



The Northern Trust Company, Canada
 Basel Capital Adequacy Disclosure
 June 30, 2013

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 TNTCC’s 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 (TNTC) 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.

TNTCC has implemented the Basel III framework as specified by OSFI. Table 4 - Transitional Capital Disclosure has been included pursuant to OSFI’s requirements.

In accordance with the Basel II Pillar 3 disclosure requirements for remuneration, Table 5 provides disclosure on remuneration of key management personnel.

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 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 rate risk limits specified above require approval by TNTCC’s President and notification to TNTC. 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

(CAD \$'000s)	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Tier 1 Capital					
Share Capital	30,000	30,000	30,000	30,000	30,000
Retained Earnings	8,579	9,087	9,687	10,143	10,989
Total Tier 1 Capital	38,579	39,087	39,687	40,143	40,989
Tier 2 Capital	-	-	-	-	-
Tier 3 Capital	-	-	-	-	-
Total Capital	38,579	39,087	39,687	40,143	40,989
Credit Risk-Weighted Assets	7,239	6,759	6,163	5,685	6,090
Market Risk Items	-	-	-	-	-
Risk Weighted Assets for Operational Risk	24,951	25,075	25,050	25,451	25,538
Total Risk Weighted Assets	32,190	31,834	31,213	31,136	31,628
Tier 1 Ratio	119.85%	122.78%	127.15%	128.93%	129.60%

* As TNTCC has no Tier 2 capital instruments, Total Capital Ratio is the same as the Tier 1 Ratio for TNTCC

Table 2 - Credit Exposure by Counterparty Type

(CAD \$'000s)	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Drawn					
Corporate	-	-	-	-	-
Sovereign	30,288	31,823	31,701	33,259	33,248
Bank	6,527	4,615	5,980	5,108	5,976
Undrawn Commitments	-	-	-	-	-
Repo-Style Transactions	-	-	-	-	-
OTC Derivatives	-	-	-	-	-
Other Off Balance Sheet	-	-	-	-	-
Total Gross Credit Exposure	36,815	36,438	37,681	38,367	39,224

Table 3 - Residual Contract Maturity Breakdown

(CAD \$'000s)	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Floating rate	6,527	4,615	5,980	5,108	5,976
1 day to 1 month	-	-	-	-	2,800
Over 1 month to 3 months	5,992	21,577	7,484	11,776	9,976
Over 3 months to 6 months	21,522	7,465	2,788	-	11,562
Over 6 months to 1 year	2,774	2,781	21,429	21,483	8,910
Total Credit Gross Exposure	36,815	36,438	37,681	38,367	39,224



Table 4 – Basel III Transitional Capital Common Disclosure

(CAD \$'000s)	Q1 2013	Q2 2013
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
2 Retained earnings	10,143	10,989
6 Common Equity Tier 1 Capital (CET1)	40,143	40,989
12 Additional Tier 1 Capital (AT1)	-	-
13 Tier 1 Capital (T1 = CET1 + AT1)	40,143	40,989
20 Tier 2 Capital (T2)	-	-
21 Total Capital (TC = T1 + T2)	40,143	40,989
22 Total Risk Weighted Assets	31,135	31,628
Capital ratios – Transitional Basis		
23 Common Equity Tier 1 (as a percentage of risk weighted assets) (%)	128.93	129.60
24 Tier 1 (as a percentage of risk weighted assets) (%)	128.93	129.60
25 Total Capital (as a percentage of risk weighted assets) (%)	128.93	129.60
Capital ratios – All-in Basis		
26 Common Equity Tier 1 (as a percentage of risk weighted assets) (%)	128.93	129.60
27 Tier 1 (as a percentage of risk weighted assets) (%)	128.93	129.60
28 Total capital (as a percentage of risk weighted assets) (%)	128.93	129.60

Table 5 – Annual Remuneration of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of TNTCC which includes members of TNTCC's Board. The Branch's management is involved in the planning, directing and controlling activities of TNTCC and as a result, the compensation of key management personnel reported below includes compensation incurred by the Branch.

(CAD \$'000s)	2012	2011
Total Cash Compensation	1,751	1,726
Registered Retirement Savings Plan	134	117
Share-based Payment Transactions	290	277
Total Remuneration of Key Management Personnel	2,175	2,120