RISK PROFILE DISCLOSURE

Pillar 3 – Capital Requirements Directive

Northern Trust Global Investments Limited Group
(incorporating Northern Trust Global Investments Limited
and Northern Trust Management Services Limited)

December 2018

NTAC:2SE-18

CONTENTS

1. OVERVIEW

The Capital Requirements Directive (CRD) came into effect on 1 January 2007 and implemented provisions of the Basel II Accord in the EU, establishing consistent capital adequacy standards and an associated supervisory framework for banks and investments firms

On 1 January 2014, the Capital Requirements Regulation (CRR) and the fourth iteration of the Directive (collectively known as "CRD IV") implemented the Basel III Accord across the EU. From this date the Pillar 3 disclosure requirements are contained in Part Eight of the CRR, and supplemented from various Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) issued subsequently.

This disclosure has been prepared in accordance with the CRR provisions as they applied on 31 December 2018. In various sections prior year comparatives have been provided for ease of comparison.

Northern Trust Global Investments Limited (NTGIL) is a wholly owned asset management subsidiary of Northern Trust Management Services Limited (NTMSL), together forming a UK consolidation group (the NTGIL Group). The Pillar 3 disclosures provided in this document are on the NTGIL Group basis, as at 31 December 2018 in accordance with Part Eight of the CRR. The disclosures are reported in US dollars, the reporting currency of the Group. NTGIL's ultimate group holding company, Northern Trust Corporation (NTC), publishes quarterly Pillar 3 disclosures at a consolidated level on the Northern Trust website.

In preparing these disclosures, the Group has taken into account CRR requirements allowing firms to omit one or more disclosures if the relevant information is considered immaterial, or where it is regarded as proprietary or confidential. Materiality constitutes omissions or misstatements of information likely to change or influence decisions of users relying on that information for making economic decisions. The disclosures provided herein are unaudited and do not constitute any form of financial statements and should not be relied upon in making investment decisions in relation to NTC.

2. LOCATION AND FREQUENCY OF DISCLOSURE

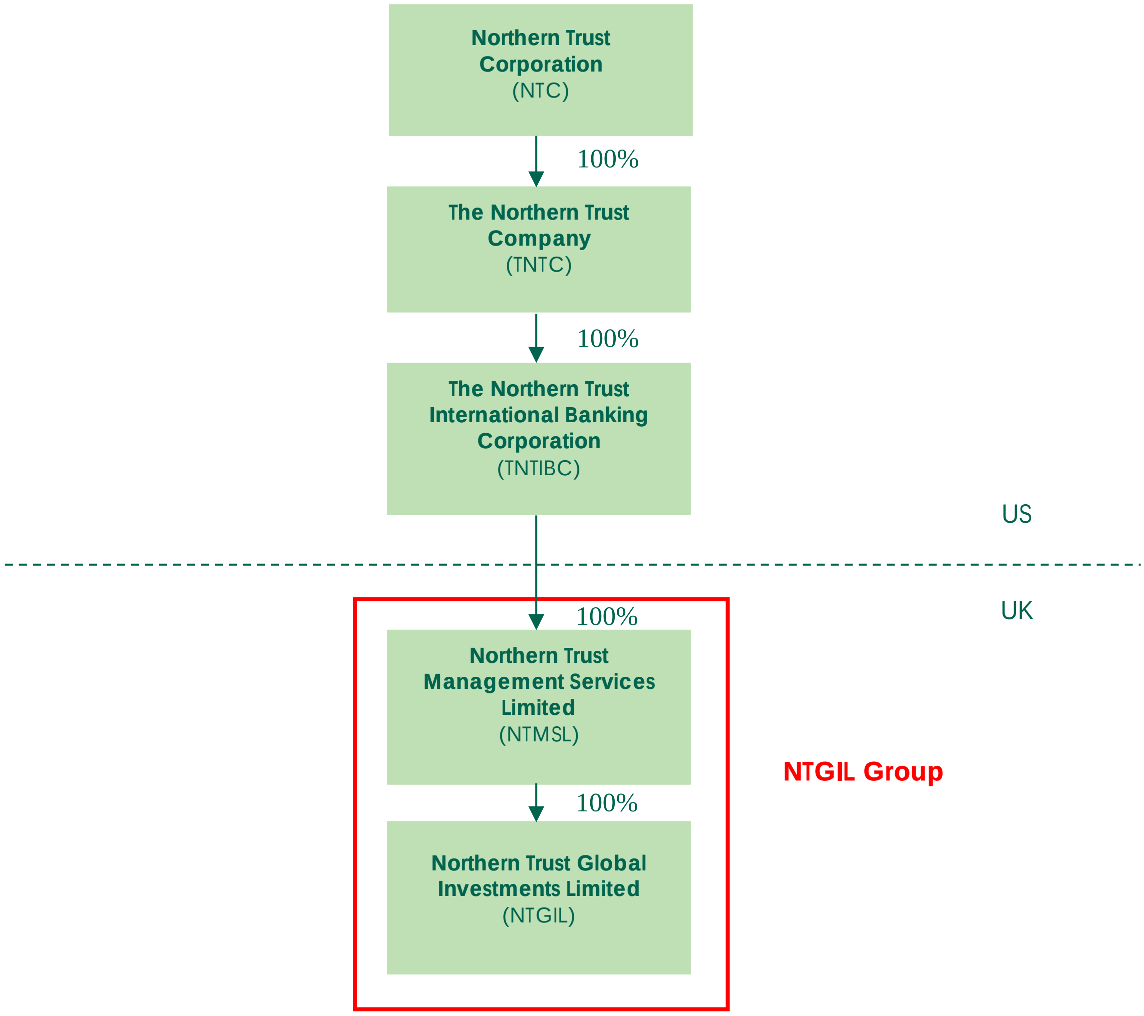
The disclosure is updated at least annually as at the Group's accounting year end date of 31 December and published in the Investor Relations section of NTC's website (www.northerntrust.com) in conjunction with the completion of NTGIL's audited annual financial statements.

3. SCOPE OF APPLICATION

Northern Trust Global Investments Limited (NTGIL) is a UK incorporated entity authorised and regulated by the Financial Conduct Authority (FCA) as a limited licence firm. NTGIL is wholly owned by Northern Trust Management Services Limited (NTMSL), also a UK incorporated company and itself a wholly owned subsidiary of The Northern Trust International Banking Corporation (TNTIBC), a US incorporated bank. Northern Trust Corporation (NTC), a financial holding company based in Chicago is the ultimate parent of TNTIBC and its subsidiaries.

NTC, through its UK entities, is a significant financial services provider in the UK marketplace. Its overall business activities in the UK comprise global custody, FX trading, securities lending, asset management and fund administration services. NTGIL provides asset management services through its UK operations and branches in Sweden and the Netherlands. In addition to its ownership of NTGIL, NTMSL acts as a central shared services provider for NTC's UK operations.

NTGIL and NTMSL together form “The NTGIL Group”. NTMSL is an EEA parent financial holding company and NTGIL is the group’s significant subsidiary. The Group structure is shown below:



NTGIL reports its regulatory capital position to the FCA on a stand-alone basis and on a consolidated basis for the NTGIL Group.

The NTGIL Group has undertaken the following to comply with the three pillars of Basel II framework as it applies under the CRR and FCA Rule Book:

- Pillar 1: Minimum Capital Requirements - provides the framework for calculating minimum capital requirements for credit, operational and market risk. The Group has adopted the standardised approach to calculating credit and market risk requirements for comparison against the Fixed Overhead Requirement to determine its Pillar 1 capital requirements;

- Pillar 2: The Supervisory Review Process - addresses the need for assessing whether additional capital is required over and above Pillar 1 risk calculations in line with the firm’s risk profile. The Group completes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually. The results are reviewed and approved by its boards of directors and the relevant ICAAP documentation is available for the FCA to review; and

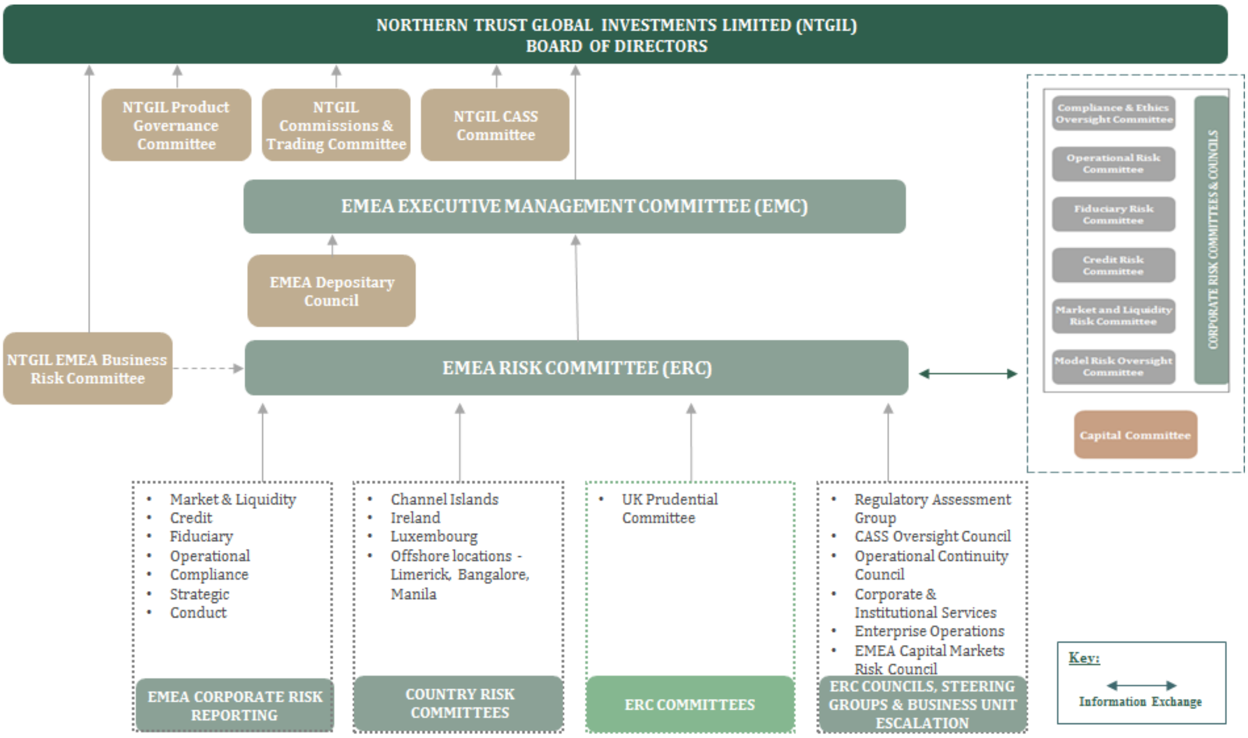
- Pillar 3: Risk Disclosure and Market Discipline - requires qualitative and quantitative public disclosures regarding regulatory capital and risk management practices and process to promote transparency. This Pillar 3 disclosure document provides information on the Group’s risk management objectives and policies, its capital position, approach to assessing adequacy of its capital and exposure to material risks. Certain disclosures are also made on a stand-alone basis for NTGIL being a significant subsidiary of the Group.

4. RISK MANAGEMENT

4.1 *Overview*

Risk management is the responsibility of the NTGIL Board. In discharging this responsibility the Board utilises the global and regional risk frameworks, detailed in the below diagram as required. Policies and practices are validated and locally approved by the Boards and the local risk organisation is structured to provide the Board with the necessary risk reporting and oversight to satisfy their responsibilities. The EMEA Risk Committee (ERC) is the senior risk committee for all activities conducted within the EMEA region, although the Board also relies on the NTGIL EMEA Business Risk Committee for dedicated risk management support.

Supporting this local governance, there are six corporate risk committees that possess a detailed understanding of the risks within their specific areas of responsibility. Collectively these committees review, recommend and approve risk management strategies, policies, and management practices. They also monitor risk performance and the effectiveness of the risk management processes.



NTGIL's Risk Appetite Statement reflects the expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. The primary risk types that NTGIL considers in executing its strategy are defined in the Northern Trust "Risk Universe" which provides a structure to classify the inherent risks. The Risk Universe is comprised of six risk categories: credit, operational, fiduciary, compliance, market & liquidity and strategic.

NTGIL's appetite for risk is defined and integrated with its business strategy through the use of tolerance thresholds which act as triggers to measure and monitor risk on an on-going basis (see section 4.5).

4.2 *Operational Risk*

Northern Trust defines operational risk as the risk of loss from inadequate or failed internal processes, human factors and systems or from external events The objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

Northern Trust has made significant investments in its technology, process design and people in order to mitigate the risk inherent in its operating model. The corporate operational risk framework is very comprehensive and includes a wide range of risk management programmes, robust oversight and strong monitoring and loss assessment.

For NTGIL, Transactional Risk (Execution, Delivery & Process Management (EDPM)), Technology Risk and Business Continuity are considered the key components of operational risk.

Transactional Risk is the risk that a transaction is altered, delayed or not properly executed. Examples would include losses due to clerical error, procedural error or system technology failures. This includes fraudulent acts. Line managers have the primary responsibility for managing the inherent risks of all activities under their control. As part of Northern Trust's operational risk management, various techniques are employed to identify current risks (including Risk and Control Self Assessments and operational loss event reporting). A reconciliation and exception management policy is in place which enables potential risk to be identified in a timely manner.

The Corporate information Security and Technology Risk Management function identifies and analyses both day to day technology risks and longer term strategic risks, as well as devoting considerable time to the potential risks posed by the threat of cyber-attack, covering system security, availability and performance and system development and implementation.

Business Continuity risk is overseen by a dedicated team, Global Business Continuity and Recovery Services (GBCRS). GBCRS help assess and coordinate incident response and set standards for the content and testing of disaster recovery and business continuity plans.

NTGIL's inherent operational risk is significantly mitigated through a well-established range of risk management programmes and business unit controls. NTGIL's EMEA Business Risk Committee oversees the effective management of its operational risk and reports to the NTGIL Board.

For capital purposes, operational risk is considered to include compliance and fiduciary risk, although they are governed and managed separately under Northern Trust's risk management framework.

4.3 *Credit Risk*

Credit risk is the risk to interest income or principal from the failure of a borrower or counterparty to perform an obligation. For the NTGIL Group, credit risk mainly arises from fee income that may not be received in respect of NTGIL's asset management services as well as NTMSL's group servicing function, and the investment of NTGIL and NTMSL surplus balance sheet cash in money market deposits.

The counterparties used by the Group for investment of surplus cash are highly credit worthy financial institutions. The concentration risk of the placement of money market deposits with a limited number of counterparties is accepted.

The Group has robust processes and controls in place to mitigate the risk of loss from money market placements including pre-approved counterparty limits set by the Capital Markets Credit Committee (CMCC), daily monitoring and reporting of exposures, daily monitoring of country risk limits and maintaining short durations of placements.

NTGIL's Business Risk Committee oversees the effective management of its credit risk and reports to the NTGIL Board.

None of the Group’s credit exposures were reported past due or impaired in the 2018 financial statements. All receivables are repayable on demand or within 3 months.

4.4 *Market and Liquidity Risk*

4.4.1 Market Risk - Trading

Market Risk - Trading is the potential for movements in market variables such as foreign exchange and interest rates to cause changes in the value of trading positons.

NTGIL acts on an agency basis and does not trade proprietary funds. In terms of foreign exchange risk, the Group does not run a foreign exchange trading book as defined by the CRR. Capital and reserve funds are invested in the base currency and therefore do not present currency related market risk. Currency exposure arising through the billing process is not deemed material.

4.4.2 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is the potential for movements in interest rates to cause changes in net interest income and the market value of equity.

For both NTGIL and the Group, interest rate risk is limited to the short term investment of surplus cash in money market deposits.

4.4.3 Liquidity Risk

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

Under Northern Trust’s risk framework, liquidity risk is governed by the Asset and Liability Management Committee (ALCO) from a first line of defence perspective, and the Market and Liquidity Risk Committee (MLRC) from a second line of defence perspective. NTGIL operates within this framework. Assessment and approval of the systems and controls used to manage liquidity risk is provided by the NTGIL Board of Directors. NTGIL is also subject to system and control requirements under the UK liquidity regime. Annual confirmation of compliance with these requirements is provided to the FCA.

NTGIL’s residual liquidity risk is low, it does not take on customer deposits or trade as principal; liquidity risk is limited to the management of day to day operating expenses or the potential need to fund a shortfall arising from client money rules. NTGIL has an overdraft facility provided by TNTC, which it may call upon in the unlikely event that a need arises.

NTGIL’s contingency funding plan is based on the expectation that funds will be provided by TNTC via a letter of comfort. Given the nature of its balance sheet, NTGIL is not able to obtain committed borrowing facilities from external parties unless these were guaranteed by its parent. NTGIL would therefore rely on its group support letter and borrow via an intercompany loan if required.

4.5 *Strategic Risk*

Strategic risk is the risk of loss from the adverse effects of business decisions, or the improper implementation of those decisions, and the risk that internal or external forces impede the long-term plans of the business for growth, profitability and stability.

NTGIL is a relatively small, wholly owned subsidiary of an overseas parent with a simple business model delivering a sub-set of global products. To achieve this, NTGIL recognises the importance of the strong global reputation and brand of Northern Trust. Northern Trust in turn, requires NTGIL to deliver the relevant global products to a standard that maintains the global reputation. Therefore, the management of strategic risk is a balance between actions taken at the group level and by NTGIL's Board of Directors.

From a Group perspective, strategic risk is managed by NTC's Board of Directors. NTC's CEO and senior management, including the Global Enterprise Risk Committee, support the Board in the performance of its functions. They in turn are supported in their duties by the head of Corporate Strategy and the manager of Strategic Risk, in cooperation with the support of partners throughout the organisation.

Within NTGIL, strategic risk is managed by NTGIL's Board of Directors with significant input from its management team. The Board is also able to draw on a dedicated Risk Committee that provides legal entity focus within the overall risk management programmes of a group structure and risk reporting to oversee strategic risk.

When assessing risk, the Board takes into account the review and challenge of business updates received at Board meetings; as well as the strategic risk scorecard and programme information, including escalation of risks and issues, owned by the NTGIL EMEA Business Risk Committee. The risk scorecard is a key component of strategic risk reporting. It combines a blend of group and regional metrics which provides the Board with the necessary balance and perspective. The metrics include key financial ratios, a focus on new business and revenues, senior management turnover and clients at risk, and client concentration.

A "Brexit" programme has been set-up to identify, recommend and implement solutions to enable that NT Asset Management retains its ability, with associated revenues, to provide continued service to EU clients post the UK's departure from the European Union. This includes the ability to meet its growth aspirations for new clients, noting that the expected solution is likely to utilise an EU27 contracting entity with delegation of portfolio management to NTGIL.

4.6 *Adequacy of Risk Management Arrangements*

NTGIL defines risk appetite as the amount and type of risk it is willing to assume in order to achieve its strategic and financial objectives. NTGIL continuously strives to balance its desire to meet those objectives with an acceptable level of risk. The risk tolerance thresholds applicable to NTGIL's business activities are documented in the risk appetite statement and subject to review by NTGIL's EMEA Business Risk Committee and board.

Key measures contained within the risk appetite statement are as follows:

- **Credit risk (counterparty)** – NTGIL follows a guideline whereby cash deposits will not be placed with counterparties rated below an agreed internal benchmark and the concentration risk of placing deposits with a limited number of counterparties is accepted
- **Market and Liquidity risk** –NTGIL does not undertake any trading activities as principle nor does it accept customer deposits or undertake borrowing. Hence no specific tolerance thresholds have been set. Liquidity risk is limited to the management of day to day expenses of the business
- **Operational risk** – Primary measurement is through tolerance thresholds determined by proprietary models, which calculate expected losses under a range of supervisory scenarios (baseline, adverse and severely adverse). Expected loss fiduciary risk thresholds are also set using the same models.
- **Compliance risk -** No tolerance threshold applied as NTGIL is expected to comply with all applicable statutes, laws, and regulations

As part of the ongoing operation of the Enterprise Risk Management (ERM) Framework, NTGIL employs a "three lines of defence" model. The responsibilities across the three lines of defence are fundamental to the design and implementation of the Framework, and taken together establish an appropriate operating model to control risk taking.

The first line of defence is accountable and responsible for identifying, measuring, controlling and monitoring risks associated with its activities either individually or with the assistance of the second line of defence. The first line of defence is typically engaged in activities designed to generate revenue, reduce expense, provide operational support for delivery of products or services to clients, and provide technology services.

The second line of defence is responsible for identifying, measuring, monitoring, and controlling risk in aggregate. Typically the risk practices, as independent risk functions separate and distinct from the business units, are considered NTGIL's second line of defence.

The third line of defence is accountable and responsible for independently assessing the design and ongoing effectiveness of governance, risk management, and internal controls. Audit Services is an independent control function that assesses and validates controls within Northern Trust's Enterprise Risk Management framework. Audit Services is managed by the General Auditor with oversight from the Audit Committee of Northern Trust. Audit Services tests the overall adequacy and effectiveness of the system of internal controls associated with the advanced systems on an ongoing basis and reports the results of these audits directly to the Board of Directors. Audit Services includes professionals with a broad range of audit and industry experience, including risk management expertise. The General Auditor reports directly to the Audit Committee and the Corporation's Chief Executive Officer.

The NTGIL Board is satisfied with the existing risk management arrangements and that the thresholds in place are considered adequate with regard to the profile and strategy of NTGIL.

The Board also confirms that the disclosures contained within this document accurately reflect the risk profile of NTGIL based on the activities it undertakes.

5. CAPITAL RESOURCES

The Capital Resources of the Group and NTGIL are presented below.

	Group		NTGIL	
All figures in US$ millions	**2018**	**2017**	**2018**	**2017**
Tier 1 Capital				
Called up share capital		40		21
Share premium reserve		9		5
Audited retained reserves		432		100
Other Reserves		2		
		482		127
Less: Deductions from Tier 1 Capital				
Defined benefit pension funds assets		-5	-	-
Intangible assets		-		
Total Tier 1 Capital net of deductions		413		127
Total Capital Resources		**413**		**127**

As at 31 December 2018, the Group has capital resources of US$481million comprised entirely of Tier 1 capital in the form of share capital and audited retained earnings.

On a stand-alone basis, NTGIL has Tier 1 capital of US$106 million comprising fully paid up share capital contributed by NTMSL, share premium reserves and audited retained reserves.

During the year, NTGIL paid a dividend of $47m and the Group paid a dividend of $200m from surplus capital resources as part of a wider Northern Trust capital management program.

A reconciliation of NTGIL's Total Capital Resources to its balance sheet in the audited financial statements is included in Annex 1 of the appendices.

Other than restrictions due to regulatory capital requirements and corporate law restrictions on the reduction, redemption and purchase of share capital, there are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resource between the Group and NTC.

Article 437 of the CRR requires certain disclosures in respect of Capital Resources (or "Own Funds") to be made in accordance with uniform templates as provided in ITS No 1423/2013. These disclosures are provided as appendices to this disclosure document.

6. CAPITAL ADEQUACY

6.1 *Overview*

The NTGIL Board reviews the capital position of NTGIL and the Group respectively on a regular basis to ensure it is sufficient to meet their strategic goals and risk profile. NTGIL's Pillar 1 capital requirements are monitored on a daily basis as outlined below and the Group's ongoing ICAAP process provides further assessment for any additional risk capital under Pillar 2.

The Group is sufficiently capitalised to meet its regulatory capital requirements under Pillar 1 and Pillar 2. NTGIL is also sufficiently capitalised on a stand-alone basis to meet its regulatory capital requirements under Pillar 1 and Pillar 2.

6.2 *Pillar 1 Capital Requirement*

NTGIL calculates its minimum capital requirements in accordance with the requirements of the CRR and the Prudential Sourcebook for Investment Firms (IFPRU), that being the higher of the following:

1. €125,000, being the base case capital resources requirement as per IFPRU 3.1.9;
2. the sum of the credit risk capital requirement and market risk capital requirement; or
3. the fixed overheads requirement.

The Group calculates its consolidated capital requirement on a similar basis. As at 31 December 2018 the larger of the requirements for both the Group and NTGIL on a stand-alone basis was the fixed overheads requirement.

The Pillar 1 capital requirements of the Group and NTGIL as at 31 December 2018 are provided in the following table:

	Group		NTGIL	
All figures in US$ millions	**2018**	**2017**	**2018**	**2017**
Total Credit Exposures	512	674	117	137
Total Credit Risk Weighted Assets	158	186	37	37
Credit Risk	12.6	14.9	3.0	3.0
Market Risk	-	-		-
Credit + Market Risk (A)	*12.6*	*14.9*	*3.0*	*3.0*
Fixed Overheads Requirement (B)	*91.1*	*86.5*	*8.4*	*9.2*
Pillar 1 Capital Requirement – Higher of (A) and (B)	**91.1**	**86.5**	**8.4**	**9.2**

6.3 *Credit Risk Capital Requirement*

The Group calculates its credit risk capital requirements using the standardised approach as laid out in the CRR. NTGIL's minimum credit risk capital requirement is calculated using the standardised approach and is expressed as 8% of risk weighted exposures. Where available, issuer ratings from the External Credit Assessment Institutions (ECAIs) Moody's and Standard & Poor's (S&P) are used in the determination of the relevant risk weighting across all exposure classes. Where ECAI ratings differ, the lower issuer rating is applied.

A breakdown of the Group's and NTGIL's credit risk exposure by asset class as at 31 December 2018 is provided in the following table:

	Group				NTGIL			
Credit Risk by Exposure Class	**2018**		**2017**		**2018**		**2017**	
All figures in US$ millions	**Exp**	**RWA**	**Exp**	**RWA**	**Exp**	**RWA**	**Exp**	**RWA**
Central governments or banks	-	-	-	-	-	-	-	-
Institutions	451	96	610	122	101	20	125	25
Corporates	34	34	32	32	18	18	12	12
Other items	29	29	32	32	-	-	-	-
Total	**514**	**159**	**674**	**186**	**119**	**38**	**137**	**37**

6.4 *The ICAAP*

The Group conducts an ICAAP as required by the "Internal Capital Adequacy Assessment" chapter of the IFPRU 2.3. The ICAAP considers the adequacy of the Group's Capital Resources to cover Pillar 1 risks as well as other risks not captured within this Pillar 1 assessment. The adequacy of NTGIL's capital resources on a stand-alone basis is also assessed. These assessments are supported by scenario analysis and stress testing. The ICAAP also provides detail on the risk management framework and risk assessment of all risk categories.

The ICAAP includes key input from NTC's risk professionals, business management and the finance group. For each risk category the inherent risk profile has been documented, along with the risk mitigation practices in place to derive an overall residual risk profile.

For the material risks facing the Group, scenario and stress testing has been used to evaluate the potential capital demands on the Group and NTGIL as a stand-alone entity. Business management and the Board have provided input to the scenarios and stress testing process to ensure all appropriate information and experience is brought to this evaluation exercise.

The ICAAP has identified the need for the Group to hold capital in addition to its Pillar 1 capital requirement. This additional requirement is adequately covered by existing capital resources.

The ICAAP is an ongoing process. Key components such as reviewing the scenario analysis and stress testing are conducted at least once per annum and will be revisited should material events (external and/or internal) warrant a re-assessment. The ICAAP document is formally reviewed by the NTGIL Board on an annual basis.

The ICAAP has been prepared in accordance with IFPRU 2.3 guidance and has been made available to the FCA.

7. REMUNERATION AND BOARD OF DIRECTORS

7.1 *Board of Directors*

All directors of the NTGIL Board are required to obtain approval for any directorships held in organisations external to Northern Trust (NTGIL has no non-executive directors). During the 2018 performance year, one director of the NTGIL Board held a directorship for an organisation outside of Northern Trust.

Recruitment of management body members is of critical importance to Northern Trust. In line with Northern Trust's commitment to Diversity, a target has been set that every candidate short list for management body positions has at least one woman or ethnic minority candidate.

NTGIL has a Risk Committee of the Board, the NTGIL EMEA Business Risk Committee that discusses and recommends risk related matters to the Board.

Job descriptions validated by the Head of Human Resources drive the assessment process and the key accountabilities for all candidates considered for selection for a position within the management body. Each candidate is assessed against the same criteria of key accountabilities as they relate to the position for which they are being considered. In addition all candidates are assessed against competencies expected by the FCA/PRA (i.e. Risk Management and Control, Market Knowledge, Business Strategy & Business Model, Financial Analysis & Control, Governance Oversights & Controls, Regulatory Framework). The interview panel for positions within the management body consists of senior managers and directors which may include any combination of the CEO, Chief Risk Officer, Head of HR, General Legal Counsel as well as other NEDs. Thorough documentation containing the feedback from all interviewers is held within Human Resources as evidence to support the selection decision. Appointment to a management body position would require the candidate to demonstrate how they have a solid understanding and experience of all the key accountabilities and competencies required for the role. NTGIL require Director appointments to be approved by the locally based governance group, the Nominations Executive Sponsor Group.

7.2 *Qualitative Disclosures*

The Northern Trust (NTC) Compensation and Benefits Committee (CBC) is a committee of the Board of the parent company headquartered in Chicago IL, USA. The CBC has primary responsibility for ensuring that compensation programs align with our philosophy and objectives, including oversight of the processes through which the company reviews its incentive plans within the context of business risk mitigation.

The CBC consists of independent NTC non-executive directors and has Meridian Compensation Partners as its independent consultant. The CBC confers with its independent compensation consultant to ensure that decisions and actions are consistent with stockholders' long-term interests and compensation-related best practices within the financial services industry, including effective risk management within our compensation framework.

A UK based EMEA Remuneration Governance Group (ERGG), previously called Executive Sponsor Group (ESG), consisting of the UK SMF Regional Manager Human Resources EMEA (chair), UK SMF Regional Chief Risk Officer (member), UK SMF Chief Finance Officer (member), UK SMF Regional Executive President Northern Trust EMEA (standing attendee) and UK CP Deputy General Counsel (standing attendee),, operates to monitor and implement the EMEA regulatory compensation requirements. The purpose of ERGG is to ensure remuneration policies and processes are operated in line with the requirements of the EU Directives and the Financial Services remuneration code requirements as set out in various regulatory rulebooks and policy documents. Northern Trust's Total Compensation Policy applies to all employees globally. An addendum specifically related to EU requirements exists for all partners operating in EU regulated countries.

Staff whose professional activities have a material impact on its risk profile are classified as performing Material Risk Taker (MRT) roles have been categorised as:

"*Senior Managers MRTs*" - those employees who are registered with the FCA and PRA as Control Functions and/or members of governing bodies and/or heads of significant business groups.

"*Certified MRTs*"- through the review of the inherent risk profile of the UK entities key roles were identified with the responsibility for managing or supervising risk-taking / significant risk functions.

"Standard MRTs" - those employees that could have the ability to impact the risk profile of NTGIL; however these all operate within appropriate governance structures and under delegated authorised limits from Senior Managers.

Remuneration design and structure at NTC focuses on all elements of total compensation and differentiation to avoid entitlement and to develop a high performance culture. In addition to fixed remuneration, NTC offers variable remuneration which includes short term and long term incentives where appropriate. The CBC reviews the Total Compensation Policy and all Remuneration Policy Statements on an annual basis. Risk and Compliance employees have incentive awards funded from the Corporate Risk & Compliance pool and are not impacted by the business funding.

At the start of the performance year, the NTC Board of Directors approves a Profit Plan which includes detail on projected performance outlook and competitive requirements for incentive compensation. The Profit Plan determination includes risk considerations including reserves for credit and operational losses and other risk assessments. The CBC then reviews the initial cash incentive pool accrual at the corporate level based on a competitive target percentage range of the pre-tax income projections included in the Profit Plan.

The initial accrual level takes into consideration financial performance factors including affordability and risk considerations. The corporate cash incentive pool is funded based on the actual performance of the Corporation as measured by pre-tax income in early December, with the ability to claw funding back post-performance period when the actuals have been determined.
NTC's Chief Risk Officer (CRO) participates in funding and allocation discussions that inform the recommendation to the CBC of corporate pool funding level as well as Business Unit allocation. Corporate Risk Management has developed a process to track and consolidate risk events and key metrics for the plan year and this information is provided to Business Unit leaders and managers for incorporation in performance review and throughout the plan year. The CRO uses the Enterprise and Business Unit Risk Performance Scorecards and any known Significant Risk Outcomes to inform recommendations to the CBC regarding any risk adjustments to the overall funding or business unit allocations The CRO participates in quarterly discussions with the Chief Financial Officer and Chief Human Resources Officer regarding the financial performance as well as consideration of risk factors such as credit loss reserves and operational losses. Once the cash incentive allocation to Business Units has been determined, the Business Unit President reviews financial performance and any risk factors to determine allocation of the cash incentive pool. The Business Unit Chief Financial Officer and Business Unit Chief Risk Officer (with input from the EMEA CRO) participate in this review.

Annual review processes for all partners include performance expectations related to the monitoring and mitigation of risk. In completing the annual performance evaluation and compensation planning, managers receive information on how to incorporate appropriate performance expectations relative to the management of risk into the review process. As part of the annual salary reviews and incentive process managers recommend specific total compensation reflecting their discretionary assessment of specific objective and subjective factors including performance against risk expectations.

When choosing appropriate measures for team and individual goals, these goals are aligned with those of the business. As these business and financial goals are achieved, partners are rewarded accordingly to reinforce the value of their contribution. To determine an individual's pay and incentive allocation, mangers will take into consideration discretionary assessment of specific objective and subjective factors such as:

- corporate and business unit performance;
- performance within a standard risk expectation for all staff;
- prior and expected individual performance and long term impact; and
- teamwork and individual contributions.

All employees within NTC are eligible for an incentive payment subject to performance. Performance factors can result in no increase to base pay and/or a zero cash incentive award for a specific performance period.

The short-term incentive (STI) and long-term incentive (LTI) mix was determined for partners according to a fixed structure based on the total incentive award amount. For Performance Year 2018, the minimum total incentive award for receiving a LTI award was $75,000. Incentive splits for MRTs and other regulated roles was administered according to regulatory requirements.

For MRTs the deferral and vesting of variable remuneration was in accordance with the Financial Services Remuneration Code.

Total variable remuneration consists of three components for Material Risk Takers:

- **STI plan** for cash variable pay;
- **STI Restricted Stock Unit (RSU)**[1] awards that vest immediately and distributed twelve months after vesting;
- **Long term equity awards**[1,2]. Equity is typically awarded in the form of RSU's. The purpose of the equity awards is to link current and future business leaders to overall long term performance of the organisation.

  - 7 year vest period for Senior Managers MRTs vesting on a pro-rata basis of 20% per year beginning on the third anniversary of the first day of the month after the month of grant

  - 5 years vesting period Certified MRTs vesting on a pro-rata basis of 20% per year beginning on the first anniversary of the first day of the month after the month of grant

  - 4 years vesting period for Standard MRTs, on a pro-rata basis of 25% per year beginning on the first anniversary of the first day of the month after the month of grant

[1]Does not apply where variable remuneration is less than 33% of total compensation and total compensation is no more than £500k. Standard corporate splits between STI and LTI prevail in these instances.
[2]In accordance with Remuneration Code requirements, deferred awards are subject to Performance Adjustment consideration at time of vesting.

7.3 *Quantitative Disclosures*

The ERGG met six times during the 2018 performance year. Remuneration of this group is incorporated in the table below for Senior Managers MRTs, Certified MRTs and Standard MRTs.

The CBC met fiver times during 2018 (four in person and one telephonic meeting). The directors who act as members of the CBC are also members of other committees of the NTC Board and as such the remuneration they receive relates to their full duties and not just the CBC duties. Total remuneration paid to the CBC members for 2018 was US$1.2m in a combination of stock and cash. Full details of these awards are available in the 2019 NTC Proxy Statement.

In 2018 an amount was paid to one Director as compensation for loss of office. No other compensation was paid during the year to past or present Directors pertaining to compensation for loss of office.

The disclosures relate to NTGIL MRTs classified as Senior Manager MRTs, Certified MRTs and Standard MRTs.

In 2018, there were fifteen MRTs. The aggregate remuneration expenditure in respect of MRTs was as follows.

Fixed/variable remuneration

Fixed remuneration consists of base salaries and cash allowances. Variable remuneration consists of short-term incentive payable in cash and short–term restricted stock units (RSUs) and long-term deferred equity awards in RSUs.

All NTGIL MRTs are employed by another Northern Trust Group entity.

Senior Management and other Code Staff	2018	2017
Number of Code Staff	15	17
Fixed remuneration (US$ m)	4.7	6.3
Variable remuneration (US$ m)	4.4	6.2

Information above includes remuneration for MRTs whose responsibilities also cover:

- Northern Trust Global Services SE (NTGS SE): nine employees
- Northern Trust Securities LLP (NTS LLP): nine employees

8. Contacts

Should you have any queries please contact:

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ANNEX I

Balance Sheet Reconciliation Methodology

Disclosure according to Article 2 in Commission implementing regulation (EU) No 1423/2013

Capital base	**NTGIL**
USD 000's	**31/12/2016**
Shareholders' equity according to the Group's balance sheet	106,281
Common Equity Tier 1 capital	**106,281**
Tier 1 capital contributions	
Shares deducted from Tier 1 capital	
Total Tier 1 capital	**106,281**
Tier 2 instrument	
Net provisions for reported IRB credit exposures	
Shares deducted from Tier 2 capital	
Total Tier 2 capital	**0**
Total capital base	**106,281**

In absence of audited consolidated financial statements at the NTMSL group level, the total capital base is reconciled to the NTGIL balance sheet in its audited financials statements at the solo level.

ANNEX VI

Transitional own funds disclosure template

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves (1)		NTGIL USD 000's	NTMSL USD 000's	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	26,600	48,703	26 (1), 27, 28, 29, EBA list 26 (3)	0
	of which: Instrument type 1	0	0	EBA list 26 (3)	0
	of which: Instrument type 2	0	0	EBA list 26 (3)	0
	of which: Instrument type 3	0	0	EBA list 26 (3)	0
2	Retained earnings	79,681	298,265	26 (1) (c)	0
3	Accumulated other comprehensive income (and any other reserves)	0	1,687	26 (1)	0
3a	Funds for general banking risk	0	0	26 (1) (f)	0
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	0	486 (2)	0
	Public sector capital injections grandfathered until 1 january 2018	0	0	483 (2)	0
5	Minority interests (amount allowed in consolidated CET1)	0	0	84, 479, 480	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	0	26 (2)	0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	106,281	348,655		0
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	0	0	34, 105	0
8	Intangible assets (net of related tax liability) (negative amount)	0	-572	36 (1) (b), 37, 472 (4)	0
9	Empty set in the EU	0	0		0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	0	36 (1) (c), 38, 472 (5)	0
11	Fair value reserves related to gains or losses on cash flow hedges	0	0	33 (a)	0
12	Negative amounts resulting from the calculation of expected loss amounts	0	0	36 (1) (d), 40, 159, 472 (6)	0
13	Any increase in equity that results from securitised assets (negative amount)	0	0	32 (1)	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	33 (1) (b) (c)	0
15	Defined-benefit pension fund assets (negative amount)	0	-6,903	36 (1) (e), 41, 472 (7)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	0	36 (1) (f), 42, 472 (8)	0
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	0	0	36 (1) (g), 44, 472 (9)	0
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0
20	Empty set in the EU	0	0		0
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0	36 (1) (k)	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0	36 (1) (k) (i), 89 to 91	0
20c	of which: securitisation positions (negative amount)	0	0	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	0
20d	of which: free deliveries (negative amount)	0	0	36 (1) (k) (iii), 379 (3)	0
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
22	Amount exceeding the 15% threshold (negative amount)	0	0	48 (1)	0
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0
24	Empty set in the EU	0	0		0
25	of which: deferred tax assets arising from temporary difference	0	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
25a	Losses for the current financial year (negative amount)	0	0	36 (1) (a), 472 (3)	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0	36 (1) (l)	0
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	0		0
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	0		0
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	0	481	0
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	0	36 (1) (j)	0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	0	-7,475		0
29	**Common Equity Tier 1 (CET1) capital**	106,281	341,180		0
0					
30	Capital instruments and the related share premium accounts	0	0	51, 52	0
31	of which: classified as equity under applicable accounting standards	0	0		0
32	of which: classified as liabilities under applicable accounting standards	0	0		0
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0	486 (3)	0

	Public sector capital injections grandfathered until 1 january 2018	0	0	483 (3)	0
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	0	85, 86, 480	0
35	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (3)	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0	0		0
0					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	0	52 (1) (b), 56 (a), 57, 475 (2)	0
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0	56 (b), 58, 475 (3)	0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	56 (c), 59, 60, 79, 475 (4)	0
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	56 (d), 59, 79, 475 (4)	0
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	0	0		0
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	0	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	0
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	0	477, 477 (3), 477 (4) (a)	0
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	0	467, 468, 481	0
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	0	56 (e)	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	0		0
44	**Additional Tier 1 (AT1) capital**	0	0		0
45	**Tier 1 capital (T1 = CET1 + AT1)**	106,281	341,180		0
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	0	0	62, 63	0
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	0	486 (4)	0
	Public sector capital injections grandfathered until 1 january 2018	0	0	483 (4)	0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	0	0	87, 88, 480	0
49	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (4)	0
50	Credit risk adjustments	0	0	62 (c) & (d)	0
51	**Tier 2 (T2) capital before regulatory adjustment**	0	0		0
0					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	0	63 (b) (i), 66 (a), 67, 477 (2)	0
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	0	0	66 (b), 68, 477 (3)	0
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	0	66 (c), 69, 70, 79, 477 (4)	0
54a	Of which new holdings not subject to transitional arrangements	0	0		0
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	0	0		0
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	0	0	66 (d), 69, 79, 477 (4)	0
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	0		0
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	0
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	0	0	467, 468, 481	0
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	0		0
58	**Tier 2 (T2) capital**	0	0		0
59	**Total capital (TC = T1 + T2)**	106,281	341,180		0
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0	0		0
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	0	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	0	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	0
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	0	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0
60	**Total risk-weighted assets**	105,440	1,138,904		0
Capital ratios and buffers					

61	Common Equity Tier 1 (as a percentage of total risk exposure amount	100.8%	30.0%	92 (2) (a), 465	0
62	Tier 1 (as a percentage of total risk exposure amount	100.8%	30.0%	92 (2) (b), 465	0
63	Total capital (as a percentage of total risk exposure amount	100.8%	30.0%	92 (2) (c)	0
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	0	0	CRD 128, 129, 140	0
65	of which: capital conservation buffer requirement	0	0		0
66	of which: countercyclical buffer requirement	0	0		0
67	of which: systemic risk buffer requirement	0	0		0
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	0	CRD 131	0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0	0	CRD 128	0
69	[non-relevant in EU regulation]	0	0		0
70	[non-relevant in EU regulation]	0	0		0
71	[non-relevant in EU regulation]	0	0		0
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	0	0	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	0	0	36 (1) (i), 45, 48, 470, 472 (11)	0
74	Empty set in the EU	0	0		0
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	0	0	36 (1) (c), 38, 48, 470, 472 (5)	0
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	0	62	0
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	0	62	0
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	0	0	62	0
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	0	62	0
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	- Current cap on CET1 instruments subject to phase-out arrangements	0	0	484 (3), 486 (2) & (5)	0
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0	484 (3), 486 (2) & (5)	0
82	- Current cap on AT1 instruments subject to phase-out arrangements	0	0	484 (4), 486 (3) & (5)	0
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	0	484 (4), 486 (3) & (5)	0
84	- Current cap on T2 instruments subject to phase-out arrangements	0	0	484 (5), 486 (4) & (5)	0
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0	484 (5), 486 (4) & (5)	0