net interest income on a GAAP basis to net interest income on an FTE basis are presented on page 28.

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PART I – FINANCIAL INFORMATION

Items 2. and 3. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk

THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS

General

Northern Trust Corporation (the Corporation) is a financial holding company that is a leading provider of wealth management, asset servicing, asset management and banking solutions to corporations, institutions, families and individuals. The Corporation focuses on managing and servicing client assets through its two client-focused reporting segments: Corporate & Institutional Services (C&IS) and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business. Except where the context requires otherwise, the terms "Northern Trust," "we," "us," "our" or similar terms mean the Corporation and its subsidiaries on a consolidated basis.

The following should be read in conjunction with the consolidated financial statements and related footnotes included in this report. Investors also should read the section entitled "Forward-Looking Statements."

Overview

Net income per diluted common share was $1.58 in the current quarter, up from $1.20 in the third quarter of 2017. Net income was $374.5 million in the current quarter as compared to $298.4 million in the prior-year quarter. Annualized return on average common equity was 15.1% in the current quarter and 12.2% in the prior-year quarter. The annualized return on average assets was 1.22% in the current quarter as compared to 0.98% in the prior-year quarter.

Revenue of $1.47 billion in the current quarter was up $129.1 million, or 10%, from $1.35 billion in the prior-year quarter.

Noninterest income increased $75.1 million, or 8%, to $1.07 billion from $991.0 million in the prior-year quarter, reflecting higher trust, investment and other servicing fees and foreign exchange trading income, partially offset by lower other operating income.

Net interest income increased $54.0 million, or 15%, to $408.2 million in the current quarter as compared to $354.2 million in the prior-year quarter, primarily resulting from a higher net interest margin.

The provision for credit losses was a credit of $9.0 million in the current quarter, as compared to a provision credit of $7.0 million in the prior-year quarter.

Noninterest expense totaled $1.00 billion in the current quarter, up $66.7 million, or 7%, from $935.6 million in the prior-year quarter, primarily attributable to higher compensation, outside services, equipment and software expense, and employee benefits.

The provision for income taxes in the current quarter totaled $106.5 million, representing an effective tax rate of 22.1%. The provision for income taxes in the prior-year quarter totaled $118.2 million, representing an effective tax rate of 28.4%.

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)

Noninterest Income

The components of noninterest income are provided below.

Table 1: Noninterest Income

Noninterest Income	Three Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Trust, Investment and Other Servicing Fees	$939.2	$867.9	$71.3	8 %
Foreign Exchange Trading Income	71.7	49.1	22.6	46
Treasury Management Fees	12.5	13.2	(0.7)	(5)
Security Commissions and Trading Income	21.9	21.2	0.7	3
Other Operating Income	20.9	40.0	(19.1)	(48)
Investment Security (Losses) Gains, net	(0.1)	(0.4)	0.3	(68)
Total Noninterest Income	$1,066.1	$991.0	$75.1	8 %

Trust, investment and other servicing fees are based primarily on the market value of assets held in custody, managed or serviced; the volume of transactions; securities lending volume and spreads; and fees for other services rendered. Certain market value calculations on which fees are based are performed on a monthly or quarterly basis in arrears. For a further discussion of trust, investment and other servicing fees and how they are derived, refer to the “Reporting Segments” section.

When considering the impact of markets on the Corporation’s results, the following tables present selected market indices and the percentage changes year over year.

Table 2: Equity Market Indices

	Daily Averages			Period-End		
	Three Months Ended September 30,			As of September 30,		
	2018	2017	Change	2018	2017	Change
S&P 500	2,848	2,466	15 %	2,914	2,519	16 %
MSCI EAFE (U.S. dollars)	1,964	1,934	2	1,974	1,974	—
MSCI EAFE (local currency)	1,141	1,106	3	1,152	1,126	2

Table 3: Fixed Income Market Indices

	As of September 30,		
	2018	2017	Change
Barclays Capital U.S. Aggregate Bond Index	2,014	2,038	(1)%
Barclays Capital Global Aggregate Bond Index	473	480	(1)

Assets under custody/administration (AUC/A) and assets under management form the primary drivers of our trust, investment and other servicing fees. For the purposes of disclosing AUC/A, to the extent that both custody and administration services are provided, the value of the assets is included only once. The following table presents AUC/A by reporting segment.

Table 4: Assets Under Custody / Administration

Assets Under Custody / Administration	September 30, 2018	June 30, 2018	September 30, 2017	Change Q3-18/Q2-18	Change Q3-18/Q3-17
($ In Billions)					
Corporate & Institutional	$10,153.9	$10,051.9	$9,062.8	1 %	12 %
Wealth Management	675.9	660.6	633.2	2	7
Total Assets Under Custody / Administration	$10,829.8	$10,712.5	$9,696.0	1 %	12 %

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)

Noninterest Income (continued)

The following table presents Northern Trust’s assets under custody, a component of AUC/A, by reporting segment.

Table 5: Assets Under Custody

Assets Under Custody ($ In Billions)	September 30, 2018	June 30, 2018	September 30, 2017	Change Q3-18/Q2-18	Change Q3-18/Q3-17
Corporate & Institutional	$ 7,523.1	$7,451.1	$ 7,130.9	1 %	6 %
Wealth Management	665.8	650.8	622.9	2	7
Total Assets Under Custody	$ 8,188.9	$8,101.9	$ 7,753.8	1 %	6 %

The 6% increase in consolidated assets under custody from $7.75 trillion as of September 30, 2017 to $8.19 trillion as of September 30, 2018 primarily reflects favorable markets and net inflows, partially offset by unfavorable movements in foreign exchange rates.

The following table presents the allocation of Northern Trust’s custodied assets by reporting segment.

Table 6: Allocation of Assets Under Custody

	September 30, 2018			June 30, 2018			September 30, 2017		
Assets Under Custody	C&IS	WM	Total	C&IS	WM	Total	C&IS	WM	Total
Equities	46%	58%	47 %	45%	58%	46 %	45%	57%	46 %
Fixed Income	37	18	35	38	18	36	38	20	36
Cash and Other Assets	15	24	16	15	24	16	15	23	16
Securities Lending Collateral	2	—	2	2	—	2	2	—	2

The following table presents Northern Trust’s assets under management by reporting segment.

Table 7: Assets Under Management

Assets Under Management ($ In Billions)	September 30, 2018	June 30, 2018	September 30, 2017	Change Q3-18/Q2-18	Change Q3-18/Q3-17
Corporate & Institutional	$ 876.0	$862.1	$ 840.7	2 %	4 %
Wealth Management	295.5	286.8	284.4	3	4
Total Assets Under Management	$ 1,171.5	$1,148.9	$ 1,125.1	2 %	4 %

The 4% increase in consolidated assets under management from $1.13 trillion at September 30, 2017 to $1.17 trillion as of September 30, 2018 was primarily due to favorable markets, partially offset by net outflows and the unfavorable impact of foreign exchange rates.

The following table presents Northern Trust’s assets under management by investment type.

Table 8: Assets Under Management by Investment Type

($ In Billions)	September 30, 2018	June 30, 2018	September 30, 2017
Equities	$ 610.2	$587.8	$ 572.5
Fixed Income	180.3	177.4	178.3
Cash and Other Assets	214.4	209.9	212.3
Securities Lending Collateral	166.6	173.8	162.0
Total Assets Under Management	$ 1,171.5	$1,148.9	$ 1,125.1

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)
Noninterest Income (continued)

The following table presents the allocation of Northern Trust's assets under management by reporting segment.

Table 9: Allocation of Assets Under Management

	September 30, 2018			June 30, 2018			September 30, 2017		
Assets Under Management	C&IS	WM	Total	C&IS	WM	Total	C&IS	WM	Total
Equities	52 %	52 %	52 %	51 %	52 %	51 %	51 %	51 %	51 %
Fixed Income	12	24	16	12	25	16	13	25	16
Cash and Other Assets	17	24	18	17	23	18	17	24	19
Securities Lending Collateral	19	—	14	20	—	15	19	—	14

The following table presents activity in consolidated assets under management by investment type.

Table 10: Activity in Consolidated Assets Under Management by Investment Type

	Three Months Ended				
($ In Billions)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Beginning Balance of AUM	$1,148.9	$1,165.7	$1,161.0	$ 1,125.1	$ 1,028.8
Inflows by Investment Type					
Equity	42.3	44.7	44.2	63.0	51.2
Fixed Income	15.1	17.5	17.4	23.0	19.8
Cash & Other Assets	109.3	124.2	114.4	116.3	101.6
Securities Lending Collateral	23.3	22.4	68.1	32.4	45.5
Total Inflows	190.0	208.8	244.1	234.7	218.1
Outflows by Investment Type					
Equity	(43.9)	(42.4)	(47.8)	(67.7)	(41.0)
Fixed Income	(12.8)	(20.4)	(24.0)	(20.7)	(13.0)
Cash & Other Assets	(103.8)	(130.6)	(117.4)	(111.8)	(83.0)
Securities Lending Collateral	(30.5)	(36.1)	(48.3)	(26.8)	(14.4)
Total Outflows	(191.0)	(229.5)	(237.5)	(227.0)	(151.4)
Net Inflows / (Outflows)	(1.0)	(20.7)	6.6	7.7	66.7
Market Performance, Currency & Other					
Market Performance & Other	24.6	11.5	(4.6)	27.9	26.6
Currency	(1.0)	(7.6)	2.7	0.3	3.0
Total Market Performance, Currency & Other	23.6	3.9	(1.9)	28.2	29.6
Ending Balance of AUM	$1,171.5	$1,148.9	$1,165.7	$ 1,161.0	$ 1,125.1

Foreign exchange trading income totaled $71.7 million in the current quarter, up $22.6 million, or 46%, compared to $49.1 million in the prior-year quarter. The increase was primarily due to increased foreign exchange swap activity in Treasury and higher client volumes as compared to the prior-year quarter.

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)
Noninterest Income (continued)

Other operating income totaled $20.9 million in the current quarter, down $19.1 million, or 48%, compared to $40.0 million in the prior-year quarter, primarily due to $8.1 million of impairment recognized related to a community development equity investment previously held at cost, expenses related to existing swap agreements related to Visa Inc. Class B common shares, lower income on hedging activity, and lower banking and credit-related service fees recorded in other income in the current quarter. The components of other operating income are provided below.

Table 11: Other Operating Income

Other Operating Income	Three Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Loan Service Fees	$11.6	$12.7	$(1.1)	(9)%
Banking Service Fees	11.1	12.6	(1.5)	(12)
Other Income	(1.8)	14.7	(16.5)	(112)
Total Other Operating Income	$20.9	$40.0	$(19.1)	(48)%

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)
Net Interest Income

The following table presents an analysis of average balances and interest rate changes affecting net interest income.
Table 12: Average Consolidated Balance Sheets with Analysis of Net Interest Income

(Interest and Rate on a Fully Taxable Equivalent Basis)	NORTHERN TRUST CORPORATION THIRD QUARTER 2018			2017		
($ In Millions)	Interest	Average Balance	Rate (5)	Interest	Average Balance	Rate (5)
Average Earning Assets						
Federal Reserve and Other Central Bank Deposits	$50.0	$22,889.6	0.87 %	$44.9	$25,182.9	0.71 %
Interest-Bearing Due from and Deposits with Banks (1)	15.6	5,410.3	1.15	16.0	7,145.8	0.88
Federal Funds Sold and Securities Purchased under Agreements to Resell	10.2	1,775.2	2.27	7.8	1,945.8	1.58
Securities						
U.S. Government	28.0	5,726.6	1.94	22.1	6,002.2	1.46
Obligations of States and Political Subdivisions	3.7	730.7	2.05	3.0	845.3	1.41
Government Sponsored Agency	125.3	21,589.9	2.30	65.4	17,974.7	1.45
Other (2)	91.8	22,773.6	1.60	64.2	19,920.1	1.28
Total Securities	248.8	50,820.8	1.94	154.7	44,742.3	1.37
Loans and Leases (3)	284.9	31,798.9	3.55	242.4	33,468.2	2.87
Total Earning Assets	609.5	112,694.8	2.15	465.8	112,485.0	1.64
Allowance for Credit Losses Assigned to Loans and Leases	—	(127.6)	—	—	(155.1)	—
Cash and Due from Banks and Other Central Bank Deposits (4)	—	2,702.9	—	—	2,666.8	—
Buildings and Equipment	—	426.8	—	—	467.3	—
Client Security Settlement Receivables	—	968.1	—	—	917.0	—
Goodwill	—	672.4	—	—	523.9	—
Other Assets	—	4,818.2	—	—	4,254.5	—
Total Assets	$—	$122,155.6	— %	$—	$121,159.4	— %
Average Source of Funds						
Deposits						
Savings, Money Market and Other	$22.1	$14,787.6	0.59 %	$7.3	$15,617.1	0.19 %
Savings Certificates and Other Time	1.9	810.5	0.93	2.4	1,255.1	0.75
Non-U.S. Offices — Interest-Bearing	81.4	58,473.2	0.55	45.4	58,503.4	0.31
Total Interest-Bearing Deposits	105.4	74,071.3	0.56	55.1	75,375.6	0.29
Short-Term Borrowings	57.7	11,380.7	2.01	20.3	7,264.5	1.11
Senior Notes	14.6	1,818.0	3.21	11.5	1,497.0	3.11
Long-Term Debt	11.3	1,254.4	3.57	11.3	1,672.5	2.68
Floating Rate Capital Debt	2.0	277.6	2.89	1.4	277.5	1.87
Total Interest-Related Funds	191.0	88,802.0	0.85	99.6	86,087.1	0.46
Interest Rate Spread	—	—	1.30	—	—	1.18
Demand and Other Noninterest-Bearing Deposits	—	19,430.5	—	—	21,736.4	—
Other Liabilities	—	3,648.5	—	—	3,295.7	—
Stockholders' Equity	—	10,274.6	—	—	10,040.2	—
Total Liabilities and Stockholders' Equity	$—	$122,155.6	— %	$—	$121,159.4	— %
Net Interest Income/Margin (FTE Adjusted)	$418.5	$—	1.47 %	$366.2	$—	1.29 %

Net Interest Income/Margin (Unadjusted)	$408.2	$—	1.44 %	$354.2	$—	1.25 %

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)

Net Interest Income (continued)

ANALYSIS OF NET INTEREST INCOME CHANGES DUE TO VOLUME AND RATE

(In Millions)	Three Months Ended September 30, 2018/2017 Change Due To		
	Average Balance	Rate	Total
Earning Assets (FTE)	$12.0	$131.7	$143.7
Interest-Related Funds	15.7	75.7	91.4
Net Interest Income (FTE)	$(3.7)	$56.0	$52.3

(1) Interest-Bearing Due from and Deposits with Banks includes the interest-bearing component of Cash and Due from Banks and Interest-Bearing Deposits with Banks as presented on the consolidated balance sheets.

(2) Other securities include certain community development investments and Federal Home Loan Bank and Federal Reserve stock, which are classified in other assets in the consolidated balance sheets as of September 30, 2018 and 2017.

(3) Average balances include nonaccrual loans. Lease financing receivable balances are reduced by deferred income.

(4) Cash and Due from Banks and Other Central Bank Deposits includes the noninterest-bearing component of Federal Reserve and Other Central Bank Deposits as presented on the consolidated balance sheets.

(5) Rate calculations are based on actual balances rather than the rounded amounts presented in the Average Consolidated Balance Sheets with Analysis of Net Interest Income.

Notes: Net Interest Income (FTE Adjusted), a non-generally accepted accounting principle (GAAP) financial measure, includes adjustments to a fully taxable equivalent basis for loans and securities. Such adjustments are based on a blended federal and state tax rate of 24.8% and 38.1% for the three months ended September 30, 2018 and 2017, respectively. Total taxable equivalent interest adjustments amounted to $10.3 million and $12.0 million for the three months ended September 30, 2018 and 2017, respectively. A reconciliation of net interest income and net interest margin on a GAAP basis to net interest income and net interest margin on an FTE basis (each of which is a non-GAAP financial measure) is provided on page 28.

Interest revenue on cash collateral positions is reported above within interest-bearing deposits with banks and within loans and leases. Interest expense on cash collateral positions is reported above within non-U.S. offices interest-bearing deposits. Related cash collateral received from and deposited with derivative counterparties is recorded net of the associated derivative contract within other assets and other liabilities, respectively.

Net interest income is defined as the total of interest income and amortized fees on earning assets, less interest expense on deposits and borrowed funds, adjusted for the impact of interest-related hedging activity.

Net interest income on a fully taxable equivalent (FTE) basis totaled $418.5 million in the current quarter, up $52.3 million, or 14%, compared to $366.2 million in the prior-year quarter. The increase was primarily the result of a higher net interest margin. Average earning assets for the current quarter were $112.7 billion, up slightly from $112.5 billion in the prior-year quarter, primarily resulting from higher levels of securities, partially offset by lower levels of short-term interest-bearing deposits with banks and reductions in loans and leases. Earning asset growth was funded primarily by higher levels of borrowed funds, partially offset by lower levels of client demand and other noninterest-bearing deposits and client interest-bearing deposits.

The net interest margin on an FTE basis increased to 1.47% in the current quarter from 1.29% in the prior-year quarter, primarily due to higher short-term interest rates and lower premium amortization, partially offset by a balance sheet mix shift.

When adjusted to an FTE basis, yields on taxable, nontaxable, and partially taxable assets are comparable; however, the adjustment to an FTE basis has no impact on net income. A reconciliation of net interest income and net interest margin on a GAAP basis to net interest income and net interest margin on an FTE basis (each of which is a non-GAAP financial measure) is provided on page 28.

Federal Reserve and other central bank deposits averaged $22.9 billion, down $2.3 billion, or 9%, from $25.2 billion in the prior-year quarter. Average securities were $50.8 billion, up $6.1 billion, or 14%, from $44.7 billion in the prior-year quarter and include certain community development investments, Federal Home Loan Bank stock, and Federal Reserve stock of $489.5 million, $236.6 million and $53.8 million, respectively, which are recorded in other assets in the consolidated balance sheets.

Loans and leases averaged $31.8 billion, down $1.7 billion, or 5%, from $33.5 billion in the prior-year quarter, primarily reflecting lower levels of residential real estate, commercial real estate, and commercial and institutional loans. Residential real estate loans averaged $6.9 billion, down $650.1 million, or 9%, from $7.6 billion for the prior-year quarter. Commercial and institutional loans averaged $9.3 billion, down $533.0 million, or 5%, from $9.8 billion for the prior-year quarter. Commercial real estate loans averaged $3.4 billion, down $235.9 million, or 6%, from $3.6 billion for the prior-year quarter. Private client loans averaged $10.6 billion in both the current and prior-year quarters.

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)
Net Interest Income (continued)

Northern Trust utilizes a diverse mix of funding sources. Total interest-bearing deposits averaged $74.1 billion in the current quarter, compared to $75.4 billion in the prior-year quarter, a decrease of $1.3 billion. Other interest-bearing funds averaged $14.7 billion in the current quarter, compared to $10.7 billion in the prior-year quarter. The balances within short-term borrowing classifications vary based on funding requirements and strategies, interest rate levels, changes in the volume of lower-cost deposit sources, and the availability of collateral to secure these borrowings. Average net noninterest-related funds decreased $2.5 billion, or 9%, to $23.9 billion in the current quarter from $26.4 billion in the prior-year quarter, primarily resulting from lower levels of client demand and other noninterest-bearing deposits.

Provision for Credit Losses

The provision credit for credit losses was a credit of $9.0 million in the current quarter, as compared to a credit of $7.0 million in the prior-year quarter. The provision credit in the current quarter was primarily driven by reductions in outstanding loans and undrawn loan commitments attributable to the commercial and institutional and residential real estate portfolios as well as improved credit quality across all major portfolios. Net recoveries in the current quarter were $0.3 million, resulting from charge-offs of $2.8 million and recoveries of $3.1 million. The prior-year quarter included $1.6 million of net recoveries, reflecting $3.5 million of charge-offs and $5.1 million of recoveries. Nonperforming assets of $124.9 million decreased 14% from $145.5 million at the end of the prior-year quarter. Residential real estate, commercial and institutional, and commercial real estate loans accounted for 86%, 8%, and 6%, respectively, of total nonperforming loans and leases at September 30, 2018. For additional discussion of the provision and allowance for credit losses, refer to the “Asset Quality” section beginning on page 23.

Noninterest Expense

The components of noninterest expense are provided below.

Table 13: Noninterest Expense

Noninterest Expense	Three Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Compensation	$436.1	$418.3	$17.8	4 %
Employee Benefits	85.5	74.8	10.7	14
Outside Services	186.9	172.7	14.2	8
Equipment and Software	145.7	130.5	15.2	12
Occupancy	51.0	47.3	3.7	8
Other Operating Expense	97.1	92.0	5.1	5
Total Noninterest Expense	$1,002.3	$935.6	$66.7	7 %

Compensation expense, the largest component of noninterest expense, totaled $436.1 million in the current quarter, up $17.8 million, or 4%, compared to $418.3 million in the prior-year quarter, primarily reflecting higher salary expense and higher cash-based incentive accruals. Compensation expense in the prior-year quarter included a charge of $6.0 million from severance-related and restructuring charges. The increase in salary expense was driven by base pay adjustments and the acquisition of UBS Asset Management’s fund administration units in Luxembourg and Switzerland (the UBS acquisition).

Employee benefits expense totaled $85.5 million in the current quarter, up $10.7 million, or 14%, compared to $74.8 million in the prior-year quarter, primarily due to higher medical costs and retirement plan expenses.

Outside services expense totaled $186.9 million in the current quarter, up $14.2 million, or 8%, compared to $172.7 million in the prior-year quarter, primarily reflecting a change in presentation of third-party advisor costs resulting from the adoption of the new revenue recognition accounting standard as of January 1, 2018, increased costs associated with the UBS acquisition, and higher technical services costs, partially offset by lower consulting services and sub-advisor costs. There is a corresponding increase to trust, investment and other servicing fees as a result of the adoption of the new revenue recognition accounting standard.

Equipment and software expense totaled $145.7 million in the current quarter, up $15.2 million, or 12%, compared to $130.5 million in the prior-year quarter, primarily reflecting higher software amortization and disposition charges.

Other operating expense totaled $97.1 million in the current quarter, up $5.1 million, or 5%, from $92.0 million in the prior-year quarter, primarily driven by increased costs associated with the UBS acquisition.

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THIRD QUARTER CONSOLIDATED RESULTS OF OPERATIONS (continued)

Noninterest Expense (continued)

The components of other operating expense are provided below.

Table 14: Other Operating Expense

Other Operating Expense	Three Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Business Promotion	$38.3	$36.5	$1.8	5 %
Staff Related	10.1	10.2	(0.1)	—
FDIC Insurance Premiums	8.2	9.1	(0.9)	(11)
Other Intangibles Amortization	4.3	2.3	2.0	83
Other Expenses	36.2	33.9	2.3	7
Total Other Operating Expense	$97.1	$92.0	$5.1	5 %

Provision for Income Taxes

Income tax expense for the three months ended September 30, 2018 was $106.5 million, representing an effective tax rate of 22.1%, compared to $118.2 million in the prior-year quarter, representing an effective tax rate of 28.4%.

The decrease in the provision for income taxes was primarily attributable to the reduction in the U.S. corporate income tax rate from 35% to 21% as a result of the Tax Cuts and Jobs Act (“TCJA”) enacted in the fourth quarter of 2017 as well as adjustments of $5.5 million recorded in the current quarter associated with the re-establishment of a deferred tax asset based on the issuance of guidance by the Internal Revenue Service (IRS) related to the implementation of the TCJA. Decreases to the provision for income taxes were partially offset by an increase in income before income taxes, Federal and State research tax credits of $17.6 million recognized in the prior-year quarter due to the completion of a study of the Corporation’s technology spend between 2013 and 2016, and tax accounting changes in 2018 brought about by the TCJA including the tax accounting associated with non-U.S. branches and subsidiaries. The initial estimated impact of the TCJA may continue to be refined in future periods as further information becomes available.

During the current quarter, the IRS issued proposed regulations with respect to the TCJA’s Global Intangible Low-Taxed Income (“GILTI”) provisions. Based on the Corporation’s analysis of these proposed regulations, they are not expected to impact the Corporation materially if adopted as proposed.

REPORTING SEGMENTS

Northern Trust is organized around its two client-focused reporting segments: C&IS and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business. The revenue and expenses of Asset Management and certain other support functions are allocated fully to C&IS and Wealth Management. Income and expense associated with the wholesale funding activities and investment portfolios of the Corporation and its principal subsidiary, The Northern Trust Company (the Bank), as well as certain corporate-based expense, executive level compensation and nonrecurring items, are not allocated to C&IS and Wealth Management, and are reported in Northern Trust’s third reporting segment, Treasury and Other, in the following pages.

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REPORTING SEGMENTS (continued)

The following tables reflect the earnings contributions and average assets of Northern Trust's reporting segments for the three- and nine- month periods ended September 30, 2018 and 2017. Reporting segment financial information, presented on an internal management-reporting basis, is determined by accounting systems that are used to allocate revenue and expense related to each segment and incorporates processes for allocating assets, liabilities, equity and the applicable interest income and expense.

Table 15: Results of Reporting Segments

Three Months Ended September 30,	Corporate & Institutional Services		Wealth Management		Treasury and Other		Total Consolidated	
($ In Millions)	2018	2017	2018	2017	2018	2017	2018	2017
Noninterest Income								
Trust, Investment and Other Servicing Fees	$541.0	$501.1	$398.2	$366.8	$—	$—	$939.2	$867.9
Foreign Exchange Trading Income	51.4	47.2	0.9	0.7	19.4	1.2	71.7	49.1
Other Noninterest Income	42.0	43.8	25.5	25.2	(12.3)	5.0	55.2	74.0
Net Interest Income*	253.0	194.0	202.9	186.6	(37.4)	(14.4)	418.5	366.2
Revenue*	887.4	786.1	627.5	579.3	(30.3)	(8.2)	1,484.6	1,357.2
Provision for Credit Losses	(2.8)	0.8	(6.2)	(7.8)	—	—	(9.0)	(7.0)
Noninterest Expense	601.0	542.1	362.0	348.8	39.3	44.7	1,002.3	935.6
Income before Income Taxes*	289.2	243.2	271.7	238.3	(69.6)	(52.9)	491.3	428.6
Provision for Income Taxes*	66.1	78.4	67.2	90.3	(16.5)	(38.5)	116.8	130.2
Net Income	$223.1	$164.8	$204.5	$148.0	$(53.1)	$(14.4)	$374.5	$298.4
Percentage of Consolidated Net Income	59%	55%	55%	50%	(14)%	(5)%	100%	100%
Average Assets	$83,360.6	$82,250.9	$26,110.5	$26,463.0	$12,684.5	$12,445.5	$122,155.6	$121,159.4

* Non-GAAP financial measures stated on a fully taxable equivalent basis (FTE). Total consolidated includes FTE adjustments of $10.3 million for 2018 and $12.0 million for 2017. A reconciliation of total consolidated revenue, net interest income and net interest margin on a GAAP basis to revenue, net interest income and net interest margin on an FTE basis (each of which is a non-GAAP financial measure) is provided on page 28.

Nine Months Ended September 30,	Corporate & Institutional Services		Wealth Management		Treasury and Other		Total Consolidated	
($ In Millions)	2018	2017	2018	2017	2018	2017	2018	2017
Noninterest Income								
Trust, Investment and Other Servicing Fees	$1,637.5	$1,451.1	$1,182.3	$1,073.2	$—	$—	$2,819.8	$2,524.3
Foreign Exchange Trading Income	173.9	146.9	3.1	2.4	52.1	(2.2)	229.1	147.1
Other Noninterest Income	133.6	132.4	77.9	77.4	(9.5)	20.4	202.0	230.2
Net Interest Income*	730.3	536.5	611.3	545.4	(107.8)	(2.9)	1,233.8	1,079.0
Revenue*	2,675.3	2,266.9	1,874.6	1,698.4	(65.2)	15.3	4,484.7	3,980.6
Provision for Credit Losses	(3.7)	(1.6)	(6.8)	(13.4)	—	—	(10.5)	(15.0)
Noninterest Expense	1,785.9	1,598.5	1,097.2	1,046.0	111.9	123.0	2,995.0	2,767.5
Income before Income Taxes*	893.1	670.0	784.2	665.8	(177.1)	(107.7)	1,500.2	1,228.1
Provision for Income Taxes*	195.9	213.0	193.7	251.4	(35.9)	(78.7)	353.7	385.7
Net Income	$697.2	$457.0	$590.5	$414.4	$(141.2)	$(29.0)	$1,146.5	$842.4
Percentage of Consolidated Net Income	61%	54%	51%	49%	(12)%	(3)%	100%	100%
Average Assets	$83,049.5	$80,229.1	$26,101.6	$26,648.7	$14,345.6	$11,818.2	$123,496.7	$118,696.0

* Non-GAAP financial measures stated on a fully taxable equivalent basis (FTE). Total consolidated includes FTE adjustments of $28.3 million for 2018 and $29.8 million for 2017. A reconciliation of total consolidated revenue, net interest income and net interest margin on a GAAP basis to revenue, net interest income and net interest margin on an FTE basis (each of which is a non-GAAP financial measure) is provided on page 28.

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REPORTING SEGMENTS (continued)
Corporate & Institutional Services

C&IS net income totaled $223.1 million in the current quarter compared to $164.8 million in the prior-year quarter, an increase of $58.3 million, or 35%. Noninterest income was $634.4 million in the current quarter, up $42.3 million, or 7%, from $592.1 million in the prior-year quarter, primarily reflecting higher trust, investment and other servicing fees and foreign exchange trading income.

Table 16: C&IS Trust, Investment and Other Servicing Fees

	Three Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Custody and Fund Administration	$374.7	$338.1	$36.6	11 %
Investment Management	108.7	104.3	4.4	4
Securities Lending	24.1	22.8	1.3	6
Other	33.5	35.9	(2.4)	(7)
Total C&IS Trust, Investment and Other Servicing Fees	$541.0	$501.1	$39.9	8 %

Custody and fund administration fees, the largest component of C&IS fees, are driven primarily by values of client AUC/A, transaction volumes and number of accounts. The asset values used to calculate these fees vary depending on the individual fee arrangements negotiated with each client. Custody fees related to asset values are client specific and are priced based on quarter-end or month-end values, values at the beginning of each quarter or average values for a month or quarter. The fund administration fees that are asset-value-related are priced using month-end, quarter-end, or average daily balances. Investment management fees are based generally on market values of client assets under management throughout the period.

Custody and fund administration fees increased $36.6 million, or 11%, from the prior-year quarter, primarily due to revenue associated with the UBS acquisition, new business, and favorable markets. Investment management fees increased $4.4 million, or 4%, primarily due to favorable markets and a change in presentation of certain fees resulting from the adoption of the new revenue recognition standard. Securities lending fees increased 6%, primarily due to increased loan volumes, partially offset by lower spreads. Other fees decreased 7%, primarily due to lower sub-advisor fees. The income associated with sub-advisor fees has an associated expense in outside services.

Foreign exchange trading income totaled $51.4 million in the current quarter, an increase of $4.2 million, or 9%, from $47.2 million in the prior-year quarter. The increase was driven primarily by higher client volumes.

Other noninterest income in C&IS totaled $42.0 million in the current quarter, down 4%, from $43.8 million in the prior-year quarter, primarily due to lower banking and credit-related service fees, partially offset by an increase in securities commissions and trading income.

Net interest income stated on an FTE basis was $253.0 million in the current quarter, up $59.0 million, or 30%, from $194.0 million in the prior-year quarter. The increase in net interest income was primarily attributable to an increase in the net interest margin and higher levels of earning assets. The net interest margin increased to 1.30% from 1.01% in the prior-year quarter, primarily due to higher short-term interest rates. Average earning assets totaled $77.2 billion, up from $76.4 billion in the prior-year quarter. The earning assets in C&IS consisted primarily of intercompany assets and loans and leases. Funding sources were primarily comprised of non-U.S. custody-related interest-bearing deposits, which averaged $54.4 billion in the current quarter, up from $54.1 billion in the prior-year quarter.

The provision for credit losses was a credit of $2.8 million in the current quarter, compared with a provision of $0.8 million in the prior-year quarter. The current quarter provision credit reflected reductions in outstanding loans and undrawn loan commitments, as well as improved credit quality, that resulted in a reduction in the inherent allowance. The prior-year quarter provision reflected an increase in the inherent reserve requirement.

Total C&IS noninterest expense, which includes the direct expense of the reporting segment, indirect expense allocations for product and operating support and indirect expense allocations for certain corporate support services, totaled $601.0 million in the current quarter, up $58.9 million, or 11%, from $542.1 million in the prior-year quarter, primarily reflecting higher compensation expense, indirect expense allocations, employee benefit expense, other operating expense, and outside services expense.

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REPORTING SEGMENTS (continued)

Corporate & Institutional Services (continued)

The provision for income taxes was $66.1 million in the current quarter compared to $78.4 million in the prior-year quarter, primarily attributable to the reduction in the U.S. federal corporate income tax rate from 35% to 21% as a result of the TCJA, partially offset by an increase in income before income taxes.

Wealth Management

Wealth Management net income was $204.5 million in the current quarter, up $56.5 million, or 38%, from $148.0 million in the prior-year quarter. Noninterest income was $424.6 million, up $31.9 million, or 8%, from $392.7 million in the prior-year quarter, primarily reflecting higher trust, investment and other servicing fees. Trust, investment and other servicing fees in Wealth Management totaled $398.2 million in the current quarter, increasing $31.4 million, or 9%, from $366.8 million in the prior-year quarter. The following table provides a summary of Wealth Management trust, investment and other servicing fees.

Table 17: Wealth Management Trust, Investment and Other Servicing Fees

($ In Millions)	Three Months Ended September 30, 2018	2017	Change	
Central	$152.2	$145.4	$6.8	5 %
East	102.7	90.2	12.5	14
West	80.7	73.7	7.0	9
Global Family Office	62.6	57.5	5.1	9
Total Wealth Management Trust, Investment and Other Servicing Fees	$398.2	$366.8	$31.4	9 %

Wealth Management fee income is calculated primarily based on market values. The increase in Wealth Management fees across all regions was primarily attributable to favorable markets, a change in presentation of certain fees resulting from the adoption of the new revenue recognition standard, and new business. The 9% increase in Global Family Office fees was primarily attributable to new business and favorable markets.

Other noninterest income was $25.5 million in the current quarter, up 1% from $25.2 million in the prior-year quarter, primarily reflecting an increase in securities commissions and trading income.

Net interest income stated on an FTE basis was $202.9 million in the current quarter, up $16.3 million, or 9%, from $186.6 million in the prior-year quarter, primarily reflecting an increase in the net interest margin, partially offset by lower levels of earning assets. The net interest margin increased to 3.12% from 2.82% in the prior-year quarter, reflecting higher yields on earning assets. Average earning assets decreased $372.7 million to $25.8 billion from the prior-year quarter’s $26.2 billion. Earning assets and funding sources were primarily comprised of loans and domestic interest-bearing deposits, respectively.

The provision for credit losses was a provision credit of $6.2 million in the current quarter, compared with a provision credit of $7.8 million in the prior-year quarter. The current-quarter provision credit reflected reductions in outstanding loans and undrawn loan commitments and improved credit quality that resulted in a reduction in the inherent allowance, as well as a reduction in the specific reserve attributable to the residential real estate portfolio. The prior-year quarter provision reflected reductions in undrawn loan commitments and standby letters of credit as well as improved credit quality resulting in a reduction in the inherent allowance.

Total noninterest expense, which includes the direct expense of the reporting segment, indirect expense allocations for product and operating support and indirect expense allocations for certain corporate support services, totaled $362.0 million in the current quarter, compared to $348.8 million in the prior-year quarter, an increase of $13.2 million, or 4%, primarily reflecting higher indirect expense allocations and employee benefits expense.

The provision for income taxes was $67.2 million in the current quarter compared to $90.3 million in the prior-year quarter, primarily attributable to the reduction in the U.S. federal corporate income tax rate from 35% to 21% as a result of the TCJA, partially offset by an increase in income before income taxes.

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REPORTING SEGMENTS (continued)

Treasury and Other

Treasury and Other includes income and expense associated with the wholesale funding activities and the investment portfolios of the Corporation and the Bank, and certain corporate-based expenses, executive-level compensation and nonrecurring items not allocated to C&IS and Wealth Management.

Treasury and Other noninterest income increased from $6.2 million in the prior-year quarter to $7.1 million in the current quarter. The increase in noninterest income in Treasury and Other was driven by higher foreign exchange trading income due to increased foreign exchange swap activity in Treasury, partially offset by an impairment charge of $8.1 million related to a community development equity investment and higher expenses related to existing swap agreements related to Visa Inc. Class B common shares.

Net interest income decreased $23.0 million from net interest expense of $14.4 million in the prior-year quarter to net interest expense of $37.4 million in the current quarter. The reduction in net interest income in Treasury and Other was driven by higher net funds transfer pricing credits in the C&IS segment, partially offset by higher yields on earning assets and higher net funds transfer pricing charges in the Wealth Management segment. Average earning assets decreased $187.6 million to $9.7 billion from $9.9 billion in the prior-year quarter.

Noninterest expense totaled $39.3 million in the current quarter, down $5.4 million, or 12%, from $44.7 million in the prior-year quarter, primarily reflecting higher indirect expense allocations to C&IS and Wealth Management as compared to the prior-year quarter and lower compensation expense, partially offset by higher equipment and software expense, outside services expense, other operating expense, occupancy expense, and employee benefit expense.

The provision for income taxes was a benefit of $16.5 million in the current quarter compared to a $38.5 million benefit in the prior-year quarter. The prior-year quarter tax provision included Federal and State research tax credits of $17.6 million due to the completion of a study of the Corporation’s technology spend between 2013 and 2016. The current-quarter tax provision was impacted by the reduction in the U.S. federal corporate income tax rate from 35% to 21% as a result of the TCJA and adjustments of $5.5 million associated with the re-establishment of a deferred tax asset based on the issuance of guidance by the IRS related to the implementation of the TCJA, partially offset by a decrease in income before income taxes.

NINE-MONTH CONSOLIDATED RESULTS OF OPERATIONS

Overview

Net income per diluted common share was $4.84 for the nine months ended September 30, 2018, and $3.41 in the comparable prior-year period. Net income totaled $1.15 billion, up $304.1 million, or 36%, compared to $842.4 million in the prior-year period. The performance in the current period produced an annualized return on average common equity of 15.9%, compared to 11.8% in the prior-year period. The annualized return on average assets was 1.24% in the current period compared to 0.95% in the prior-year period.

Revenue for the nine months ended September 30, 2018 totaled $4.46 billion, up $505.5 million, or 13%, as compared to $3.95 billion in the prior-year period.

Noninterest income was $3.25 billion, up $349.3 million, or 12%, from $2.90 billion in the prior-year period, primarily driven by increased trust, investment, and other servicing fees and foreign exchange trading income, partially offset by lower other operating income.

Net interest income totaled $1.21 billion, up $156.3 million, or 15%, as compared to $1.05 billion in the prior-year period, due to a higher net interest margin and an increase in earning assets.

The provision for credit losses was a provision credit of $10.5 million in the current period, as compared to a provision credit of $15.0 million in the prior-year period.

Noninterest expense totaled $3.00 billion in the current period, up $227.5 million, or 8%, from $2.77 billion in the prior-year period, primarily attributable to higher compensation, outside services, equipment and software, employee benefits, and occupancy expense.

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NINE-MONTH CONSOLIDATED RESULTS OF OPERATIONS (continued)

Noninterest Income

The components of noninterest income are provided below.

Table 18: Nine Months Ended September 30 Noninterest Income

Noninterest Income	Nine Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Trust, Investment and Other Servicing Fees	$2,819.8	$2,524.3	$295.5	12 %
Foreign Exchange Trading Income	229.1	147.1	82.0	56
Treasury Management Fees	40.0	42.8	(2.8)	(7)
Security Commissions and Trading Income	75.2	65.8	9.4	14
Other Operating Income	87.1	122.7	(35.6)	(29)
Investment Security Losses, net	(0.3)	(1.1)	0.8	(72)
Total Noninterest Income	$3,250.9	$2,901.6	$349.3	12 %

As illustrated in the following table, trust, investment and other servicing fees from C&IS increased $186.4 million, or 13%, totaling $1.64 billion, compared to $1.45 billion a year ago.

Table 19: Nine Months Ended September 30 C&IS Trust, Investment and Other Servicing Fees

C&IS Trust, Investment and Other Servicing Fees	Nine Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Custody and Fund Administration	$1,125.3	$973.1	$152.2	16 %
Investment Management	331.5	297.1	34.4	12
Securities Lending	80.3	71.2	9.1	13
Other	100.4	109.7	(9.3)	(8)
Total	$1,637.5	$1,451.1	$186.4	13 %

Custody and fund administration fees, the largest component of C&IS fees, increased 16%, primarily driven by revenue associated with the UBS acquisition, new business, the favorable impact of movements in foreign exchange rates, and favorable markets. C&IS investment management fees increased 12%, primarily due to favorable markets, a change in presentation of certain fees resulting from the adoption of the new revenue recognition standard, and new business. Securities lending fees increased 13%, primarily driven by increased loan volumes, partially offset by lower spreads. Other fees in C&IS decreased 8%, primarily due to lower sub-advisor fees, partially offset by new business. The decrease associated with sub-advisor fees has an associated decrease in outside services expense.

As illustrated in the following table, trust, investment and other servicing fees from Wealth Management totaled $1.18 billion, up $109.1 million, or 10%, from $1.07 billion a year ago.

Table 20: Nine Months Ended September 30 Wealth Management Trust, Investment and Other Servicing Fees

	Nine Months Ended September 30,			
($ In Millions)	2018	2017	Change	
Wealth Management Trust, Investment and Other Servicing Fees				
Central	$456.8	$425.9	$30.9	7 %
East	298.6	263.7	34.9	13
West	239.7	216.7	23.0	11
Global Family Office	187.2	166.9	20.3	12
Total	$1,182.3	$1,073.2		