



The Northern Trust Company, Canada  
 Basel Capital Adequacy Disclosure  
 September 30, 2012

The Northern Trust Company, Canada’s (TNTCC) primary business is providing trust, custody and benefit payment services to institutional clients. To manage its capital requirements, all client deposits are placed with, and the related investment activities performed by, The Northern Trust Company, Canada Branch (Branch), a branch of its parent company. TNTCC does not currently engage in any activities that result in off-balance sheet exposures. Accordingly, the company’s capital requirements are relatively stable. Senior management and the company’s 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 the Basel Capital Adequacy Reporting (BCAR).

To ensure that TNTCC maintains sufficient regulatory capital at all times, the company manages its assets and liabilities in accordance with Board approved criteria set forth in its Asset and Liability Policy (ALCO Policy). The ALCO Policy provides the basis for the Company’s credit risk management and provides guidelines to govern the investment in securities and money market assets. Such 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 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 The Northern Trust Company’s (NTC) list of approved counterparties and limits. These investments are also subject to the volume, maturity, and credit guidelines outlined below. TNTCC recognizes the credit ratings from Standard and Poor’s (S&P) for purposes of determining its capital adequacy. Refer to Table 1 and 2 for capital adequacy and credit exposure.

**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:

<b>Instruments</b>	<b>Maximum Maturity</b>	<b>Maximum Holdings of a Single Issuer</b>	<b>Concentration Limits as % of Assets</b>
Canadian Federal Government Securities	5 Yrs.	No Limit	Sufficient to meet Regulatory Capital Requirement
Money Market Assets (deposits in banks)	3 Mos.	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. Interest rate risk exposures in excess of the interest risk limits specified above require approval by TNTCC’s President and notification to NTC. Refer to Table 3 for contract maturity.

Senior management monitors the company’s capital position on a daily basis and believes current capital levels to adequately support its business activities.



**Table 1 - Capital Adequacy**

TNTCC is strongly capitalized and is well above minimum regulatory capital requirements.

(\$'000s)	Q4 2011	Q1 2012	Q2 2012	Q3 2012
<b>Tier 1 Capital</b>				
Share Capital	30,000	30,000	30,000	30,000
Retained Earnings	7,508	8,089	8,579	9,087
<b>Total Tier 1 Capital</b>	<b>37,508</b>	<b>38,089</b>	<b>38,579</b>	<b>39,087</b>
<b>Tier 2 Capital</b>	-	-	-	-
<b>Tier 3 Capital</b>	-	-	-	-
<b>Total Capital</b>	<b>37,508</b>	<b>38,089</b>	<b>38,579</b>	<b>39,087</b>
<b>Credit Risk-Weighted Assets</b>	<b>9,745</b>	<b>9,751</b>	<b>7,239</b>	<b>6,759</b>
<b>Market Risk Items</b>	-	-	-	-
<b>Risk-Weighted Assets for Operational Risk</b>	<b>24,250</b>	<b>24,626</b>	<b>24,951</b>	<b>25,075</b>
<b>Total Risk-Weighted Assets</b>	<b>33,995</b>	<b>34,377</b>	<b>32,190</b>	<b>31,834</b>
<b>Tier 1 Ratio</b>	<b>110.33%</b>	<b>110.80%</b>	<b>119.85%</b>	<b>122.78%</b>

\* Total Ratio is the same as the Tier 1 Ratio for TNTCC

**Table 2 - Credit Exposure by Counterparty Type**

(\$'000s)	Q4 2011	Q1 2012	Q2 2012	Q3 2012
<b>Drawn</b>				
Corporate	-	-	-	-
Sovereign	24,346	24,381	30,288	31,823
Bank	5,379	9,611	6,527	4,615
<b>Undrawn Commitments</b>	-	-	-	-
<b>Repo-Style Transactions</b>	-	-	-	-
<b>OTC Derivatives</b>	-	-	-	-
<b>Other Off Balance Sheet</b>	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>29,725</b>	<b>33,992</b>	<b>36,815</b>	<b>36,438</b>

Note that all of the above exposures are in Canada

**Table 3 - Residual Contract Maturity Breakdown**

(\$'000s)	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Floating rate	5,379	9,611	6,527	4,615
1 day to 1 month	-	21,587	-	-
Over 1 month to 3 months	21,560	2,794	5,992	21,577
Over 3 months to 6 months	2,786	-	21,522	7,465
Over 6 months to 1 year	-	-	2,774	2,781
<b>Total Credit Gross Exposure</b>	<b>29,725</b>	<b>33,992</b>	<b>36,815</b>	<b>36,438</b>