The Northern Trust Company, Canada

Basel III Pillar lll Disclosure

as at June 30, 2015

Contents

NORTHERN TRUST OVERVIEW & SCOPE OF APPLICATION

This document presents the capital structure and capital adequacy calculations based on Basel III guidelines on an "All-in" basis. The Office of the Superintendent of Financial Institutions Canada (OSFI) requires all institutions to implement the Basel III framework. The Northern Trust Company, Canada (TNTCC) complies with the Basel III framework as it applies:

- Pillar 1: Minimum Capital Requirements. Senior management and TNTCC Board of Directors have adopted the Standardized Approach to Credit Risk and the Basic Indicator Approach to Operational Risk to determine the company's capital requirements under Basel Capital Adequacy Reporting (BCAR);

- Pillar 2: The Supervisory Review Process. TNTCC completes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually, with the results reviewed and approved by TNTCC Board of Directors; and

- Pillar 3: Market Discipline. This Pillar 3 disclosure document has been prepared to provide information on TNTCC's risk management objectives and policies, its capital position, its approach to assessing the adequacy of its capital and its exposure to material risks.

TNTCC was, by Letters Patent of Continuance, continued as a trust company under the *Trust and Loan Companies Act* (Canada) in July 1993 and OSFI issued an order approving TNTCC to commence and carry out trust business in January 1994. TNTCC is a wholly owned subsidiary of The Northern Trust Company (TNTC) and is a federal Canadian Trust Company regulated by OSFI and by TNTC'S lead regulator, the Federal Reserve Bank of Chicago (FRBC).

The business activities of TNTC in Canada are comprised of global custody and associated services, securities lending, asset management and fund administration services. These services are delivered through three Canadian regulated entities: TNTCC, the Canada Branch of TNTC (Canada Branch) and NT Global Advisors, Inc. (NTGA Canada). TNTC, through its three Canadian entities, is a mid-tier financial services provider in the Canadian market place.

To ensure that TNTCC maintains sufficient regulatory capital at all times, TNTCC manages its assets and liabilities in accordance with TNTCC's Board of Directors approved criteria set forth in its Asset and Liability Management (ALCO) Policy. The ALCO Policy provides the basis for the TNTCC's credit risk management and provides guidelines to govern the investment in securities and money market assets.

TNTCC does not currently engage in any activities that result in off-balance sheet exposures. Accordingly, its capital requirements are relatively stable.

Northern Trust Risk Management

TNTC has established an integrated Enterprise Risk Management Framework (ERM) that provides for a consistent understanding of risk management throughout the organization, including TNTCC, and acts as a reference of how various components are defined, aligned and linked to capital adequacy. It allows for active management of risk in conjunction with defined risk appetites.

TNTCC's risk appetite is low to moderate and its attitude toward risk is best described as judicious, with a long-term objective of stability. TNTCC's very strong capital base and liquid balance sheet enable it to pursue strategic growth opportunities and manage unexpected events. Risk is effectively managed by a comprehensive risk management program which involves related Northern Trust entities, as required.

This report is unaudited and the amounts are presented in Thousands of Canadian Dollars, unless otherwise disclosed. Financial results are prepared in accordance with International Financial Reporting Standards (IFRS).

LOCATION AND FREQUENCY OF DISCLOSURE

This disclosure is updated as required and published on NTC's website (www.northerntrust.com) on a quarterly basis.

CAPITAL STRUCTURE

The capital structure of TNTCC consists of Common Shares and Retained Earnings. TNTCC has authorized an unlimited number of common shares without par value. As at June 30, 2015, TNTCC had 30,000 common shares issued fully paid and outstanding.

Table 1 - Capital Structure

The table below provides a breakdown of TNTCC's capital structure:

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Tier 1 Capital					
Share Capital	30,000	30,000	30,000	30,000	30,000
Retained Earnings	13,231	13,718	14,321	14,948	14,960
Total Tier 1 Capital[1]	43,231	43,718	44,321	44,948	44,960
Total Capital	**43,231**	**43,718**	**44,321**	**44,948**	**44,960**

1. *All capital held by TNTCC is Tier 1 Capital.*

CAPITAL ADEQUACY

TNTCC has a thorough process to assess capital adequacy built around an internal view of its risk profile and a comprehensive capital planning process.

Projections of regulatory and internal capital requirements and available capital are compared to assess TNTCC's capital adequacy over a multi-year time period. Understanding regulatory and internal capital requirements, as well as available capital levels, under different circumstances is an important component of an entity's capital adequacy assessment. TNTCC's capital adequacy is assessed quarterly and is based on the Capital Management Policy and Capital Management Guideline (CMG) approved by the Board of Directors.

Table 2 - Modified Capital Disclosure Template [1]

The table below represents a modified version of the "All-in" capital disclosure template required by OSFI for Non-Domestic Systemically Important Banks:

	Q2 2014 All-in	Q3 2014 All-in	Q4 2014 All-in	Q1 2015 All-in	Q2 2015 All-in
Common Equity Tier 1 capital: instruments and reserves					
1 Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	30,000	30,000	30,000	30,000	30,000
2 Retained earnings	13,231	13,718	14,321	14,948	14,960
6 Common Equity Tier 1 capital before regulatory adjustments	43,231	43,718	44,321	44,948	44,960
29 Common Equity Tier 1 capital (CET1)	43,231	43,718	44,321	44,948	44,960
36 Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
44 Additional Tier 1 capital (AT1)	-	-	-	-	-
45 Tier 1 capital (T1 = CET1 + AT1)	43,231	43,718	44,321	44,948	44,960
58 Tier 2 capital (T2)	-	-	-	-	-
59 **Total capital (TC = T1 + T2)**	**43,231**	**43,718**	**44,321**	**44,948**	**44,960**
60 **Total risk-weighted assets[2]**	**33,764**	**36,801**	**36,584**	**36,089**	**34,627**
Capital ratios					
61 Common Equity Tier 1 (as a percentage of risk weighted assets)	128.04%	118.80%	121.15%	124.55%	129.84%
62 Tier 1 (as a percentage of risk weighted assets)	128.04%	118.80%	121.15%	124.55%	129.84%
63 Total capital (as a percentage of risk weighted assets)	128.04%	118.80%	121.15%	124.55%	129.84%
OSFI all-in target					
69 Common Equity Tier 1 capital all-in target ratio	7.0%	7.0%	7.0%	7.0%	7.0%
70 Tier 1 capital all-in target ratio	8.5%	8.5%	8.5%	8.5%	8.5%
71 Total capital all-in target ratio	10.5%	10.5%	10.5%	10.5%	10.5%

1. *Numbering in the above table corresponds to the OSFI prescribed template*
2. *See Table 3 – Capital Adequacy*

Table 3 - Capital Adequacy

The Pillar III capital requirements of TNTCC for credit and operational risk are provided in the following table:

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Capital Requirements for Credit Risk					
Deposits with Regulated Financial Institutions	7,219	4,580	5,645	4,608	6,198
Risk Weighted - Deposits with Regulated Financial Institutions (20%)	1,444	916	1,129	922	1,240
Government Treasury Bills	32,809	32,753	32,742	34,273	34,285
Risk Weighted - Government Treasury Bills (0%)	-	-	-	-	-
Other Assets	6,370	9,447	8,742	8,704	7,524
Risk Weighted - Other Assets (100%)	6,370	9,447	8,742	8,704	7,524
Total Risk Weighted Assets for Credit Risk	7,814	10,363	9,871	9,626	8,764
Capital Requirements for Operational Risk					
Average three year gross income	13,843	14,099	14,244	14,112	13,792
Capital Charge (15%)	2,076	2,115	2,137	2,117	2,069
Risk Weighted assets for Operational Risk (12.5 times Capital Charge)	25,950	26,438	26,713	26,463	25,863
Total Risk Weighted Assets	33,764	36,801	36,584	36,089	34,627

Per OSFI's Liquidity Adequacy Requirements (LAR) Guideline, TNTCC is required to maintain a liquidity coverage ratio (LCR) with a value no lower than 100%. As at June 30, 2015, TNTCC's LCR exceeded this requirement.

Beginning January 2015, the Basel Committee on Banking Supervision (BCBS) requires banks to disclose their leverage ratio, replacing the assets-to-capital (ACM) ratio. Currently the minimum ratio stipulated by BCBS is 3.0%. TNTCC's leverage ratio as at June 30, 2015 is 94%.

CREDIT RISK

Credit risk is the risk to earnings and/or capital arising from the failure of a borrower or counterparty to perform on an obligation.

The primary sources of credit risk for TNTCC derive from issuer risk (as it pertains to Canadian government securities), counterparty risk (as it pertains to cash balances maintained with our nostro bank agent and client fee receivables) and concentration risk (as it pertains to concentrated exposure to Canadian sovereign debt).

The credit risk management process is documented in the TNTCC ALCO Policy. Central to this process is approval and monitoring of exposures. The nature of TNTCC's business is not to provide traditional commercial credit; it is not part of TNTCC's business plan to have a portfolio of loans. The ALCO Policy has been established and is maintained by the TNTCC Board of Directors to govern activities related to interest rate sensitivity, liquidity, the pledging of assets, and large exposures in accordance with the OSFI Guidelines.

Monitoring of client receivables is the responsibility of TNTCC. Exposures, including aging of such receivables, are reported to Management on a monthly basis. Actions are taken as and if necessary based on that review.

TNTCC credit risk is limited to Canada.

Given TNTCC's business focus, balance sheet, counterparties, product offerings and the extremely low risk nature of the credit exposures (predominantly Government of Canada securities), TNTCC's exposure to credit risk is not significant.

Table 4 - Residual Contract Maturity Breakdown

A breakdown of TNTCC's credit risk by contractual maturity is provided in the table below:

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Floating rate					
Bank Deposits	7,219	4,580	5,645	4,608	6,198
Government Treasury Bills					
1 day to 1 month	14,090	9,794	-	-	-
Over 1 month to 3 months	-	-	8,990	8,585	8,480
Over 3 months to 6 months	9,772	8,969	8,564	8,460	8,278
Over 6 months to 1 year	8,947	13,990	15,188	17,228	17,527
Total Credit Gross Exposure	**40,028**	**37,333**	**38,387**	**38,881**	**40,483**

EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

For TNTCC, counterparty risk pertains to cash balances maintained with a nostro bank agent and client fee receivables.

Northern Trust Corporation (NTC's) Sub-custodian Oversight Committee is charged with evaluating proposals for the appointment or replacement of nostro bank agents for use by NTC legal entities. Upon review by the Sub-custodian Oversight Committee, TNTC's Counterparty Risk Management Committee is ultimately responsible for approving all such appointments and replacements.

The nostro agent banks are usually systemically important banks. Exposures are monitored carefully and the assessment and approval of the network of nostro agents is focused on systemically important banks.

TNTCC utilizes the credit ratings from Standard and Poor's (S&P) for purposes of determining its capital adequacy.

The credit valuation adjustment (CVA) is an adjustment to the mid-market valuation of the trading portfolio due to the risk of losses associated with deterioration in the credit risk of the counterparty. Given the nature of TNTCC's operations a CVA capital charge is not required to total risk weighted assets.

Table 5 - Credit Exposure by Counterparty Type

A breakdown of TNTCC's credit risk exposure by asset class is provided in the table below:

	Q4 2014			Q1 2015			Q2 2015		
	Exposure (Gross)	Exposure (Net)	RWA	Exposure (Gross)	Exposure (Net)	RWA	Exposure (Gross)	Exposure (Net)	RWA
Sovereign [1]	32,742	32,742	-	34,273	34,273	-	34,285	34,285	-
Bank [2]	5,645	5,645	1,129	4,608	4,608	922	6,198	6,198	1,240
Other assets[3]	8,742	8,742	8,742	8,704	8,704	8,704	7,524	7,524	7,524
Total	**47,129**	**47,129**	**9,871**	**47,585**	**47,585**	**9,626**	**48,007**	**48,007**	**8,764**

1. *This asset class covers all exposures to counterparties treated as sovereigns under the standardized approach*
2. *This asset class covers exposures to banks and some securities firms*
3. *This asset class includes client receivables*

MARKET RISK AND LIQUIDITY RISK

Market risk results primarily from the sensitivity of the value of assets and liabilities, as well the sensitivity of net interest income, to changes in interest rates. Secondarily, market risk results from changes in the value of trading positions due to movements in foreign exchange rates and interest rates.

Market & Liquidity risk is comprised of three sub-risks:

- Trading risk - risk of loss in trading positions from changes in the value of the trading position
- Interest rate risk - risk of loss due to significant unexpected changes in interest rates
- Liquidity funding risk - risk of loss due to the inability to raise capital to meet business needs

TNTCC engages in no trading activity and therefore is not required to hold any capital in relation to market risk.

Liquidity is not required to meet deposit liabilities of TNTCC as TNTCC is not engaged in banking activities and does not have any deposits. Sufficient working capital is maintained at all times to meet business requirements. Core investments are held in third-party bank deposits and Canadian government securities, which are considered liquid assets given their short maturities and marketability.

OPERATIONAL RISK

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. Operational risk reflects the potential for inadequate information systems, operating problems, product design and delivery difficulties or catastrophes that result in unexpected losses. TNTCC uses the basic indicator approach to measure operational risk. Operational risk is shown in Table 3 Capital Requirements.

All operational activity is outsourced to the Canada Branch and is carried out by the employees of the Canada Branch or TNTC. TNTCC does have moderate inherent operational risk which includes the oversight of the outsourced operations. Employment Practices and Workplace Safety risk is limited to the directors of TNTCC as applicable.

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk is the risk of loss due to significant unexpected changes in interest rates.

The TNTCC ALCO Policy has been established and is maintained by the Board to govern activities related to interest rate sensitivity, liquidity, the pledging of assets, and large exposures in accordance with the OSFI Guidelines.

TNTCC's assets are generally held to maturity to meet one or more of the following objectives: provide interest income, manage interest rate risk, comply with applicable regulatory requirements or ensure adequate liquidity. Pursuant to the ALCO Policy, TNTCC may acquire debentures, bonds or other debt instruments of the Government of Canada or guaranteed by it; or deposits in banks, subject to TNTC's list of approved counterparties and limits. These investments are also subject to the volume, maturity, and credit guidelines outlined below.

Equity is the dominant funding source for TNTCC and the majority of the assets at June 30, 2015 are short-term Canadian government securities with an average maturity of approximately six months. As a result, TNTCC has minimal exposure to interest rate changes from a loss perspective.

Table 6 - Maturity and Size Restrictions

The maximum maturity of new purchases of an instrument and the total holdings obligations of a single issuer are limited according to the following table as defined in TNTCC's ALCO Policy:

Instruments	Maximum Maturity	Maximum Holdings of a Single Issuer	Concentration limits as % of Assets
Canadian Federal Government Securities	5 Years	No Limit	Sufficient to meet Regulatory Capital Requirement
Money Market Assets (deposits in Canadian banks)	3 Months	Available Credit Limit	No Limit

TNTCC measures interest rate risk by reference to OSFI's "Interest Rate Risk and Maturities Matching Return" (I3 Return). The cumulative one-month gap and thereafter in each period defined by the I3 Return should not exceed one hundred per cent (100%) of TNTCC's total equity.