

# Northern Trust

## Annual Company-Run Stress Test Results

### Dodd-Frank Act Stress Test Disclosure

#### Supervisory Severely Adverse Scenario

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*July 1, 2025*



## *Introduction*

Northern Trust Corporation (the Corporation) is a leading provider of wealth management, asset servicing, asset management, and banking solutions to corporations, institutions, affluent families and individuals worldwide. The Corporation is a financial holding company conducting business through various U.S. and non-U.S. subsidiaries, with a network of offices in 24 U.S. states, Washington, D.C., and 22 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. The Corporation's principal subsidiary, The Northern Trust Company (the Bank), was founded in 1889 and represents nearly 100% of the Corporation's consolidated assets. As used in the remainder of this document, except where the context otherwise requires, the terms "Corporation" and "Bank" shall include the subsidiaries of such entities on a consolidated basis.

The Corporation and the Bank are required to conduct company-run stress tests and disclose a summary of those results pursuant to the requirements of 12 CFR Part 252 (the Regulation). Accordingly, management has developed the following disclosure, which contains the information required by the Regulation to be disclosed publicly. Any differences in the presentation of information concerning either the Corporation or the Bank contained herein relative to how such information is presented for other purposes is solely due to efforts to comply with the Regulation. The information presented herein does not, in any way, reflect changes to the business plans, practices, or strategy of either the Corporation or the Bank. The projections contained herein are based on the severely adverse scenario provided by the Board of Governors of the Federal Reserve System for the 2025 Comprehensive Capital Analysis and Review (Supervisory Severely Adverse Scenario) and assumptions required by the Regulation. These projections do not represent expected actual pre-provision net revenue (PPNR), losses, net income before taxes, or capital ratios. Rather, the projections are intended to assist with the assessment of sources and uses of capital under stressed economic and financial market conditions.

The Regulation requires the Corporation and the Bank to include, among other things, certain assumptions with respect to capital actions (Dodd-Frank Act Capital Actions) including for each of the first through ninth quarters of the assessment horizon: no dividend paid on any instruments that qualify as common equity tier 1 capital; payments on other instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument; no redemption or repurchase of any capital instrument eligible for inclusion in the numerator of a regulatory capital ratio; and, no issuances of common stock or preferred stock. The nine-quarter assessment horizon for the 2025 stress test is from the first quarter of 2025 through the first quarter of 2027.

## *Risks Included in the Stress Test*

When conducting the company-run stress test under the Supervisory Severely Adverse Scenario with Dodd-Frank Act Capital Actions, the Corporation evaluated and incorporated the principal risks that impact this assessment. These risks include credit risk, operational risk, market risk, and strategic risk (including macroeconomic risk, geopolitical risk and business 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 the Corporation'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..

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 the Corporation'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 resiliency may be impacted. Operational risk also includes information technology and cybersecurity, fiduciary, compliance and legal risks, which under the Corporation's risk structure are governed and managed explicitly.

Market risk refers to 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 from the available for sale (AFS) debt securities portfolio. Changes in interest rates can have a positive or negative impact on net interest income depending on the positioning of assets, liabilities, and off-balance-sheet instruments. 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. The Corporation is exposed to trading risk primarily through foreign exchange trading, interest rate derivatives trading and—for regulatory capital purposes—foreign currency balances. The primary purpose of positions in the trading book is client accommodation.

Strategic risk is the vulnerability of the organization to internal or external developments that render corporate strategy ineffective or unachievable. The consequences of strategic risk can be diminished long-term earnings and capital, as well as reputational damage to the firm. Strategic risk includes macroeconomic and geopolitical risk, as well as business risk.

Macroeconomic and geopolitical risk centers on external events or developments that would have a detrimental impact on financial markets and/or financial services firms. Business risk arises from internal, secular, competitive, or regulatory trends that impact Northern Trust's stated strategy or its achievability.

### *Methodologies Used in the Stress Test*

The Corporation uses a series of models and estimation techniques that translate the economic and financial variables in the Supervisory Severely Adverse Scenario to project PPNR, provision for credit losses, and net income before taxes. General descriptions of the methodologies used in the company-run stress test under the Supervisory Severely Adverse Scenario are described below.

The Corporation's PPNR is comprised of trust, investment and other servicing fees, other noninterest income, net interest income, and noninterest expense, including operational losses. Trust, investment, and other servicing fees are projected from models and management-derived projections that are based on relationships with macroeconomic indicators, such as equity indices, gross domestic product (GDP), and interest rates.

In a process similar to that used to project trust, investment, and other servicing fees, the Corporation utilizes various models and management-derived approaches to project levels of certain on- and off-balance-sheet items, primarily loans and deposits. For balance sheet items such as investment securities, money market assets, and borrowed funds, all of which are influenced by projected levels of deposits and loans, management-derived projections are used to estimate levels across the assessment horizon. Having determined projections of on- and off-balance-sheet exposures, the Corporation utilizes its asset liability modeling to project net interest income and accumulated other comprehensive income on the AFS securities portfolio for the scenario. Additionally, the Corporation utilizes this exposure information to calculate credit risk-weighted assets under the Basel III Standardized regime and adds to this amount risk-weighted assets related to its market risk.

Other noninterest income consists of foreign exchange trading income, treasury management fees, securities commissions and trading income, and other operating income. All of these items are based on management-derived projections, which are informed by analysis of historical trends and the Corporation's current and projected business mix.

The Corporation projects noninterest expense through a comprehensive analysis of projections that are based on management's assessment of the macroeconomic scenario, business strategies, competitive dynamics, historical relationships, and experience. Primary expense categories are compensation and benefits, equipment and software, and outside services.

Using the macroeconomic factor projections for the scenario, the Corporation estimates their impact on the frequency of operational losses for certain material risks across the assessment horizon. The Corporation projects operational losses for those risks by combining frequency projections with the average loss severity. Losses for the remaining material risks are estimated using a combination of operational loss data based projections and operational risk scenarios developed by the Corporation. These operational risk scenarios also capture idiosyncratic risks specific to the Corporation.

The Corporation projects credit losses under stressed economic conditions by utilizing models and related qualitative estimation approaches that consider relationships between macroeconomic indicators and portfolio characteristics including obligor and loan/security level attributes. Management utilizes these macroeconomic indicators and loan/security attributes to calculate probability of default and loss given default parameters for each exposure over its life. Exposure-level expected losses are aggregated and utilized to project non-performing loans, charge-offs, allowance for credit losses, and a provision for credit losses for each scenario.

### ***Summary of Results for Northern Trust Corporation's Company-Run Annual Stress Test under the Supervisory Severely Adverse Scenario***

The Supervisory Severely Adverse Scenario is characterized by a hypothetical severe global recession that is accompanied by a period of heightened stress in commercial and residential real estate markets, as well as in corporate debt markets.

As a result of these circumstances, the Corporation's balance sheet is projected to grow meaningfully across the assessment horizon. Overall balance sheet size is driven primarily by higher deposit levels, and the increase in market volatility and market uncertainty leads to higher levels of risk weighted assets (RWA), driven by an increase in loan volume due to client activity.

Additionally, the credit quality of residential, commercial real estate, and commercial lending is projected to deteriorate as macroeconomic conditions worsen, causing credit losses to rise and remain elevated. The provision for credit losses is projected to increase significantly in the first projection quarter due to worsening credit conditions. Trust, investment, and other servicing fees and net interest income are projected to decline due to falling equity markets, GDP levels, and interest rates, before beginning to recover in the first half of 2026. This leads to low levels of net income over the projection horizon, as expenses remain elevated given the macroeconomic conditions and market uncertainty.

The Corporation's capital ratios are projected to decline initially, driven by suppressed net income and elevated RWA, before steadily improving beginning in the first quarter of 2026. The Corporation's capital ratios remain above all regulatory minimums and Capital Management Goals throughout the assessment horizon.

Northern Trust Corporation's Projected Stressed Capital Ratios through Q1 2027 under the Supervisory Severely Adverse Scenario			
	Actual Q4 2024	Stressed Capital Ratios	
		Q1 2027	Minimum over Assessment Horizon
Common Equity Tier 1 Capital Ratio	12.4%	12.8%	11.6%
Tier 1 Risk-Based Capital Ratio	13.3%	13.7%	12.4%
Total Risk-Based Capital Ratio	15.1%	15.4%	14.4%
Tier 1 Leverage Ratio	8.1%	7.4%	7.2%
Supplementary Leverage Ratio*	8.9%	9.0%	8.3%

\* The supplementary leverage ratio is subject to the advanced approaches capital framework, whereas the other ratios are based upon the standardized approach.

Northern Trust Corporation's Projected Losses, Revenue, and Net Income Before Taxes for Q1 2025 through Q1 2027 under the Supervisory Severely Adverse Scenario		
	Billions of Dollars	Percent of Average Assets
Pre-Provision Net Revenue	\$1.2	0.7%
Other Revenue	\$0.0	0.0%
<i>less</i>		
Provisions	\$0.8	0.5%
Realized Losses/Gains on Securities	\$0.0	0.0%
Trading and Counterparty Losses	\$0.0	0.0%
Other Losses/Gains	\$0.0	0.0%
<i>equals</i>		
Net Income Before Taxes	\$0.4	0.2%

Northern Trust Corporation's Projected Loan Losses by Type of Loans for Q1 2025 through Q1 2027 under the Supervisory Severely Adverse Scenario		
	Billions of Dollars	Portfolio Loss Rates <sup>(1)</sup>
Loan Losses	\$0.7	1.5%
First-Lien Mortgages, Domestic	\$0.0	0.4%
Jr Liens and HELOCs <sup>(2)</sup> , Domestic	\$0.0	1.8%
Commercial and Industrial	\$0.1	2.2%
Commercial Real Estate, Domestic	\$0.4	6.4%
Credit Cards	\$0.0	0.0%
Other Consumer	\$0.0	1.0%
Other Loans	\$0.1	0.5%

(1) Portfolio loss rates estimated as percent of average portfolio balance

(2) Home equity line of credit

## ***Summary of Results for The Northern Trust Company's Company-Run Annual Stress Test under the Supervisory Severely Adverse Scenario***

When conducting the company-run stress test, the Bank evaluated the types of risks and utilized the same methodologies as described above in the discussion concerning the Corporation, as the Bank represents nearly 100% of the consolidated assets of the Corporation and its business mix and processes are virtually identical to those of the Corporation.

All of the Bank's risk-based and leverage-based capital ratios are projected to decline initially, driven by suppressed net income, elevated RWA, and an elevated balance sheet, before improving midway through the assessment horizon.

<b>The Northern Trust Company's Projected Stressed Capital Ratios through Q1 2027 under the Supervisory Severely Adverse Scenario</b>			
	Actual Q4 2024	Stressed Capital Ratios	
		Q1 2027	Minimum over Assessment Horizon
Common Equity Tier 1 Capital Ratio	11.4%	11.2%	10.2%
Tier 1 Risk-Based Capital Ratio	11.4%	11.2%	10.2%
Total Risk-Based Capital Ratio	12.8%	12.6%	11.8%
Tier 1 Leverage Ratio	6.9%	6.0%	5.8%
Supplementary Leverage Ratio*	7.5%	7.3%	6.7%

*\* The supplementary leverage ratio is subject to the advanced approaches capital framework, whereas the other ratios are based upon the standardized approach.*



## FORWARD-LOOKING STATEMENTS

This document contains “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 contained herein include certain projections of our financial results and condition and capital ratios under a hypothetical stress scenario that incorporates a set of assumed economic and financial conditions prescribed by our regulators. The projections are not intended to be a forecast of expected future economic or financial conditions or a forecast of the Corporation’s or the Bank’s expected future financial results or condition, but rather reflect possible results under the hypothetical scenario. Our future financial results and conditions will be influenced by actual economic and financial conditions and other factors described in the Corporation’s reports filed with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2024, all of which are available on our website. The Corporation assumes no obligation to update its forward-looking statements.