

The Northern Trust Company, Canada
Basel III Pillar 3 Disclosure
June 30, 2026

*July 31, 2026
(Subject to Board Approval)*

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THE NORTHERN TRUST COMPANY, CANADA OVERVIEW & SCOPE OF APPLICATION

This document presents the capital structure and capital adequacy calculations of The Northern Trust Company, Canada (TNTCC) based on guidelines published by the Basel Committee on Banking Supervision (Basel) and the Office of the Superintendent of Financial Institutions (OSFI). TNTCC complies with the Basel III framework as it applies:

- Pillar 1: Minimum Capital – TNTCC, as a Category III SMSB, has adopted the Simplified Risk-Based Capital Ratios for CET1/Tier 1/Total Capital and the Simplified Standardized Approach for Operational Risk to determine the company's capital requirements under Basel Capital Adequacy Reporting (BCAR);
- Pillar 2: Prudential and Risk Management Expectations and the Supervisory Oversight Process – TNTCC completes an Internal Capital Adequacy Assessment Process (ICAAP) annually, with the results reviewed and approved by TNTCC's Board of Directors; and
- Pillar 3: Public Disclosure – this Pillar 3 disclosure document provides information on TNTCC's risk management objectives, practices and policies, its capital position, its approach to assessing the adequacy of its capital and exposure to material risks.

TNTCC was, by Letters Patent of Continuance, continued as a trust company under the *Trust and Loan Companies Act (Canada)* in July 1993 and OSFI issued an order approving TNTCC to commence and carry out trust business in January 1994. TNTCC is a wholly owned subsidiary of The Northern Trust Company (TNTC), a corporation organised under the banking laws of the State of Illinois, United States of America. Northern Trust Corporation (NTC), a financial holding company based in Chicago, Illinois, is the ultimate parent of TNTC.

NTC's business activities in Canada revolve around asset servicing for institutional investors and include global custody, benefit payments, risk and performance management, securities lending, asset management and fund administration services. These services are delivered through three regulated Canadian entities: TNTCC, the Canada Branch of TNTC (Canada Branch), an authorized foreign bank branch under the *Bank Act (Canada)*, and NT Global Advisors, Inc. (NTGAI Canada).

TNTCC has adopted a Capital and Liquidity Management Policy (CLM Policy) to ensure that it always maintains sufficient regulatory capital and liquidity, and manages its assets and liabilities in accordance with the Asset and Liability Management Policy (ALM Policy). These two policies provide the basis for TNTCC's capital and liquidity risk management and the guideline to govern TNTCC's investments.

TNTCC currently does not hold any client deposits or engage in any activities that result in off-balance sheet exposures.

Northern Trust Risk Management

TNTC has established an integrated Risk Management Framework (RM Framework) that provides for consistent risk management practices throughout the organization, including TNTCC, and acts as a reference of how various components are defined, aligned and linked to capital and liquidity adequacy. Underpinning the RM Framework are governance bodies, policies, processes, systems and controls embedded across the lines of defence to support strategy, understand risks, inform decisions and manage risks within risk appetites and applicable laws and regulations. It allows for active management of risk in conjunction with defined risk appetites.

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

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

LOCATION AND FREQUENCY OF DISCLOSURE

This quarterly disclosure is posted and publicly available on Northern Trust's website ([Financial Information and Regulatory Disclosures | Northern Trust](#)).

CAPITAL STRUCTURE

The capital structure of TNTCC consists of Common Shares and Retained Earnings. TNTCC has authorized an unlimited number of common shares without par value. As at June 30, 2026, TNTCC had 30,000 common shares issued fully paid and outstanding.

Table 1: Capital Structure

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

(CAD 000s)	Q2 2026
Tier 1 Capital	
Share Capital	30,000
Retained Earnings	54,539
Total Tier 1 Capital	84,539
Total Capital	84,539

Additional information is available on the OSFI website:

[Financial data - Office of the Superintendent of Financial Institutions \(osfi-bsif.gc.ca\)](https://osfi-bsif.gc.ca)

[Temporary measures to ease the transition to Open Government - Office of the Superintendent of Financial Institutions](#)

CAPITAL ADEQUACY

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

Projections of regulatory and internal capital requirements and available capital are compared to assess TNTCC's capital adequacy over a multi-year time period. Having a clear understanding of regulatory and internal capital requirements, as well as available capital levels, under different circumstances is an important component of an entity's capital adequacy assessment. TNTCC's capital adequacy is assessed quarterly and is based on the CLM Policy and the Operating Capital Level (OCL), both of which were approved by the Board of Directors.

Effective Q2/23, TNTCC implemented the final Basel III reforms outlined under OSFI's SMSB Pillar 3 Disclosure Guidelines and SMSB Capital and Liquidity Requirements. TNTCC is a Category III SMSB.

Table 2: Simplified Risk-Based Capital Ratio Calculations for Category III SMSBs

The table below represents the simplified risk-based capital ratio calculation for TNTCC as at June 30, 2026:

Dollars in thousands

A Ratio Calculations

Common Equity Tier 1 (CET1) simplified risk-based capital ratio (%)	$A / (H + K) \times 100$	71.2%
Tier 1 simplified risk-based capital ratio (%)	$B / (I + K) \times 100$	71.2%
Total simplified risk-based capital ratio (%)	$C / (J + K) \times 100$	71.2%

B Capital

Net CET1 capital	S from Schedule 20.010	84,539
Net Tier 1 capital	AC from Schedule 20.010	84,539
Total capital	AP from Schedule 20.010	84,539

C Adjusted Total Assets and Operational Risk RWA

Total Assets		87,685
CET1 capital deductions	(A - S) from Schedule 20.010	0
Additional Tier 1 capital deductions	AA from Schedule 20.010	0
Tier 2 capital deductions	AN from Schedule 20.010	0
Adjusted Total Assets (CET1)	D - E	87,685
Adjusted Total Assets (Tier 1)	D - E - F	87,685
Adjusted Total Assets (Total Capital)	D - E - F - G	87,685
Operational Risk RWA	(N from Schedule 30.010) x 12.5	31,018

D OSFI Target SRBCR

OSFI Target CET1 SRBCR (%)		7.0%
OSFI Target Tier 1 SRBCR (%)		8.5%
OSFI Target Total SRBCR (%)		10.5%
Countercyclical buffer (%)	A from Schedule 10.041	

E Institution's Own Internal Capital Target SRBCR

Institution's own target CET1 SRBCR (%)		60.0%
Institution's own target Tier 1 SRBCR (%)		60.0%
Institution's own target Total SRBCR (%)		60.0%

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 reflects the potential that 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 resiliency may be impacted. Operational risk includes information technology and cybersecurity risks, compliance, fiduciary and legal risks, which under NTC's risk structure are governed and managed explicitly. TNTCC uses the Simplified Standardized Approach to measure operational risk.

All operational activities are outsourced to the Canada Branch and are carried out by the employees of the Canada Branch or TNTC. TNTCC does have high inherent operational risk relating to oversight of the outsourced operations. Employment Practices and Workplace Safety risk is limited to TNTCC directors and officers, as applicable.

Table 3: Minimum Capital Required for Operational Risk for Category III SMSBs:

Dollars in thousands

A Simplified Standardized Approach

	Latest 4 Quarters			
	Year A*	Year B*	Year C*	
Total Interest Earning Assets	72,100	75,824	80,303	A
2.25% of Interest Earning Assets	1,622	1,706	1,806	B
Absolute Value of Net Interest Income (excluding dividends)	3,446	3,087	2,071	C
Min [2.25% of Interest Earning Assets , Absolute Value of NII (excluding dividends)]	1,622	1,706	1,806	D = Min (B,C)
Dividend Income	0	0	0	E
Absolute Value of Fee and Commission Income	14,486	14,383	15,627	F
Absolute Value of Other Income	0	0	0	G
Absolute Value of Net Profit/Loss (Trading Book)	0	0	0	H
Absolute Value of Net Profit/Loss (Banking Book)	0	0	0	I
Adjusted Gross Income (pre-M&A Adjustment)	16,108	16,089	17,433	J = (D + E + F + G + H + I)
Adjustment for Mergers, Acquisitions and Divestitures	0	0	0	K
Adjusted Gross Income (after M&A Adjustment)	16,108	16,089	17,433	L = (J + K)
Three-Year Average			16,543	M = three year average of L
Capital Charge (Simplified Standardized Approach)			M x 15% 2,481	N

*Rolling four quarters

Operational Risk Framework and Governance

To monitor and control operational risk, Northern Trust maintains a framework consisting 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 and providing independent oversight of the framework implementation and application across Northern Trust. It is the responsibility of each business and corporate function to implement the enterprise-wide operational risk framework and business and function-specific risk management programs to identify, monitor, measure, manage and report on operational risk and mitigate Northern Trust's exposure to disruption and loss.

Several key programs support the operational risk framework, including:

- **Loss Event Data Program** - a program that collects internal and external loss data for use in monitoring operational risk exposure, various business analyses, and operational risk quantification. Both internal and external loss data are used in the operational risk capital quantification. 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 and corporate functions 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.
- **Change Risk and Product Risk Management Program** - a program used for evaluating and managing risks associated with the introduction of new or modified products and services and significant changes to operating processes.
- **Operational Resilience** - a program designed to ensure the resilience and continuity of service delivery of Northern Trust's most important business services.

- **Third-Party Risk Management Program** - a program that provides processes for evaluating, quantifying and qualifying appropriate risk assessment, measurement, monitoring and management of third and fourth parties (inclusive of external and internal, e.g., Northern Trust legal entity to legal entity relationships).
- **Global Fraud Risk** - a program designed to prevent, detect and respond to attempted or actual fraud impacting the bank and its clients globally.
- **Data Risk** - a program that includes data management and data governance related activities in Northern Trust processes in order to manage the risk of compromised or degraded data availability and integrity.
- **Business Continuity Management Program** - a program designed to protect life safety, minimize and manage the business impact and support the recovery of critical functions for clients following an incident.
- **Physical Security** - a program that provides for the safety of Northern Trust partners, clients, and visitors worldwide by setting and enforcing standards, providing training, establishing partnerships, and encouraging continual improvement in workplace security.
- **Insurance Management Program** - a program designed to reduce the monetary impact of certain operational loss events through the securing of appropriate insurance policy protection.
- **Model Risk Management Program** - a program that is responsible for the implementation and management of the enterprise-wide model risk framework and independently validating new models and reviewing and re-validating existing models.
- **AI Risk Program** - a program to identify, assess, and monitor risks from the use of AI, ensuring AI technologies operate safely, responsibly, and within Northern Trust's risk appetite.

The Operational Risk Committee (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 the 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

TNTCC utilizes an internal model known as the Pillar II Capital Model to determine the appropriate level of Pillar 2 operational risk capital allocation. The model calculates operational risk capital based on both a 99.5% and 99.9% worst case and employs methodologies developed on the basis of a combined backward-looking and forward-looking approach. The Pillar II Capital Model builds a distribution of possible losses by Monte-Carlo Simulation using a set of “source” losses characterized by their severity and frequency/probability of occurrence. These “sources” of loss are of two types:

- Historical losses (losses that actually occurred in the history of the firm) – the backward-looking information; and
- Key Risk Scenarios (estimation of potential future losses based on expert judgement) – the forward-looking information

The Pillar II Capital Model applied consists of:

- Selecting Key Risk Scenarios (KRSs) and assessing the correlation between the KRSs
- Running Monte-Carlo simulations, based on these KRSs, to build the distribution; and
- Taking the 99.5% distribution to estimate the Pillar 2 operational risk capital allocation for the entity.

Risk Reporting, Review and Escalation

Risk information relevant to managing NTC Canada’s business is reported to management and the Board in a timely and appropriate manner to support effective oversight, measurement, and decision-making.

- First Line of Defence - NTC Canada business units are responsible for managing the risks arising from their activities. This includes identifying, assessing, monitoring, and controlling risks, maintaining effective internal controls, and completing required risk assessments. Business unit managers are accountable for risk ownership, remediation actions, and providing regular risk reporting to the NTC Canada Management Committee and the TNTCC Board.
- Second Line of Defence - The second line of defence provides independent oversight of risk management and compliance with applicable frameworks and policies. Risk practices oversee aggregate risk exposure and challenge first line risk assessments, metrics, and controls.
- Third Line of Defence - Audit Services provide independent assurance to the Board and the NTC Canada Management Committee on the effectiveness of governance, risk management, and internal controls.

- Board of Directors of The Northern Trust Company, Canada - The Board oversees the management of TNTCC and is responsible for approving the risk appetite framework and risk tolerance; overseeing material risks and related policies; and monitoring alignment between business strategy, risk profile, and capital adequacy.
- NTC Canada Management Committee - oversees the implementation and ongoing effectiveness of the risk framework, monitors the risk profile and tolerances, and approves or recommends risk-related policies, as applicable.
- Canada Risk Management Committee - identifies, monitors, and escalates material risk issues to the NTC Canada Management Committee and the TNTCC Board Risk Committee.
- Reporting Flows and Escalation Procedures - The Loss Event and Escalation Guidelines establish requirements for documenting, escalating, and reporting operational losses, including near-miss events, to support the identification of significant exposures and trends.

LIQUIDITY RISK

Liquidity Risk is the risk of not being able to raise sufficient funds or maintain collateral to meet balance sheet and contingent liability cash flow obligations when due, because of firm-specific or market-wide events.

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

As defined by the OSFI Liquidity Adequacy Requirement Guideline, TNTCC is a Category III Small and Medium Sized Bank (SMSB). Being a wholly-owned subsidiary, TNTCC relies on its Parent for capital and liquidity funding should such needs arise. The process for capital actions are described in TNTCC's Capital and Liquidity Management Policy.

TNTCC maintains a strong liquidity position and liquidity risk profile and TNTCC's balance sheet is generally comprised of high-quality assets that are managed to meet anticipated obligations under stress, resulting in low liquidity risk.