# Northern Trust Corporation

## Pillar 3 Regulatory Disclosures

*As of and for the three months ended June 30, 2026*

NORTHERN TRUST

# Northern Trust Corporation

PILLAR 3 REGULATORY DISCLOSURES
*As of and for the three months ended June 30, 2026*

Table of Contents Page


| | | |
|---|---|---|
| 1 | Index of Tables | ii |
| 2 | Introduction | 1 |
| 3 | Forward-Looking Statements | 2 |
| 4 | Basel Capital Framework | 3 |
| 5 | Capital Structure | 4 |
| 6 | Capital Adequacy | 12 |
| 7 | Risk Management Overview | 13 |
| 8 | Credit Risk | 18 |
| 9 | Equities Not Subject to the Market Risk Rule | 30 |
| 10 | Operational Risk | 31 |
| 11 | Market Risk | 34 |
| 12 | References to the Corporation's SEC Filings | 43 |

Index of Tables Page


Table 1 Northern Trust Corporation Capital Ratios.... 4
Table 2 Capital Requirements.... 5
Table 3 Prescribed Regulatory Capital Buffers.... 6
Table 4 Components of Regulatory Capital.... 7
Table 5 Risk-Weighted Assets.... 8
Table 6 Summary Comparison of Accounting Assets and Total Leverage Exposure.... 9
Table 7 Supplementary Leverage Ratio.... 10
Table 8 The Northern Trust Company Capital Ratios.... 11
Table 9 Risk Governance Structure.... 14
Table 10 Credit Exposures by Geography.... 20
Table 11 Credit Exposures by Industry, Exposure Type and Contractual Maturity.... 21
Table 12 Probability of Default Ranges.... 24
Table 13 Counterparty Credit Risk by Exposure Type.... 27
Table 14 Securitization Exposures.... 29
Table 15 Securitization Exposures by Risk-Weight Bands.... 29
Table 16 Equities Not Subject to the Market Risk Rule.... 30
Table 17 Net Interest Income Sensitivity.... 36
Table 18 Market Value of Equity Sensitivity.... 40
Table 19 Global Foreign Currency Value at Risk.... 39
Table 20 Global Foreign Currency Stressed Value at Risk.... 39
Table 21 Regulatory Capital.... 41

## *Introduction*

Northern Trust Corporation (the "Corporation") 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: Asset Servicing and Wealth Management. Asset management and related services are provided to Asset Servicing and Wealth Management clients primarily by the Asset Management business. The Corporation conducts business through various U.S. and non-U.S. subsidiaries, including through its principal subsidiary, The Northern Trust Company (the "Bank"). As of June 30, 2026, the Corporation had consolidated total assets of $179.3 billion and stockholders' equity of $13.4 billion.

The Corporation is a bank holding company that has elected to be a financial holding company under the Bank Holding Company Act of 1956, as amended. Consequently, the Corporation and its business activities throughout the world are subject to the supervision, examination, and regulation of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Federal Reserve has established risk-based and leverage capital guidelines for bank holding companies, including the Corporation. As discussed below, on July 2, 2013, the Federal Reserve issued final rules implementing a strengthened set of capital requirements, known as Basel III, in the United States.

The Basel Capital Framework, as described below, requires disclosures based on the third pillar of Basel III ("Pillar 3"). The purpose of Pillar 3 disclosures is to provide information on banking institutions' regulatory capital and risk management practices. This report is designed to satisfy these requirements and should be read in conjunction with the Corporation's Quarterly Report on Form 10-Q as of and for the three months ended June 30, 2026 (the "Second Quarter 2026 Form 10-Q") and the Corporation's Annual Report on Form 10-K as of and for the year ended December 31, 2025 (the "2025 Annual Report").

Except where the context otherwise requires, when we use the terms "Northern Trust," "we," "us," and "our," we mean Northern Trust Corporation and its subsidiaries on a consolidated basis. The basis of consolidation used for regulatory reporting is consistent with that used under U.S. generally accepted accounting principles ("GAAP").

Measures of exposures and other metrics disclosed in this report may not be based on GAAP, may not be directly comparable to measures reported in our 2025 Annual Report and may not be comparable to similar measures used by other companies. These disclosures are not required to be, and have not been, audited by our independent auditors. Our historical filings with the U.S. Securities and Exchange Commission (the "SEC") and other regulatory disclosure documents are located in the Investor Relations section of our website at *www.northerntrust.com*.

## *Forward-Looking Statements*

This document may include statements which constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified typically by words or phrases such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “likely,” “plan,” “goal,” “target,” “strategy,” and similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” and “could.” Forward-looking statements include statements, other than those related to historical facts, that relate to Northern Trust’s financial results and outlook; capital adequacy; dividend policy and share repurchase program; credit quality including allowance levels; anticipated expense levels; contingent liabilities; acquisitions; strategies; market and industry trends; and expectations regarding the impact of legislation. These statements are based on Northern Trust’s current beliefs and expectations of future events or future results, and involve risks and uncertainties that are difficult to predict and subject to change. These statements are also based on assumptions about many important factors, including the factors discussed in Northern Trust’s most recent annual report on Form 10-K and other filings with the U.S. Securities and Exchange Commission, all of which are available on Northern Trust’s website. We caution you not to place undue reliance on any forward-looking statement as actual results may differ materially from those expressed or implied by forward-looking statements. Northern Trust assumes no obligation to update its forward-looking statements.

## *Basel Capital Framework*

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the International Basel Committee on Banking Supervision, announced agreement on the calibration and phase-in arrangements for the Basel III capital requirements. On July 2, 2013, the Federal Reserve issued final rules implementing Basel III capital requirements in the United States. The U.S. implementation of Basel III, among other things: (1) increased the minimum capital thresholds for banking organizations and tightened the standards for what qualifies as capital; (2) introduced a new common equity Tier 1 capital measure; and (3) presented two methodologies for calculating risk-weighted assets, a standardized approach and an advanced approach. For large and internationally active banks and bank holding companies, including the Bank and the Corporation, Basel III became effective on January 1, 2014.

The Basel capital framework seeks the alignment of capital requirements with the underlying risks a bank faces and consists of the following three complementary "pillars" designed to reinforce the safety and soundness of the financial system.

*Pillar 1 — Minimum Capital Requirements*

Pillar 1 provides a framework for calculating minimum regulatory capital requirements. Pillar 1 consists of three risk types: credit risk, operational risk and market risk.

*Pillar 2 — Supervisory Review*

Pillar 2 addresses the need for banks to consider all material risks and determine the level of capital required to remain solvent during extreme circumstances and requires banks to have sound internal capital adequacy assessment processes. The internal capital adequacy assessment process includes setting objectives for capital that are consistent with the bank's risk profile and the control environment in which it operates.

*Pillar 3 — Risk Disclosure and Market Discipline*

Pillar 3 requires qualitative and quantitative descriptions of capital structure, capital adequacy, internal control processes, risk management and the nature of underlying risks. The purpose of Pillar 3 disclosures is to provide public information on banking institutions' regulatory capital and risk management practices.

## *Capital Structure*

### Regulatory Capital

Under a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Northern Trust is subject to a capital floor that is based on the Basel standardized approach. We are, therefore, required to calculate our risk-based capital ratios under both the standardized and advanced approaches, and we are subject to the more stringent of the risk-based capital ratios as calculated under the standardized approach and the advanced approach in the assessment of our capital adequacy under the prompt corrective action framework. The Corporation's capital ratios as of June 30, 2026, are shown in the following table.

**Table 1: Northern Trust Corporation Capital Ratios**

| *($ In Millions)* | As of June 30, 2026 | |
|---|---|---|
| | Basel Standardized | Basel Advanced |
| **Regulatory Capital** | | |
| Common Equity Tier 1 Capital | $ 11,606 | $ 11,606 |
| Tier 1 Capital | 12,419 | 12,419 |
| Total Capital | 14,707 | 14,516 |
| | | |
| **Assets** | | |
| Risk-Weighted Assets | $ 95,157 | $ 81,120 |
| Average Adjusted Total Assets | 162,601 | 162,601 |
| Supplementary Leverage Exposure | N/A | 144,499 |
| | | |
| **Capital Ratios** | | |
| Common Equity Tier 1 Capital | 12.2 % | 14.3 % |
| Tier 1 Capital | 13.1 % | 15.3 % |
| Total Capital | 15.5 % | 17.9 % |
| Tier 1 Leverage | 7.6 % | 7.6 % |
| Supplementary Leverage [(a)] | N/A | 8.6 % |

*(a) Refer to the Supplementary Leverage section commencing on page 9 for details on rule changes implemented during the second quarter of 2020 impacting the calculation of the supplementary leverage ratio.*

The Common Equity Tier 1 Capital ratio is defined as Common Equity Tier 1 Capital divided by risk-weighted assets; the Tier 1 Capital ratio is defined as Tier 1 Capital divided by risk-weighted assets; and the Total Capital ratio is defined as Total Capital divided by risk-weighted assets. The Tier 1 Leverage ratio is defined as Tier 1 Capital divided by average adjusted total assets (which includes adjustments for goodwill and identifiable intangible assets). The Supplementary Leverage ratio is defined as Tier 1 Capital divided by supplementary leverage exposure.

Northern Trust is required to maintain minimum ratios of capital to risk-weighted assets and adjusted quarterly average assets, the current ratios of which are as shown in the following table.

**Table 2: Capital Requirements**

| | As of June 30, 2026 | | | |
|---|---|---|---|---|
| | Northern Trust Corporation | | The Northern Trust Company | |
| | Well-Capitalized Ratios | Minimum Capital Ratios | Well-Capitalized Ratios | Minimum Capital Ratios |
| **Capital Ratios** | | | | |
| Common Equity Tier 1 Capital | N/A | 4.5 % | 6.5 % | 4.5 % |
| Tier 1 Capital | 6.0 % | 6.0 % | 8.0 % | 6.0 % |
| Total Capital | 10.0 % | 8.0 % | 10.0 % | 8.0 % |
| Tier 1 Leverage | N/A | 4.0 % | 5.0 % | 4.0 % |
| Supplementary Leverage | N/A | 3.0 % | 3.0 % | 3.0 % |

Effective January 1, 2016, the Basel III capital requirements established a capital conservation buffer and a countercyclical capital buffer above the regulatory minimum capital ratio requirements. The capital conservation buffer is designed to absorb losses during economic stress and applies to all banking organizations. Northern Trust must maintain capital ratios in excess of the minimum capital requirements, as expanded by these buffers, in order to avoid limitations on capital distributions, including dividend payments, as well as on certain discretionary bonus payments to executive officers.

On March 4, 2020, the Federal Reserve issued a final rule that simplified its capital and stress testing frameworks and effectively incorporated the capital conservation buffer into a new stress capital buffer ("SCB") requirement for the Basel standardized approach. The SCB requirement for each subject financial institution is based upon the results of certain supervisory stress tests conducted in conjunction with the Federal Reserve's annual Comprehensive Capital Analysis and Review ("CCAR") exercise. Based upon these results, Northern Trust's SCB requirement was set at 2.5%, effective October 1, 2020, and resulted in an effective Common Equity Tier 1 Capital ratio minimum requirement of 7.0% inclusive of this buffer. The results of the 2026 Dodd-Frank Act Stress Test (DFAST) were published by the Federal Reserve Board on June 24, 2026 and resulted in no change to the Corporation's stress capital buffer. On February 4, 2026, the Federal Reserve notified the Corporation that because the Stress Testing Transparency Proposal remains subject to public comment, absent further action from the Federal Reserve, the Corporation's stress capital buffer and Common Equity Tier 1 capital ratio minimum requirement will remain at 2.5% and 7.0%, respectively, until October 1, 2027.

The countercyclical capital buffer is currently set to zero by the Federal Reserve and other U.S. federal banking agencies.

The aggregate capital conservation buffer rates applicable to Northern Trust are reflected in the table below.

**Table 3: Prescribed Regulatory Capital Buffers**

| | | | | As of June 30, 2026 |
|---|---|---|---|---|
| | Northern Trust Corporation | | The Northern Trust Company | |
| | Basel Approaches | | | |
| | Standardized | Advanced | Standardized | Advanced |
| Capital Conservation Buffer | N/A | 2.5% | 2.5% | 2.5% |
| Stress Capital Buffer | 2.5% | N/A | N/A | N/A |
| Total Capital Conservation Buffer | 2.5% | 2.5% | 2.5% | 2.5% |
| Countercyclical Capital Buffer | —% | —% | —% | —% |

Northern Trust is not subject to any limitation on capital distributions related to the capital conservation and countercyclical capital buffers as its capital ratios exceed all minimum capital requirements, including requirements as expanded by the capital conservation buffer and the countercyclical capital buffer. Capital distributions for institutions that do not exceed these ratio requirements would be limited to between 0% and 60% of total eligible retained income.

At June 30, 2026, eligible retained income, defined as the greater of net income for the preceding four calendar quarters net of any capital distributions not reflected within net income or the average net income over the preceding four calendar quarters, was $560.4 million and $696.3 million for Northern Trust Corporation and The Northern Trust Company, respectively.

For regulatory purposes, Northern Trust's capital is classified into Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital.

The table below presents the components of the Corporation's regulatory capital as defined under Basel III as of June 30, 2026.

**Table 4: Components of Regulatory Capital**

| *($ In Millions)* | As of June 30, 2026 | |
|---|---|---|
| | Basel Standardized | Basel Advanced |
| **Regulatory Capital** | | |
| Common Stock and Related Surplus, net of Treasury Stock | $ (4,638.2) | $ (4,638.2) |
| Retained Earnings | 17,706.5 | 17,706.5 |
| Accumulated Other Comprehensive Income | (551.6) | (551.6) |
| **Common Stockholders' Equity** | **$ 12,516.7** | **$ 12,516.7** |
| Adjustments for: | | |
| Goodwill and Other Intangible Assets (Net of deferred tax liability) | (710.4) | (710.4) |
| Other | (200.7) | (200.7) |
| **Common Equity Tier 1 Capital** | **$ 11,605.6** | **$ 11,605.6** |
| Preferred Stock | 884.9 | 884.9 |
| Other | (71.8) | (71.8) |
| **Tier 1 Capital** | **$ 12,418.7** | **$ 12,418.7** |
| Long-Term Debt [(a)] | 2,097.5 | 2,097.5 |
| Floating Rate Capital Securities | — | — |
| Allowance for Credit Losses | 190.3 | — |
| Other | — | — |
| **Total Capital** | **$ 14,706.5** | **$ 14,516.2** |

(a) *Long-term debt instruments that qualify for inclusion in Tier 2 capital are reduced by 20% of the original amount during the last five years of their tenor.*

- Refer to Note 12 – Senior Notes and Long-Term Debt, starting on page 128, Note 13 – Stockholders' Equity, starting on page 129, and Note 14 – Accumulated Other Comprehensive Income (Loss), starting on page 131, to the consolidated financial statements included within the Corporation's 2025 Annual Report for the terms and conditions of the main features of all regulatory capital instruments.

## Risk-Weighted Assets

The following table presents Northern Trust's risk-weighted assets by exposure type calculated under Basel III methodologies using the U.S. capital rules' risk weighting as of June 30, 2026.

### Table 5: Risk-Weighted Assets

| *($ In Millions)* | As of June 30, 2026 | |
|---|---|---|
| | Basel Standardized | Basel Advanced |
| Wholesale Exposures | $ 80,503 | $ 51,930 |
| Securitization Exposures | 1,218 | 1,292 |
| Equity Exposures | 2,777 | 2,944 |
| Other Assets | 10,212 | 8,508 |
| Credit Valuation Adjustment [(a)] | N/A | 1,370 |
| **Total Credit Risk-Weighted Assets** | **$ 94,710** | **$ 66,044** |
| | | |
| **Operational Risk-Weighted Assets [(b)]** | **N/A** | **$ 14,629** |
| | | |
| **Market Risk-Weighted Assets** | **$ 447** | **$ 447** |
| | | |
| **Total Risk-Weighted Assets** | **$ 95,157** | **$ 81,120** |

*(a) The credit valuation adjustment is included only in the Basel III Advanced calculations.*

*(b) Operational risk-weighted assets are included only in the Basel III Advanced calculations and are the result of the Advanced Measurement Approach ("AMA"), which is described in the Operational Risk section.*

For credit risk, the Basel III Standardized risk-weighted assets reflect prescribed regulatory risk-weights, while the Basel III Advanced risk-weighted assets reflect the results of the Advanced Internal Ratings Based approach ("AIRB"), which is described in the Credit Risk section. The Basel III approach includes capital requirements for credit risk, market risk, and in the case of the Basel III Advanced approach, operational risk. Operational risk is further discussed in the Operational Risk section. Market risk-weighted assets are calculated based on the final Market Risk Rule approved by the Federal Reserve in June 2012, and are identical for both the standardized and advanced approaches. Market risk is further discussed in the Market Risk section. Risk-weighted assets as calculated under the advanced approaches may show variability over time due to changes in data, methodology, models, regulatory guidance or other items.

## Supplementary Leverage Ratio

The Supplementary Leverage ratio is defined as Tier 1 Capital divided by supplementary leverage exposure. The tables below present the components of the Corporation's Supplementary Leverage ratio ("SLR") as of June 30, 2026. Line items reflecting components of SLR that are not relevant to the Corporation have been omitted.

The Federal Reserve and other U.S. federal banking agencies adopted a final rule (the "Custodial Bank Deduction"), effective April 1, 2020, that established a deduction for central bank deposits from the total leverage exposures of custodial banking organizations, including Northern Trust, equal to the lesser of (i) the total amount of funds the custodial banking organization and its consolidated subsidiaries have on deposit at qualifying central banks and (ii) the total amount of client funds on deposit at the custodial banking organization that are linked to fiduciary or custodial and safekeeping accounts. As a result, Northern Trust is permitted to exclude certain central bank deposits from leverage exposure used in the SLR calculation.

**Table 6: Summary Comparison of Accounting Assets and Total Leverage Exposure**

| *($ In Millions)* | | As of June 30, 2026 | |
|---|---|---|---|
| Line No. | | | |
| 1 | Total Consolidated Assets | $ | 179,297 |
| 4 | Adjustment for Derivatives Exposures | | 6,389 |
| 5 | Adjustment for Repo-Style Transactions | | 54 |
| 6 | Adjustment for Off-Balance-Sheet Exposures | | 13,848 |
| 7.a. | Adjustment for Custodial Bank Deduction | | (38,394) |
| 7.b. | Other Adjustments | | (982) |
| 7.c. | Adjustments for Frequency Calculations [(a)] | | (15,713) |
| 8 | **Total Leverage Exposures** | **$** | **144,499** |

*(a) In accordance with the applicable regulation, total consolidated assets are reported as quarter-end balances. Other line items in Table 6 are reported as average balances for the quarter measured on a daily averaging basis. To account for this timing difference, a frequency adjustment has been included.*

**Table 7: Supplementary Leverage Ratio**

| ($ In Millions) | | | As of June 30, 2026 |
|---|---|---|---|
| Line No. | | | |
| On-Balance-Sheet Exposures | | | |
| 1 | On-Balance-Sheet Assets [(a)] | $ | 162,186 |
| 2.a. | LESS: Custodial Bank Deduction [(b)] | | (38,394) |
| 2.b. | LESS: Other Amounts Deducted from Tier 1 Capital | | (982) |
| 3 | Total On-Balance-Sheet Exposures [(a)] | $ | 122,810 |
| Derivative Exposures | | | |
| 4 | Replacement Cost for Derivative Exposures, net of cash variation margin | | 1,920 |
| 5 | Add-on Amounts for Potential Future Exposure ("PFE") for Derivative Exposures | | 5,346 |
| 11 | Total Derivative Exposures | $ | 7,266 |
| Repo-Style Transactions | | | |
| 12 | On-Balance-Sheet Assets for Repo-Style Transactions | | 84,503 |
| 13 | LESS: Netting reduction for repo-style transactions under qualifying netting agreements. | | (83,982) |
| 14 | Counterparty Credit Risk for All Repo-Style Transactions | | 54 |
| 16 | Total Exposures for Repo-Style Transactions | $ | 575 |
| Other Off-Balance-Sheet Exposures | | | |
| 17 | Off-Balance-Sheet Exposures at Gross Notional Amounts | | 30,993 |
| 18 | LESS: Adjustments for Conversion to Credit Equivalent Amounts | | (17,145) |
| 19 | Total Off-Balance-Sheet Exposures | $ | 13,848 |
| Capital and Total Leverage Exposure | | | |
| 20 | Tier 1 Capital | $ | 12,419 |
| 21 | Total Leverage Exposure | $ | 144,499 |
| Supplementary Leverage Ratio | | | |
| 22 | Supplementary Leverage Ratio | | 8.6% |

*(a) Excluding on-balance-sheet assets for repo-style transactions and derivative exposures, but including cash collateral received*

*(b) As contemplated by 12 CFR 217.10*

## The Northern Trust Company

The Bank is an Illinois banking corporation headquartered in Chicago, Illinois, and, as discussed above, is our principal subsidiary. Founded in 1889, the Bank conducts its business through its U.S. operations and its various U.S. and non-U.S. branches and subsidiaries. At June 30, 2026, the Bank had consolidated assets of $178.6 billion and equity capital of $11.9 billion.

It is expected that the Bank will continue to be the major source of the Corporation's consolidated assets, revenues and net income in the foreseeable future.

The Bank's capital ratios as of June 30, 2026, are shown in the following table.

**Table 8: The Northern Trust Company Capital Ratios**

| | The Northern Trust Company As of June 30, 2026 | |
|---|---|---|
| | Basel Standardized | Basel Advanced |
| **Capital Ratios** | | |
| Common Equity Tier 1 Capital | 11.8 % | 14.1 % |
| Tier 1 Capital | 11.8 % | 14.1 % |
| Total Capital | 13.9 % | 16.3 % |
| Tier 1 Leverage | 6.8 % | 6.8 % |
| Supplementary Leverage [(a)] | N/A | 7.7 % |

*(a) Refer to the Supplementary Leverage section commencing on page 9 for details on rule changes implemented during the second quarter of 2020 impacting the calculation of the supplementary leverage ratio.*

The Corporation's subsidiary banks located outside the U.S. are also subject to regulatory capital requirements in the jurisdictions in which they operate. As of June 30, 2026, each of Northern Trust's subsidiaries, including the Bank, had capital ratios above their specified minimum requirements.

- Refer to Note 32 – Regulatory Capital Requirements, starting on page 161, to the consolidated financial statements included within the Corporation's 2025 Annual Report for a description of restrictions on transactions between the Corporation and its subsidiaries.

## Regulatory Developments

In March 2026, the U.S. banking agencies issued a revised proposal, to implement the final components of the Basel III regulatory capital framework. The revised proposal would eliminate the existing standardized and advanced approach methodologies for determining Risk-Weighted Assets for Category I and Category II institutions and replace it with a new expanded risk based approach. Based upon a preliminary assessment, Northern Trust estimates the proposal will result in a modest decrease in Risk-Weighted Assets. However, the potential impacts on the Corporation and the Bank of a final rule and the timing associated with it remain uncertain.

## *Capital Adequacy*

One of Northern Trust's primary objectives is to maintain a strong capital position to merit the confidence of clients, counterparties, creditors, regulators and stockholders. A strong capital position helps Northern Trust execute its strategies and withstand unforeseen adverse developments.

In addition to the risk management organization and activities described below in the Risk Management Overview section, Northern Trust manages its capital on both a consolidated and legal entity basis. The Capital Committee is responsible for measuring and managing the Corporation's and Bank's capital ratios against levels set forth within the Capital Policy approved by the Risk Committee of the Board of Directors.

Senior management, with oversight from the Risk Committee of the Board of Directors and the full Board of Directors, is responsible for capital management and planning. Northern Trust's capital adequacy assessment process, overseen by the Capital Committee, provides the framework for evaluating the adequacy of capital levels against capital requirements for both the current and projected periods given its risk profile and business growth objectives. The capital adequacy assessment process contains three main components:

- assessing required capital needs for risks that can be reliably quantified;
- understanding the sensitivity of Northern Trust's earnings, balance sheet, risk-weighted assets and capital ratios to current or potential changes in Northern Trust's risk profile and/or economic conditions; and
- evaluating the potential impact of all material risks on Northern Trust's capital position, and its resulting ability to meet its capital management objectives under a wide range of scenarios, including severely stressful conditions.

The stress scenarios included in Northern Trust's capital adequacy assessments are developed with consideration given to Northern Trust's risk profile, key vulnerabilities, business activities and strategic plans, and can include both stressed macroeconomic conditions and idiosyncratic loss events. Northern Trust's capital adequacy assessments are approved by the Risk Committee of the Board of Directors quarterly, support the annual Capital Plan and are coordinated closely with the liquidity risk management processes.

## *Risk Management Overview*

Northern Trust employs an integrated risk management framework to enable a risk-informed profile and support its business decisions and the execution of its corporate strategies. The framework provides a methodology to identify, manage, report and govern both internal and external risks to Northern Trust, and promotes a culture of risk awareness and good conduct across the organization. Northern Trust's risk culture encompasses the general awareness, attitude and conduct of employees with respect to risk and the management of risk across all lines of defense within the organization. Northern Trust cultivates a culture of effective risk management by defining and embedding risk management accountabilities in all employee performance expectations and provides training, development and performance rewards to reinforce this culture.

Northern Trust's risk management framework contains three inter-related elements, designed to support consistent enterprise risk identification, management and reporting: a comprehensive risk inventory, a static taxonomy of risk categories and a dynamic taxonomy of risk themes. The risk inventory is a detailed register of the risks inherently faced by Northern Trust. The risk categories and risk themes are classification systems used for classifying and managing the risk inventory and enabling different risk profile views. All identified risks inherent in Northern Trust's business activities are cataloged into the following risk categories: credit, operational, technology and cyber, fiduciary, compliance, liquidity, market, and strategic risk. All material risks are also dynamically cataloged into various risk themes which are defined groupings that share common characteristics, focus on business outcomes and span across risk categories.

Northern Trust implements its risk management framework through a "three lines of defense" operating model, embedding a robust risk management capability within its businesses. The model, used to communicate risk management expectations across the organization, contains three roles, each with a complementary level of risk management accountability. Within this operating model, Northern Trust's businesses are the first line of defense for protecting it against the risks inherent in its businesses and are supported by dedicated business risk management teams. The Risk Management function, the second line of defense, sets the direction for Northern Trust's risk management activities and provides aggregate risk oversight and reporting in support of risk governance. Audit Services, the third line of defense, provides independent assurance as to the effectiveness of the integrated risk framework.

### Risk Governance and Oversight Overview

Risk governance is an integral aspect of corporate governance at Northern Trust, and includes clearly defined accountabilities, expectations, internal controls and processes for risk-based decision-making and escalation of issues. The following diagram provides a high-level overview of Northern Trust's risk governance structure, highlighting oversight by the Board of Directors and key risk-related committees.

**Table 9: Risk Governance Structure**

| Northern Trust Corporation Board of Directors | | | |
|---|---|---|---|
| Audit Committee | Risk Committee | Technology and Operations Committee | Human Capital and Compensation Committee |

| Global Enterprise Risk Committee (GERC) | | | | | |
|---|---|---|---|---|---|
| Credit Risk Committee | Market & Liquidity Risk Committee | Operational Risk Committee | Fiduciary Risk Committee | Compliance Risk Committee | Information Technology Risk Committee |

The Board of Directors provides oversight of risk management directly and through certain of its committees: the Audit Committee, the Risk Committee, the Technology and Operations Committee, and the Human Capital and Compensation Committee.

The Board of Directors annually approves Northern Trust's risk management framework and Corporate Risk Appetite Statement.

- The Audit Committee provides oversight with respect to financial reporting and legal risk.

- The Risk Committee assumes primary responsibility and oversight with respect to credit risk, operational risk, technology and cyber risk, fiduciary risk, compliance risk, market risk, liquidity risk, strategic risk, and associated risk themes. The Risk Committee also assists the Board of Directors in discharging its oversight duties with respect to capital management and resolution planning activities.

- The Technology and Operations Committee assists in oversight of the technology and operations of the Corporation including related strategies, investments, and risks. The Technology and Operations Committee's responsibility for oversight of relevant risks complements, but does not supersede, the oversight responsibility of the Risk Committee of the Board, which has primary responsibility for the risk management framework.

- The Human Capital and Compensation Committee oversees the development and operation of Northern Trust's incentive compensation program. The Committee annually reviews management's assessment of the effectiveness of the design and performance of Northern Trust's incentive compensation arrangements and practices in providing incentives that are consistent with Northern Trust's safety, soundness, and culture. This assessment includes an evaluation of whether Northern Trust's incentive compensation arrangements and practices discourage inappropriate risk-taking behavior by participants.

The Chief Risk Officer ("CRO") oversees Northern Trust's management of risk and compliance, promotes risk awareness and fosters a proactive risk management environment wherein risks inherent in the business strategy are identified, understood, appropriately monitored and mitigated. The CRO reports directly to the Risk Committee and the Corporation's Chief Executive Officer. The CRO regularly advises the Risk Committee and reports to the Committee at least quarterly on risk exposures, risk management deficiencies and emerging risks. In accordance with the risk management framework, the Chief Risk Officer, Chief Compliance and Ethics Officer, Head of Financial Risk, Chief Operational Risk Officer, Chief Technology Risk Officer, Head of Strategic Risk, Chief Fiduciary Risk Officer, International Chief Risk Officer, Head of Enterprise Risk Management, Chief Executive Officer, President—Asset Management, President—Asset Servicing, President—Wealth Management, Chief Financial Officer, Chief Information Officer and Chief Operating Officer, meet as the Global Enterprise Risk Committee ("GERC") to provide executive management oversight and guidance with respect to the management of the categories of risk and risk themes within Northern Trust. Other executive management as defined in the GERC Charter attend each GERC meeting as a non-voting member. Among other risk management responsibilities, GERC receives reports, escalations, or recommendations from senior risk committees that are responsible for the management of risk, and from time to time may delegate responsibility to such committees for risk issues. Senior risk committees include:

- The Credit Risk Committee is the most senior credit committee at Northern Trust, with responsibility for establishing, approving, and monitoring credit-related policies and programs throughout the Bank.

- The Market & Liquidity Risk Committee oversees activities relating to the management of market and liquidity risks by facilitating a focused review of market and liquidity risk exposures and providing rigorous challenge of related policies, key assumptions, and practices.

- The Operational Risk Committee provides independent oversight and is responsible for setting the operational risk-related policies and developing and implementing the operational risk management framework and programs that support coordination of operational risk activities.

- The Fiduciary Risk Committee is responsible for establishing and reviewing the fiduciary risk policies and establishing the fiduciary risk framework, governance and programs that support the coordination of fiduciary risk activities.

- The Compliance Risk Committee provides oversight and direction with respect to compliance policies, implementation of the compliance and ethics program, and the coordination of regulatory compliance initiatives across the Corporation.

- The Information Technology Risk Committee provides oversight and direction with respect to information security, technology and cyber risk. The committee is responsible for recommending the policies related to, and overseeing development and implementation of the risk management framework, standards and processes supporting coordination and governance of, information security, technology and cyber risk management activities.

In addition to the aforementioned committees, Northern Trust establishes business risk committees, and a Swap Dealer Risk Committee, that also report into GERC. For more detail on risk practices at Northern Trust, see the relevant discussions on pages 18, 31 and 35.

**Risk Assessment, Appetite and Reporting Processes**

As part of the integrated risk framework, Northern Trust has established key risk identification and risk management processes, embedded within its businesses to enable a risk-informed profile that supports its business decisions and the execution of its corporate strategies. Northern Trust's risk assessment process consists of a series of programs across the first and second lines of defense that identify, measure, manage and report risks in line with risk appetite and guidelines.

Northern Trust defines its risk appetite as the aggregate level and types of risk the Board of Directors and senior management are willing to assume to achieve the Corporation's strategic objectives and business plan, consistent with prudent management of risk and applicable capital, liquidity, and other regulatory requirements. It includes consideration of the likelihood and impact of risks, using both monetary loss and non-financial measures across risk categories to monitor against tolerance thresholds and guideline levels that trigger escalation to risk committees, senior management, and the Board of Directors or committees thereof, as appropriate.

**Systems**

Risk data and technology form the infrastructure that enables the successful execution of risk management processes. Data quality principles (such as accuracy, consistency and integrity) are an integral element of Northern Trust's risk measurement and management process, ensuring quality, control and protection of the risk data and systems at both corporate and business levels.

## Independent Review and Verification

*Model Risk Management, Credit Review and Global Compliance Testing*

Independent review and risk control is provided through Model Risk Management, Credit Review, and Global Compliance Testing. Model Risk Management administers the enterprise-wide model risk framework, including independent validation and ongoing review of new and existing models used to support risk management, capital estimation, financial reporting and disclosures, valuation and pricing, and portfolio management. The framework also applies to artificial intelligence, machine learning, and other advanced analytics models, which are subject to risk-based governance, independent validation, and ongoing monitoring commensurate with their complexity, materiality, and use.

Credit Review provides an independent, ongoing assessment of credit exposure and related Credit Risk Management processes across Northern Trust. Lastly, Global Compliance Testing evaluates the effectiveness of procedures and controls aligned with our Compliance Risk Assessment program which, in turn, aligns with regulatory expectations to comply with relevant laws and regulations, as well as, corresponding Northern Trust policies. The Risk Committee has oversight responsibility with respect to these independent review and control groups.

*Audit Services*

Audit Services is an independent control function that assesses and validates controls within Northern Trust's risk management framework. Audit Services is managed by the Chief Audit Executive with oversight from the Audit Committee. Audit Services tests the overall adequacy and effectiveness of the system of internal controls associated with the framework on an ongoing basis and reports the results of these audits directly to the Audit Committee. Audit Services includes professionals with a broad range of audit and industry experience, including risk management expertise. The Chief Audit Executive reports directly to the Audit Committee and administratively reports to the Corporation's Chief Executive Officer and is a non-voting member of GERC.

## *Credit Risk*

Credit risk is the risk to interest income or principal from the failure of a borrower, issuer, or counterparty to perform on an obligation. Credit risk is inherent in many of Northern Trust's activities. A significant component of credit risk relates to loans, commitments, letters of credit, securities, and wholesale counterparty-related exposures, such as over-the counter ("OTC") derivatives and repo-style transactions.

### Credit Risk Disclosures – General Qualitative

*Credit Risk Framework and Governance*

The Credit Risk Committee ("CRC") is the most senior credit committee at Northern Trust, with responsibility for establishing, approving, and monitoring credit-related policies and programs throughout the Bank. The Chief Credit Officer reports directly to the CRO, chairs the CRC, and heads the Credit Risk Management function at Northern Trust.

While independent of the business units that manage client relationships, Risk Management works closely with them to achieve the goal of assuring proactive management of credit risk. To monitor and control credit risk, Risk Management maintains a framework that consists of policies, standards, and programs designed to promote a prudent credit culture and monitors adherence to those internal policies, standards, and programs, as well as external regulations. Credit Review independently evaluates the effectiveness of the credit risk framework.

The credit risk framework stipulates authority levels for approval of the extension of credit. Individual credit authority for commercial and personal loans is limited to specified amounts and maturities. Credit requests exceeding policies or standards because of amount, maturity, rating, or other conditions, are referred to the relevant Group Credit Approval Committee. Credit decisions involving requests in excess of Group Credit Approval Committee limits require the approval of the Senior Credit Committee.

The Capital Markets Credit Committee has sole authority for the approval, modification, or renewal of credit exposure limits to all wholesale market counterparties. The Senior Credit Committee and Capital Markets Credit Committee are both direct sub-committees of the CRC. The Treasury Credit Committee provides similar approval for investments in assets subject to credit risk, such as bonds and equities.

The Corporation applies established U.S. GAAP and regulatory policies to assess credit quality, including identifying past due exposures based on contractual terms and placing loans on nonaccrual status when collection of principal or interest is not probable. Loans may be returned to accrual status when amounts are brought current and future payments are reasonably assured. Impaired loans are identified when it is probable amounts due will not be collected in accordance with contractual terms. The allowance for credit losses is determined using an "expected loss" methodology, including probability of default (PD), loss given default (LGD), and exposure at default (EAD), measured on a quarterly basis for the remaining life of each exposure, together with qualitative factors and management judgment. Charge-offs are recorded when amounts are deemed uncollectible.

**Credit Risk Disclosures – General Quantitative**

Northern Trust's exposure to credit risk generally takes the form of loans, commitments, letters of credit, securities, and wholesale counterparty-related exposures, such as OTC derivatives and repo-style transactions. Northern Trust's entire credit risk portfolio is included within the following Basel III credit categories: wholesale exposures, securitization exposures, and equity holdings. All Basel III credit exposures that could otherwise qualify for retail treatment, such as personal loans and mortgages, are treated as wholesale exposures. Northern Trust has determined that applying wholesale treatment, i.e., individually risk-rating each exposure rather than scoring a homogeneous pool, is consistent with the Bank's underwriting approach, whereby each exposure is individually evaluated.

As a Wholesale bank, Northern Trust applies an internal ratings-based framework to all exposures, even those generally defined as Retail, such as residential mortgage exposure and personal loans. Accordingly, the probability of default (PD), loss given default (LGD), and exposure at default (EAD) estimation methodologies described above are applied consistently across these exposures, and separate retail subcategory disclosures are not presented.

*Loans and Allowance for Credit Losses*

- Refer to Note 5 – Loans, starting on page 50, and Note 6 – Allowance for Credit Losses, starting on page 55, to the consolidated financial statements within the Corporation's Second Quarter 2026 Form 10-Q for quantitative information regarding loans, the allowance for credit losses, charge-offs, and recoveries.

## Credit Exposures by Geography and Industry

The following tables provide Northern Trust's total credit exposures by regulatory reporting category and geographic distribution as of, and on an average basis for, the three months ended June 30, 2026. Distribution is based on geographic location of the contracting Northern Trust entity.

### Table 10: Credit Exposures by Geography

| *($ In Millions)* | | | | As of June 30, 2026 |
|---|---|---|---|---|
| Credit Exposures | Americas | Europe, Middle East and Africa | Asia-Pacific | Total |
| Loans, net of Unearned Income and Allowance | $ 41,282 | $ 1,998 | $ 381 | $ 43,661 |
| Loan Commitments | 29,156 | 1,028 | — | 30,184 |
| Balances Due from Depository Institutions | 28,767 | 27,901 | 1,931 | 58,599 |
| Securities | 48,001 | 10,190 | 3,227 | 61,418 |
| Trading Assets | 257 | 1,033 | 126 | 1,416 |
| **Total** | **$ 147,463** | **$ 42,150** | **$ 5,665** | **$ 195,278** |

| *($ In Millions)* | | | | Averages for the three months ended June 30, 2026 |
|---|---|---|---|---|
| Credit Exposures | Americas | Europe, Middle East and Africa | Asia-Pacific | Total |
| Loans, net of Unearned Income and Allowance | $ 39,136 | $ 2,070 | $ 192 | $ 41,398 |
| Loan Commitments | 31,235 | 1,000 | — | 32,235 |
| Balances Due from Depository Institutions | 19,631 | 25,260 | 1,479 | 46,370 |
| Securities | 47,402 | 10,451 | 3,196 | 61,049 |
| Trading Assets | 287 | 379 | 115 | 781 |
| **Total** | **$ 137,691** | **$ 39,160** | **$ 4,982** | **$ 181,833** |

The following table provides Northern Trust's credit exposures by industry and exposure type with the associated contractual maturity as of June 30, 2026.

**Table 11: Credit Exposures by Industry, Exposure Type and Contractual Maturity**

| *($ In Millions)* | As of June 30, 2026 | | | |
|---|---|---|---|---|
| | Up to 1 Year | 1 to 5 Years | Over 5 Years | Total |
| Commercial Exposures | | | | |
| Commercial and Institutional | | | | |
| Finance and Insurance | $ 1,579 | $ 2,093 | $ 1 | $ 3,673 |
| Holding Companies | 125 | 157 | — | 282 |
| Manufacturing | 1,122 | 5,923 | 3 | 7,048 |
| Mining | 274 | 766 | — | 1,040 |
| Public Administration | 9 | 10 | — | 19 |
| Retail Trade | 320 | 747 | 3 | 1,070 |
| Services | 4,096 | 5,659 | 429 | 10,184 |
| Transportation and Warehousing | 61 | 410 | — | 471 |
| Utilities | 62 | 1,402 | 4 | 1,468 |
| Wholesale Trade | 516 | 949 | 10 | 1,475 |
| Other Commercial | 188 | 427 | 49 | 664 |
| **Total Commercial and Institutional** | **$ 8,352** | **$ 18,543** | **$ 499** | **$ 27,394** |
| Commercial Real Estate | 1,114 | 4,019 | 497 | 5,630 |
| Subscription Finance | 4,713 | 1,740 | | 6,453 |
| Fund Finance | 2,055 | 1,664 | | 3,719 |
| Other | 2,749 | 724 | — | 3,473 |
| **Total Commercial** | **$ 18,828** | **$ 26,891** | **$ 996** | **$ 46,715** |
| Personal Exposures | | | | |
| Residential Real Estate | 296 | 612 | 5,763 | 6,671 |
| Private Client | 14,614 | 5,094 | 238 | 19,946 |
| Other | 408 | 105 | — | 513 |
| **Total Personal** | **$ 15,318** | **$ 5,811** | **$ 6,001** | **$ 27,130** |
| | | | | |
| **Total Commercial and Personal** | **$ 34,146** | **$ 32,702** | **$ 6,997** | **$ 73,845** |
| Balances Due from Depository Institutions | 58,587 | 12 | — | 58,599 |
| Securities | 10,553 | 28,267 | 22,598 | 61,418 |
| Trading Assets | 1,416 | — | — | 1,416 |
| **Total Exposures** | **$ 104,702** | **$ 60,981** | **$ 29,595** | **$ 195,278** |

## Advanced Internal Ratings Based ("AIRB") Approach for Credit Risk

*Internal Rating System Overview*

The credit risk framework covers a number of different measurements of credit risk at Northern Trust, including risk-weighted assets, the allowance for credit losses, and stress tests using various macroeconomic scenarios, such as the internal capital adequacy approval program and CCAR.

An integral component of credit risk measurement is Northern Trust's internal risk rating system. Northern Trust's internal risk rating system enables identification, measurement, approval, and monitoring of the Corporation's credit risk. Northern Trust uses the AIRB approach to calculate regulatory capital using regulatory formulas and exposure-level risk information from Northern Trust's internal rating system. Calculations include entity-specific information about the obligor's or counterparty's probability of default ("PD") and exposure-specific information about loss given default ("LGD"), exposure at default ("EAD"), and maturity. Northern Trust's internal risk rating system is intended to rank its credit risk without any direct linkage to external credit ratings.

Obligors are assigned PDs after consideration of both quantitative and qualitative factors. Although the criteria vary, the objective is for assigned PDs to be consistent in the measurement and ranking of risk. LGD and EAD are assigned based on obligor, product, collateral, and instrument characteristics.

Risk ratings are assigned at the time an obligation is approved, renewed, or amended. They are reviewed annually or when new information relevant to the rating is received, and are utilized for numerous purposes in addition to regulatory capital calculations, including credit underwriting, limit-setting, reserving, and portfolio monitoring.

The Risk Management function is responsible for the ongoing oversight of each model that supports the internal risk rating system. Model governance and oversight is further supported by the activities of Model Risk Management as described further in Independent Review and Verification within the Risk Management Overview section.

*PD, EAD and LGD Estimation*

Northern Trust has developed internal estimates of PD, EAD and LGD, as defined below:

Probability of default (PD) – defined as the empirically based best estimate of the long-run average one-year default rate for the rating grade assigned to an obligor, capturing the average default experience for obligors in the rating grade over a mix of economic conditions sufficient to provide a reasonable estimate.

Exposure at default (EAD) – defined across various exposures types as:

- On-balance-sheet (other than OTC derivative, repo-style transactions, or eligible margin loans) – the carrying value, less any allocated transfer risk reserve (and for available for sale debt securities, less unrealized gains, plus unrealized losses).

- Off-balance-sheet (other than OTC derivative, repo-style transactions, or eligible margin loans) – the best estimate of net additions to outstanding amounts owed that are likely to occur over a one-year horizon, assuming the exposure was to go into default. For anything other than a loan commitment, line of credit, trade-related letter of credit, or transaction-related contingency, EAD is the notional amount.
- OTC derivative, repo-style transactions, or eligible margin loan – Northern Trust utilizes the standardized approach for counterparty credit risk (SA-CCR) for calculating EAD for OTC derivatives, and the "collateral haircut approach" for calculating EAD for Repo-Style Transactions, as allowed under 12 CFR 217.132 and 12 CFR 217.37, respectively. Northern Trust does not currently have a portfolio of eligible margin loans.

Loss given default (LGD) – defined as the greater of:

- An empirically based best estimate of long-run default-weighted average economic loss per dollar of EAD that would be incurred if an obligor were to default within a one-year horizon over a mix of economic conditions; or
- An empirically based best estimate of the economic loss per dollar of EAD that would be incurred if an obligor were to default within a one-year horizon during a period of economic downturn.

PD, EAD, and LGD parameter values are estimated using quantitative analysis of internal and external data, informed by a qualitative assessment based on business subject matter expertise. The parameter estimation (quantification) process is conducted in four phases: (1) research and exploratory data analysis; (2) detailed data analytics and modeling; (3) qualitative assessment of results and recommendations; and (4) formal review and approval.

Data used for estimation and validation of PD, EAD, and LGD parameters comes from three sources:

- Internal credit defaults and recoveries experienced by Northern Trust;
- External credit default and recovery data for comparative benchmark data (not directly combined with internal default history); and
- Industry studies and academic works related to credit risk and defaults.

*Control Mechanisms*

Independent oversight and review of the internal risk rating system is provided by Model Risk Management, Credit Review, and Audit Services, as described in Independent Review and Verification within the Risk Management Overview section.

The following table provides a distribution of EAD, Risk-Weighted Assets, Weighted Average PD, Weighted Average LGD, Weighted Average Risk-Weights and Unfunded Commitments by PD ranges as of June 30, 2026.

**Table 12: Probability of Default Ranges**

| *($ In Millions)* | | | | | | | As of June 30, 2026 |
|---|---|---|---|---|---|---|---|
| | PD Range | EAD Amount | Risk Weighted Assets Amount [a] | Weighted Average PD | Weighted Average LGD | Weighted Average Risk-Weight | Unfunded Commitments |
| Wholesale | 0% to <0.15% | $160,580 | $ 12,281 | 0.04 % | 26.22 % | 7.65 % | $ 27,782 [b] |
| | 0.15% to <0.50% | 16,346 | 5,838 | 0.30 % | 33.35 % | 35.72 % | — |
| | 0.50% to <1.35% | 16,126 | 11,133 | 1.10 % | 32.95 % | 69.04 % | — |
| | 1.35% to <10.00% | 16,079 | 16,442 | 3.88 % | 33.04 % | 102.26 % | 24 |
| | 10.00% to <100% | 811 | 1,308 | 13.34 % | 31.66 % | 161.28 % | 2,132 |
| | 100% | 1,989 | 1,989 | 100.00 % | 50.81 % | 100.00 % | 246 |
| **Total** | **0.0% to <100.0%** | **$211,931** | **$ 48,991** | **1.42 %** | **28.05 %** | **23.12 %** | **$ 30,184** |

*(a) Represents unscaled risk-weighted assets.*
*(b) Includes unfunded commitments without a specific PD range.*

**Counterparty Credit Risk of OTC Derivative Contracts, Repo-Style Transactions and Eligible Margin Loans**

Counterparty credit risk for Northern Trust primarily arises from a variety of trading and custody-related activities, including foreign exchange, interest rate derivatives, indemnified securities financing transactions, principal repurchase and reverse repurchase transactions, and sponsored repurchase and reverse repurchase transactions. Credit exposure to counterparties is managed by use of a framework for setting limits by product type and exposure tenor.

*Reporting and Measurement*

To calculate exposure, Northern Trust treats repurchase agreements, reverse repurchase agreements, indemnified securities financing, and sponsored repurchase and reverse repurchase transactions as repo-style transactions. Foreign exchange exposures and interest rate derivatives are treated as OTC derivatives except for those that are centrally cleared. The EAD measurement methodology for each eligible type of counterparty credit exposure, including the use of netting and collateral as risk mitigants, is determined based on regulatory requirements, as described above. Northern Trust also measures counterparty credit risk using internal methodologies that quantify the amount of potential future exposure (PFE) to each counterparty in the event of a default.

*Repo-style Transactions*

The Collateral Haircut Approach with standard supervisory haircuts is used to determine EAD for repo-style transactions (repurchase agreements, reverse repurchase agreements, indemnified securities financing, and sponsored repurchase and reverse repurchase transactions) whereby the net fair value of all exposure less all collateral for each counterparty netting set is adjusted by standard supervisory "haircuts" applied at the instrument level to

account for market and/or foreign exchange price volatility. For certain counterparties, indemnified securities financing exposures are netted across principal lenders when aggregating exposures for the counterparty. Similarly, for sponsored repurchase and reverse repurchase transactions, exposures are netted at the centrally cleared counterparty level and client level. Indemnified repurchase and reverse repurchase transactions are estimated at the principal client lender level and totaled for the counterparty as well.

*OTC Derivatives*

Northern Trust uses the Standardized Approach for Counterparty Credit Risk (“SA-CCR”) to calculate EAD for OTC derivatives. Exposure amounts are computed as per the SA-CCR regulation, recognizing the benefit of eligible netting and collateral arrangements where applicable.

Under the AIRB regulation, Northern Trust calculates a credit valuation adjustment (CVA) using the "Simple CVA" approach outlined in the regulation, and incorporates it as a capital "add-on" to the AIRB capital calculation. However, based on minimal loss experience to date, Northern Trust does not currently incorporate a credit valuation adjustment into its estimate of the fair value of OTC derivative transactions.

*Credit Limits*

Credit exposure to counterparties is managed through a risk-based limit framework that considers factors such as counterparty credit quality, product type, exposure tenor, and other relevant risk characteristics. Individual counterparty limits are set using all three exposure measurement methodologies -- EAD, stress mark-to-market, and non-stress potential future exposure (PFE).

*Collateral Arrangements*

To calculate a counterparty’s net credit risk position, repo-style transactions, OTC derivative transactions, and associated collateral positions are revalued on a daily basis.

Eligible collateral types are documented by a Credit Support Annex (“CSA”) to an International Swaps and Derivatives Association ("ISDA") Master Agreement and are controlled under policies aimed at ensuring the collateral agreed to be taken exhibits characteristics such as price transparency, price stability, liquidity, enforceability, independence and eligibility for regulatory purposes.

*Collateral for Repo-Style Transactions*

Northern Trust accepts the following as collateral for the repo-style transactions:

Repurchase Agreements and Reverse Repurchase Agreements

- Cash;
- U.S. government and U.S. agency securities;
- U.S. government sponsored entity ("GSE") and GSE-guaranteed securities;
- Australian government securities;
- Investment grade commercial paper and corporate bonds; and
- Equities included in major indices, subject to stipulated diversification parameters.

Securities Financing Transactions

- Cash;
- Sovereign debt (includes debt issued by governments of highly-rated Organization for Economic Co-operation and Development (“OECD”) countries and corporate debt guaranteed by select highly-rated OECD governments that meet additional pre-agreed guidelines); and
- Equities included in major indices, subject to stipulated diversification thresholds.

*Wrong-way Risk*

Wrong-way risk occurs when the exposure to a particular counterparty is positively correlated with the PD of the counterparty and/or where there is an adverse correlation between a counterparty’s probability of default and the mark-to-market value of the underlying transaction.

Northern Trust uses a range of tools to identify, control, and monitor wrong-way risk. These include: policy restrictions against acceptance of collateral issued directly by the counterparty; the requirement to obtain prior approval before undertaking wrong-way risk transactions outside agreed-upon guidelines; exposure reporting; exception reporting; collateral exclusion requirements; sovereign and issuer credit quality requirements for collateral accepted in repo-style transactions; approval of loan/collateral combinations based on historical quantitative correlation analysis; and multi-factor stress testing scenarios to identify vulnerabilities and manage exposures against stressed exposure tolerances.

*Potential Collateral Requirements*

Certain ISDA agreements require a counterparty to post additional collateral in the event of a downgrade of such counterparty’s credit rating. Accordingly, Northern Trust regularly monitors its position with regard to counterparty credit rating downgrades.

The following table describes Northern Trust's counterparty exposures by exposure type as of June 30, 2026.

**Table 13: Counterparty Credit Risk by Exposure Type**

| *($ In Millions)* | As of June 30, 2026 |
|---|---|
| **Derivative Contracts EAD** | $ 7,972 |
| **Repo-Style Transactions EAD** | $ 17,719 |
| **Repo-Style Transactions Net Exposure** | |
| Gross notional exposure | $ 382,069 |
| Cash and securities collateral | 389,471 |
| **Net exposure** | **$ (7,402)** |

In the quarter ended June 30, 2026, Northern Trust did not purchase or sell any credit derivatives.

## Credit Risk Mitigation

Northern Trust considers cash flow to be the primary source of repayment for client-related credit exposures. However, Northern Trust employs several different types of credit risk mitigants to manage its overall credit risk in the event cash flow is not sufficient to repay a credit exposure. Northern Trust broadly groups its risk mitigation techniques into the following three primary categories:

*Physical and Financial Collateral*

One of Northern Trust's primary credit risk mitigation approaches is the requirement of collateral. Residential and commercial real estate exposures are typically secured by properties that are properly appraised at the onset or renewal of each exposure under loan-to-value standards that are generally more conservative than the regulatory minimums. Various other types of physical and financial collateral are also accepted for certain commercial and personal loans, in line with Northern Trust's lending standards. In cases where loans to clients are secured by marketable securities, the values of the securities are monitored daily to ensure adherence to collateral coverage policies.

*Netting*

On-balance-sheet and off-balance-sheet netting is utilized as a credit risk mitigation technique to reduce counterparty credit exposures where enforceable master netting agreements are in place. The Corporation's use of on-balance-sheet netting is primarily concentrated in foreign exchange transactions with major banks and institutional clients, while off-balance-sheet netting is primarily concentrated in indemnified securities lending and sponsored repo transactions. Both are reflected in the measurement of exposure at default (EAD) for counterparty credit risk exposures.

*Guarantees*

Personal and corporate guarantees are accepted, as warranted, to reduce risk of default, facilitate potential collection efforts, and protect Northern Trust's claims relative to other creditors. Over 90% of Northern Trust's Commercial Real Estate (CRE) exposures are guaranteed by individuals or entities that hold liquid asset portfolios.

Another important risk management practice is the avoidance of undue concentrations of exposure, such as in any single (or related) obligor/counterparty, exposure type, industry, geography, or risk mitigant. Processes are in place to establish limits on certain concentrations and the monitoring of adherence to the limits.

In addition to CRE exposures, the Corporation's wholesale portfolio includes small and medium enterprise (SME) exposures and exposures to financial institutions, including bank counterparties. These exposures are managed within the wholesale framework and are subject to the same internal risk rating process, including PD, LGD, and EAD estimation methodologies described above. No separate segmentation is applied to SME or bank exposures for regulatory capital modeling purposes.

**Securitization Exposures**

Northern Trust does not act as originator or sponsor for securitizations. In its investment portfolio, Northern Trust has purchased securities that meet the regulatory definition of a securitization. Northern Trust uses the Simplified Supervisory Formula Approach ("SSFA") to calculate risk-weighted assets for securitizations. If the SSFA cannot be applied due to data limitations, a 1,250% risk-weight is applied to the exposure as required by guidelines in the Basel III Final Rule.

The following table describes Northern Trust's securitization exposures as of June 30, 2026.

**Table 14: Securitization Exposures**

| *($ In Millions)* | | | As of June 30, 2026 |
|---|---|---|---|
| | | On-Balance Sheet | Off-Balance Sheet |
| Asset-Backed Securities | $ | 4,889 | $ — |
| Mortgage-Backed Securities | | 592 | — |
| Loan Exposures | | | — |
| **Total** | **$** | **5,481** | **$ —** |

The following table describes Northern Trust's securitization exposures by risk-weight bands as of June 30, 2026.

**Table 15: Securitization Exposures by Risk-Weight Bands**

| *($ In Millions)* | | | | | As of June 30, 2026 |
|---|---|---|---|---|---|
| | Risk-Weight Bands | Approach | Asset-Backed Securities | Mortgage-Backed Securities | Loan Exposures |
| Securitizations | 0% to <12% | SSFA | | | |
| | 12% to <20% | SSFA | | | |
| | 20% to <50% | SSFA | 4,745 | 551 | |
| | 50% to <75% | SSFA | 60 | 41 | |
| | 75% to <100% | SSFA | 84 | | |
| | 100% to <425% | SSFA | | | |
| | 425% to <1,250% | SSFA | | | |
| | 1,250 % | 1,250 % | | | |
| **Total** | | | **$ 4,889** | **$ 592** | **$ —** |

**Independent Review and Verification**

Credit Review independently evaluates the effectiveness of the credit risk framework. Refer to Independent Review and Verification within the Risk Management Overview section for more information.

## *Equities Not Subject to the Market Risk Rule*

Northern Trust's equity investments that are not subject to the Market Risk Rule are entered into in order to meet strategic business needs and for regulatory or contractual compliance purposes, rather than to generate capital gains.

The following table presents the carrying and fair values, and associated risk-weights, of Northern Trust's equity investments that are not subject to the Market Risk Rule as of June 30, 2026.

**Table 16: Equities Not Subject to the Market Risk Rule**

| *($ In Millions)* | As of June 30, 2026 | |
|---|---|---|
| | Carrying Value | Fair Value |
| Non-publicly Traded | $ 2,614 | $ 2,614 |
| Publicly Traded | 190 | 190 |
| **Total** | **$ 2,804** | **$ 2,804** |

| *($ In Millions)* | As of June 30, 2026 | | |
|---|---|---|---|
| Risk-Weights | Carrying Value | Risk-Weighted Asset Amount [(a)] | Capital Requirement |
| 0% | $ 69 | $ — | $ — |
| 20% | 453 | 91 | 7 |
| 100% | 2,065 | 2,065 | 165 |
| 400% | — | — | — |
| 1,250% | — | — | — |
| Simple Modified Look-Through Approach | 137 | 581 | 46 |
| Full Look-Through Approach | 80 | 40 | 3 |
| **Total** | **$ 2,804** | **$ 2,777** | **$ 221** |

*(a) Represents unscaled risk-weighted assets.*

The Corporation does not have equity exposures subject to supervisory transition provisions relating to regulatory capital.

In May 2024, Northern Trust participated in an offer to exchange outstanding shares of Visa's Class B common stock for a newly issued series of Visa Class B common shares and Visa Class C common shares (Exchange Offer).

As of June 30, 2026, Northern Trust continues to hold 270.1 thousand Visa Class C common shares which are recorded at their fair value of $370.7 million in Other Assets on the consolidated balance sheets with changes in fair value recorded in Other Operating Income on the consolidated statement of income.

During the three months ended June 30, 2026, there were $1.7 million realized gains or losses from sales or liquidations, no unrealized gains or losses recognized on the balance sheet but not through earnings, and no latent revaluation gains or losses.

## *Operational Risk*

Operational risk is the risk of loss from inadequate or failed internal processes, human factors and systems, or from external events. Operational risk is inherent in each of Northern Trust's businesses and corporate functions and reflects the potential for inadequate information systems, operating problems, challenges related to reliance on third parties, product design and delivery difficulties, potential legal actions, or catastrophes to result in losses. This includes the potential that continuity of service and resilience may be impacted. Operational risk includes:

- execution, delivery and process management risk;
- risk resulting from business disruption and system failures;
- risk of damage to physical assets;
- risk resulting from clients, products and business practices;
- employment practice and workplace safety risk;
- internal fraud risk;
- external fraud risk;
- information technology and cybersecurity risk;
- compliance risk;
- fiduciary risk; and
- legal risk.

Under the Corporation's risk structure, information technology and cybersecurity, compliance, fiduciary and legal risks are governed and managed explicitly.

Northern Trust's operational risk management strategy is to:

- align the operational risk framework with evolving business and industry practice and with regulatory requirements;
- identify, assess and mitigate risks inherent in business strategies;
- improve management's understanding of various types and sources of operational risk;
- provide timely information for the management of the Corporation's operational risk control environment; and
- report key topics and developments to senior governance bodies.

The goal of these activities is to keep the operational risk profile and losses within the Board-approved Corporate Risk Appetite Statement and guidelines.

*Operational Risk Framework and Governance*

Operational risk is identified, monitored, measured, managed and reported through the operational risk framework. The framework consists of risk management policies, programs and practices designed to promote a sound operational environment and maintain the Corporation's operational risk profile and losses within approved risk appetites and guidelines. The framework implements a structured approach to establishing and communicating operational risk management practices and responsibilities. This structured approach to measuring and managing operational risk addresses operational resilience which requires that Northern Trust minimize service disruptions and limit systemic impacts from adverse events as well as risk

quantification. The framework is deployed consistently and globally across all businesses and its objective is to identify and measure the factors that influence risk and drive action to maintain operational resilience and reduce future loss events. The Operational Risk Management function operates within the independent second line risk function and is responsible for defining the operational risk management framework implementation and application and providing independent oversight of the framework implementation and application across Northern Trust. It is the responsibility of each business and corporate shared service, where appropriate, to implement the enterprise-wide operational risk framework as well as business- and function-specific risk management programs to identify, monitor, measure, manage and report on operational risk and mitigate Northern Trust's exposure to service disruptions and loss.

Northern Trust has implemented an operational risk framework including:

- Loss Event Data - Northern Trust collects internal and external loss data for use in monitoring operational risk exposure, various business analyses and the Basel Advanced Measurement Approach ("AMA") capital quantification. Both internal and external loss data are used in the operational risk capital quantification. The data is reviewed to increase understanding of Northern Trust's and industry-wide operational risk exposure and to identify action plans to minimize or prevent future events.

- Risk and Control Self-Assessment - a comprehensive, structured risk management process used by Northern Trust's businesses to identify, measure, monitor and mitigate operational risk exposures throughout the enterprise.

- Operational Risk Scenario Analysis - a systematic process of obtaining expert opinions from business managers and risk management experts to derive reasoned assessments of the likelihood of occurrence and the potential loss impact of plausible operational losses.

The ORC is responsible for overseeing the activities of Northern Trust related to the management of operational risk including establishing and maintaining the Corporate Operational Risk Management Policy and approving the operational risk framework and programs. The purpose of this committee is to provide executive management's insight and guidance to the management of existing and emerging operational risks. This includes identification and assessment of evolving risk trends across the operational risk framework and how these can be best managed.

*Operational Risk Measurement*

Northern Trust utilizes the AMA capital quantification process to estimate required capital for the Corporation and applicable U.S. banking subsidiaries. Northern Trust's AMA capital quantification process incorporates Loss Event Data, Risk and Control Self-Assessments and Operational Risk Scenario Analysis to derive required capital. While internal loss data is the foundation for the capital quantification, external loss event data and qualitative risk and control self-assessments are also utilized to inform the creation of scenario analysis data employed in the capital quantification process. Business environment factor information is used to estimate

loss frequency. The AMA capital quantification process uses a Loss Distribution Approach methodology to combine frequency and severity distributions to arrive at an estimate of the potential aggregate loss at the 99.9th percentile of the aggregate loss distribution over a one-year time horizon.

Through the securing of appropriate insurance policy protection, Northern Trust aims to reduce the monetary impact of certain operational loss events. Insurance recoveries are not incorporated in the internal loss data used in the AMA capital quantification process.

The result of the AMA quantification process is the measure of operational risk-weighted assets as disclosed in Table 5.

**Independent Review and Verification**

Independent oversight and review of the AMA capital quantification process is provided by Model Risk Management. Refer to Independent Review and Verification within the Risk Management Overview section for more information.

## *Market Risk*

There are two types of market risk, interest rate risk associated with the banking book and trading risk. Interest rate risk associated with the banking book is the potential for movements in interest rates to cause changes in net interest income and the market value of equity, including Accumulated Other Comprehensive Income (Loss) from the available for sale debt securities portfolio. Trading risk is the potential for movements in market variables such as foreign exchange and interest rates to cause changes in the value of trading positions.

*Market Risk Framework and Governance*

Northern Trust maintains a market risk framework consisting of risk management policies and practices to keep its risk profile within the Board-approved Corporate Risk Appetite Statement. All market risk activities are overseen by the Risk Management function, which is independent of the businesses undertaking the activities.

The Asset and Liability Management Policy, Policy on Dealer Trading Activities, and exposure limits for market risk are set by Board-level committees, and committee structures have been established to implement and monitor adherence to corporate policies, external regulations and established procedures. Limits are monitored based on measures such as sensitivity of net interest income ("NII"), sensitivity of market value of equity ("MVE"), and value-at-risk ("VaR") across a range of time horizons.

Treasury, in the first line of defense, proposes market risk management strategies and is responsible for performing market risk management activities. The Asset and Liability Management Committee ("ALCO") provides first-line management oversight and is responsible for approving strategies and activities within the risk appetite, monitoring risk metrics, overseeing balance sheet resources, overseeing the execution of strategies, and reviewing reporting such as cash flows, the liquidity coverage ratio and stress test results.

The Market and Liquidity Risk Management function, in the second line of defense, provides challenge to the first-line activities, evaluates compliance with regulatory requirements and process effectiveness, and escalates material items for corrective action. The MLRC provides second-line oversight and is responsible for reviewing market risk exposures, establishing and monitoring risk metrics, and approving key methodologies and assumptions that drive market risk measurement.

**Interest Rate Risk**

*Interest Rate Risk Overview*

Interest rate risk in the banking book is the potential for deterioration in Northern Trust's financial position (e.g., interest income, market value of equity, or capital) due to changes in interest rates. NII and MVE sensitivity are the primary metrics used for measurement and management of interest rate risk.

Changes in interest rates can have a positive or negative impact on NII depending on the positioning of assets, liabilities and off-balance-sheet instruments. Changes in interest rates also can impact the values of assets, liabilities and off-balance sheet positions, which directly impact the MVE. Higher interest rates may impact the fair value of available for sale debt securities which in turn affects Accumulated Other Comprehensive Income (Loss) that can impact regulatory capital ratios. To mitigate interest rate risk, the structure of the balance sheet is managed so that movements of interest rates on assets and liabilities (adjusted for hedges) are sufficiently correlated, which allows Northern Trust to manage its interest rate risk within its risk appetite.

There are four commonly recognized types of structural interest rate risk in the banking book.

- repricing risk, which arises from differences in the maturity and repricing terms of assets and liabilities;
- yield curve risk, which arises from changes in the shape of the yield curve;
- basis risk, which arises from imperfect correlation in the adjustment of the rates earned and paid on different financial instruments with otherwise similar repricing characteristics; and
- embedded optionality risk, which arises from client or counterparty behavior in response to interest rate changes.

*Interest Rate Risk Analysis, Monitoring, and Reporting*

Northern Trust uses two primary measurement techniques to manage interest rate risk: NII and MVE sensitivity. NII sensitivity provides management with a short-term view of the impact of interest rate changes on NII. MVE sensitivity provides management with a long-term view of interest rate changes on MVE based on the period-end balance sheet.

Northern Trust limits aggregate interest rate risk (as measured by the NII sensitivity and MVE sensitivity simulation techniques) to an acceptable level within the context of risk appetite. A variety of actions may be used to implement risk management strategies to modify interest rate risk including:

- purchase of investment securities;
- sale of investment securities that are classified as available for sale;
- issuance of senior notes and subordinated notes;
- collateralized borrowings from the Federal Home Loan Bank; and
- hedging with various types of derivative financial instruments.

*NII Sensitivity*

NII sensitivity measures the change in NII under various interest rate scenarios.

The following table shows the estimated NII impact over the next twelve months of 100 and 200 basis point ramps upward and 100 and 200 basis point ramps downward movements in interest rates relative to forward rates as of June 30, 2026 and 2025. Each rate movement is assumed to occur gradually over a one-year period.

**Table 17: Net Interest Income Sensitivity**

| *($ In Millions)* | As of June 30, 2026 | As of June 30, 2025 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Increase in Interest Rates above Market Implied Forward Rates | Estimated Impact on Next Twelve Months of Net Interest Income | |
| 100 basis points | $ 44 | $ 69 |
| 200 basis points | $ 74 | $ 147 |
| Decrease in Interest Rates below Market Implied Forward Rates | | |
| 100 basis points | $ (57) | $ (89) |
| 200 basis points | $ (147) | $ (188) |

The NII sensitivity analysis does not incorporate certain management actions that may be used to mitigate adverse effects of actual interest rate movement. For that reason and others, the estimated impacts do not reflect the likely actual results but serve as estimates of interest rate risk. NII sensitivity is not comparable to actual results disclosed elsewhere or directly predictive of future values of other measures provided.

*Market Value of Equity ("MVE") Sensitivity*

A second technique used to measure interest rate risk is MVE sensitivity, which measures the change in the MVE under various interest rate scenarios.

The following table shows the estimated impact on MVE of 100 and 200 basis point shocks up and 100 and 200 basis point shocks down from current market implied forward rates at June 30, 2026 and December 31, 2025.

**Table 18: Market Value of Equity Sensitivity**

| *($ In Millions)* | As of June 30, 2026 | As of December 31, 2025 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Increase in Interest Rates above Market Implied Forward Rates | Estimated impact on Market Value of Equity | |
| 100 basis points | $ (623) | $ (537) |
| 200 basis points | $ (1,357) | (1,186) |
| Decrease in Interest Rates below Market Implied Forward Rates | | |
| 100 basis points | $ 647 | $ 534 |
| 200 basis points | $ 1,218 | $ 920 |

The MVE simulations do not incorporate certain management actions that may be used to mitigate adverse effects of actual interest rate movements. For that reason and others, the estimated impacts do not reflect the likely actual results but serve as estimates of interest rate

risk. MVE sensitivity is not comparable to actual results disclosed elsewhere or directly predictive of future values of other measures provided.

**Foreign Currency Market Risk**

*Foreign Currency Non-Trading Risk Overview*

Northern Trust's balance sheet is exposed to non-trading foreign currency risk as a result of its holdings of non-U.S.-dollar-denominated assets and liabilities, investment in non-U.S. subsidiaries, and future non-U.S.-dollar-denominated revenue and expense. To manage currency exposures on the balance sheet, Northern Trust attempts to match its assets and liabilities by currency. If those currency offsets do not exist on the balance sheet, Northern Trust will use foreign exchange derivative contracts to mitigate its currency exposure.

**Trading Market Risk**

Within Market Risk, trading risk primarily originates from the provision of foreign exchange, interest rate derivatives, and securities brokerage services to clients; additional exposure also derives from Treasury foreign exchange activities. Securities holdings are restricted, resulting in trading risks that are de minimis. From a regulatory capital perspective, trading risk further encompasses foreign currency balances associated with business operations.

*Trading Risk Disclosures*

Effective January 1, 2013, Northern Trust adopted revised risk-based capital guidelines for market risk commonly referred to as the "Market Risk Rule", issued jointly by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation. The Market Risk Rule defines positions covered under the Rule ("covered positions"), which can include positions that arise from business activities other than trading. The set of covered positions constitutes the "trading book" for required capital purposes. The Market Risk Rule also requires Northern Trust to disclose publicly, for each material portfolio of covered positions, certain quantitative and qualitative information. Quantitative disclosures include period-end VaR based measures and Stressed Value-at-Risk ("SVaR") based measures.

Qualitative disclosures include the composition of material covered positions, Northern Trust's valuation policies, procedures and methodologies, and the characteristics of the internal models in use. All information provided below is at a consolidated Northern Trust level.

*Trading Book Composition and Risk Drivers*

Northern Trust's trading book is composed of positions arising from activity in five business areas: Global Foreign Exchange (GFX), Treasury foreign exchange (TFX); Interest rate derivative (IRD) trades; Northern Trust Securities Inc. (NTSI) inventory; and foreign currency balances (FCBs) accrued on the balance sheet.

GFX desks execute foreign exchange transactions for client accommodation purposes and mitigate most of the exposure via offsetting trades. In addition, Northern Trust's Treasury department executes foreign exchange transactions (TFX) to manage balance sheet flows. Starting in the fourth quarter of 2025, TFX risk measures are computed separately from those of GFX. For both GFX and TFX, the risk system applies FX and interest rate (IR) drivers to produce VaR for regulatory capital.

Northern Trust's Treasury Department also executes IRD trades for client accommodation purposes and mitigates the exposure via offsetting trades. The risk system applies IR and volatility drivers to produce VaR and SVaR for regulatory capital.

FCBs arise not from executing trades but rather in the course of regular business operations, from non-U.S.-dollar-denominated revenues and expenses accruing onto the Corporation's balance sheet. The risk system applies FX drivers to produce VaR and SVaR for regulatory capital.

NTSI, a brokerage subsidiary of the Corporation, executes fixed-income securities trades directly for client accounts. A small inventory of securities remains held in inventory overnight. This portfolio exposure is *de minimis*, and VaR and SVaR calculations are not required. The valuation of the securities serves as the basis for calculating regulatory capital.

*Foreign Currency Trading Risk Overview*

Foreign currency or foreign exchange trading positions exist when aggregate obligations to purchase and sell a currency other than the U.S. dollar do not offset each other in amount or offset each other over different time periods. The GFX trading portfolio at Northern Trust is composed of spot, forward, non-deliverable forward, and FX swap transactions. The portfolio holds no futures, options, or structured derivatives.

As of June 30, 2026, approximately 99% of GFX contracts were to mature in less than 12 months, and the average maturity of outstanding contracts was approximately 42 days.

As of June 30, 2026, Northern Trust authorizes trading in 54 different currencies. In response to changes in liquidity, client demand, and the economic, political, and regulatory environment of each currency's domicile, currencies may be dropped from or added to the tradable list and position limits may be revised.

*Interest Rate Derivatives Trading Risk Overview*

IRD positions exist when aggregate interest cash inflows and outflows do not offset each other in amount or offset each other over different time periods. The IRD trading portfolio at Northern Trust is composed mostly of interest rate swaps entered into to meet clients' interest rate risk management needs, but also including a small number of swaptions, caps, and floors.

*Other Non-material Trading Activities*

Northern Trust's broker-dealer subsidiary, NTSI, maintains a portfolio of trading securities held for customer accommodation purposes. The portfolio averaged less than $500 for the quarter

ended June 30, 2026. NTSI also invests excess cash balances in short-term investment vehicles, which are not designated as trading positions.

*Trading Book Risk Measurement*

For trading book activities other than NTSI, Northern Trust measures daily the risk of loss associated with all non-U.S. currency positions using a VaR model and applying the historical simulation methodology. This statistical model provides estimates, based on high confidence levels, of the potential loss in value that might be incurred if an adverse shift in interest rates and non-U.S. currency exchange rates were to occur over a small number of days. The model incorporates foreign currency and interest rate volatilities and correlations in price movements among the currencies and interest rates. VaR is computed for each trading desk and for the global portfolio.

VaR measures are computed daily in a vendor software application which reads positions from Northern Trust's trading systems and foreign currency balances from the general ledger. Data vendors provide foreign exchange rates, interest rates, and volatilities for all currencies. The Risk Management function monitors on a daily basis VaR model inputs and outputs for reasonableness.

*Trading Book Risk Monitoring, Reporting and Analysis*

Northern Trust monitors several variations of the VaR measures to meet specific regulatory and internal management needs. Variations include different methodologies (historical simulation, Monte Carlo simulation and Taylor approximation), horizons of one day and ten days, confidence levels of 95% and 99%, subcomponent VaRs using only FX drivers, only IR drivers, and only volatility drivers, and look-back periods of one year, two years, and four years. The alternative measures provide management with an array of corroborating metrics and alternative perspectives on Northern Trust's market risks.

Automated daily reports are produced and distributed to business managers and risk managers. The Risk Management function also reviews and reports several variations of the VaR measures in historical time series format to provide management with a historical perspective on risk.

*VaR Reporting*

The table below presents the levels of total regulatory VaR and its subcomponents, covering GFX, TFX, FCB, and IRD combined, for the three months ended June 30, 2026, and March 31, 2026, based on the historical simulation methodology, a 99% confidence level, a one-day horizon and equally-weighted volatility. The total VaR is typically less than the sum of its three subcomponents due to diversification benefits derived from the three subcomponents.

**Table 19: Value at Risk, 99% 1-day**

| *($ In Millions)* | Combined Trading Book VaR | | FX VaR (FX Drivers only) | | IR VaR (IR Drivers only) | | VOL VaR (Volatility Drivers only) | |
|---|---|---|---|---|---|---|---|---|
| Three Months Ended | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 |
| High | $ 2.1 | $ 0.5 | $ 2.0 | $ 0.5 | $ 0.2 | $ 0.2 | $ — | $ — |
| Low | 0.2 | 0.2 | 0.2 | 0.1 | — | 0.1 | — | — |
| Average | 0.8 | 0.3 | 0.7 | 0.2 | 0.1 | 0.1 | — | — |
| Quarter End | 0.3 | 0.3 | 0.2 | 0.3 | 0.1 | 0.1 | — | — |

SVaR Reporting

The table below presents levels of SVaR based on the same assumptions and inputs as above but replaying the severe one-year financial crisis period of August 2008 to August 2009. The VaR and SVaR totals indicate the degree of risk inherent in non-U.S. currency positions during the most recent quarters; however, they are not predictive of expected gain or loss. Actual future gains or losses are dependent on market conditions and the amounts and tenors of future non-U.S. currency positions.

**Table 20: Stressed Value at Risk, 99% 1-day**

| *($ In Millions)* | Combined Trading Book SVaR | | FX SVaR (FX Drivers only) | | IR SVaR (IR Drivers only) | | VOL SVaR (Volatility Drivers only) | |
|---|---|---|---|---|---|---|---|---|
| Three Months Ended | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 |
| High | $ 6.8 | $ 1.5 | $ 6.5 | $ 1.0 | $ 0.8 | $ 0.9 | $ — | $ — |
| Low | 0.8 | 0.5 | 0.7 | 0.4 | 0.2 | 0.2 | — | — |
| Average | 3.1 | 0.9 | 2.8 | 0.7 | 0.5 | 0.4 | — | — |
| Quarter End | 0.9 | 1.5 | 0.8 | 0.7 | 0.5 | 0.9 | — | — |

Regulatory Capital Reporting

The table below presents levels of total regulatory capital for GFX, TFX, FCB, and IRD based on the combined VaRs and SVaRs in the two tables above. The VaR and SVaR components of required capital are each based on 60-day moving averages of daily VaR (or SVaR) values scaled to a ten-day horizon and multiplied by a regulatory factor ranging from 3.00 to 4.00, except when quarter-end ten-day VaR dominates. For each quarter end, the combined trading book value for regulatory capital is based on summing across the four areas; it does not reflect any potentially offsetting diversification benefits across them.

**Table 21: Regulatory Capital**

| *($ In Millions)* | Combined Trading Book | | Global Foreign Exchange (GFX) | | Treasury Foreign Exchange (TFX) | | Foreign Currency Balances (FCB) | | Interest Rate Derivatives (IRD) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Three Months Ended | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 | June 30, 2026 | March 31, 2026 |
| High | $ 39.0 | $ 12.6 | $ 3.5 | $ 3.4 | $ 4.0 | $ 3.8 | $ 30.2 | $ 4.7 | $ 1.0 | $ 1.0 |
| Low | 11.5 | 11.3 | 3.3 | 2.9 | 3.1 | 3.8 | 3.9 | 3.9 | 0.9 | 1.0 |
| Average | 33.6 | 12.0 | 3.4 | 3.2 | 3.6 | 3.4 | 24.6 | 4.4 | 0.9 | 1.0 |
| Q End | 35.7 | 11.5 | 3.9 | 3.4 | 3.9 | 3.2 | 27.0 | 3.9 | 0.9 | 1.0 |

**Treasury Foreign Exchange (TFX) activity was moved from Global Foreign Exchange (GFX) into its own portfolio (TFX), starting in the fourth quarter of 2025*

VaR Backtesting

During the most recent period presented, Northern Trust experienced no days of actual GFX trading loss in excess of the daily GFX VaR estimate. In addition to comparing actual gains or losses to VaR, Northern Trust also compares hypothetical gains or losses to VaR. Hypothetical gains or losses are computed by assuming the previous day's closing positions remain unchanged for the entire following day, updating market prices, and recomputing the portfolio's valuation. During the most recent period presented, Northern Trust experienced no days for which the computed GFX hypothetical loss would have been greater than indicated by the GFX VaR-based estimate at the 99% confidence level, no days for FCB VaR, and no days for IRD VaR.

Valuation Practices

Northern Trust updates interest rates and foreign exchange rates daily and volatilities weekly through automated data feeds from independent internal source systems and established data vendors providing observable market prices. Rates and prices are fed into pricing models which use standard methodologies to determine initial and theoretical mark-to-market valuations of positions. Those valuations serve as base market levels from which the VaR and stress test models calculate potential changes in values. Theoretical mark-to-market valuations prepared for risk management purposes may differ from valuations prepared in accordance with GAAP. Foreign exchange positions do not include any options that require valuation. Valuations of NTSI securities come directly from market pricing provided by the source system vendor.

Risk management and operations staff provide independent assessment of valuation inputs, processes and outputs for accuracy within approved thresholds and determine any valuation adjustments that may be required.

## Stress Tests and Capital Adequacy

Northern Trust monitors stress test results on an ongoing basis to assess the potential for losses exceeding required capital and considers that information in assessing capital adequacy. Northern Trust runs a number of stress tests on the material trading book portfolios, including quadrupling volatility, measuring at an extreme number of standard deviations, taking tail averages (expected shortfall), zero diversification benefit, and full correlation of risk drivers.

Northern Trust runs daily a SVaR, which replays a severe one-year financial crisis period of August 2008 to August 2009. For GFX, correlations are stressed to extremes. In assessing capital adequacy, Northern Trust considers in particular the results of stress tests run daily on GFX positions that reenact nine of the most severe historical events over a simulated ten-day period.

The capital adequacy assessment also considers risks that may not be captured fully in the VaR-based measure, such as concentration and liquidity risk under stressed market conditions.

**Independent Review and Verification**

Independent oversight and review of the Market Risk Framework is provided by Model Risk Management and Global Compliance Testing. Refer to Independent Review and Verification within the Risk Management Overview section for more information.

## References to the Corporation's SEC Filings

The Corporation's SEC filings contain important information relative to this report. Specific references are listed below.

**DISCLOSURE MAP**

| Pillar 3 Requirement | Description | Pillar 3 Report | Q2 2026 Form 10-Q | 2025 Annual Report |
|---|---|---|---|---|
| | | Disclosure Starts on Page Number | | |
| Introduction | Basis of presentation | 1 | 38 | 96 |
| Capital Structure | Terms and conditions of capital instruments | 7 | | 128, 129,131 |
| | Restrictions on transactions between the Corporation and its subsidiaries | 11 | | 6, 157 |
| Risk Management Overview | Risk management processes | 16 | | 70 |
| Credit Risk: General Disclosure | Loans | 18, 19 | 50 | 58, 98, 114 |
| | Allowance for credit losses | 19, 20 | 55 | 60, 99, 119 |
| | Industries | 21 | | 74 |
| Counterparty Credit Risk of OTC Derivative Contracts, Repo-Style Transactions and Eligible Margin Loans | Derivative contract exposures | 24, 25 , 26 | 38, 77 | 103, 149 |
| Market Risk: Interest Rate | NII sensitivity | 35, 36 | 28 | 82 |
| | MVE sensitivity | 36 | 29 | 83 |
| Market Risk: Foreign Currency | VaR | 39, 40, 41 | 30 | 84, 85 |
| | Other trading activities | 39 | | 85 |