

Northern Bank Pension Scheme

Annual Report and Financial Statements for the year
ended 31 December 2022

Pension Scheme Registry Number: 10015013

Table of Contents

Section	Page
A Trustee and its Advisors	1-3
B Report of the Trustee	4-9
C Investment Report	10-20
D Statement of Trustee's Responsibilities for the Financial Statements	21-22
E Independent Auditor's Report to the Trustee of the Northern Bank Pension Scheme	23-27
F Fund Account	28
G Statement of Net Assets (Available for Benefits)	29
H Notes (forming part of the Financial Statements)	30-48
I Compliance Statement	49-50
J Further Information	51-52
K Independent Auditor's Statement about Contributions to the Trustee of the Northern Bank Pension Scheme	53-54
L Statement of Trustee's Responsibilities in respect of Contributions and Trustee's Summary of Contributions	55-56
Appendices	57-67
Appendix 1 – Actuarial Statements (including the Actuary's Certification of Schedule of Contributions and the Report on Actuarial Liabilities).	
Appendix 2 – Implementation Statement (Statement of Compliance with the Northern Bank Pension Scheme's Stewardship Policy for the year ending 31 December 2022)	

A TRUSTEE AND ITS ADVISORS

The Trustee

Northern Bank Pension Trust Limited is the Corporate Trustee of the Northern Bank Pension Scheme (“Scheme”). The names of the Directors at the date of approval of this report are set out below. Changes to the Directors and to the Secretary of the Trustee Company during 2022 are detailed in the Compliance Statement on page 49 of this report.

Directors of the Corporate Trustee

Nominated by the employer:

N Chadha (Chairman)	(Appointed 1 July 2022)
PAN Trustees UK LLP, represented by Mike Roberts and Jon Walters	(Appointed 1 September 2022)
L Bourke	(Resigned 31 August 2022)
AI Martin	(Resigned 31 August 2022)
D Murphy	(Resigned 31 August 2022)
KM Strain	(Resigned 31 August 2022)
BM Telford	(Resigned 31 August 2022)
P A R Taylor	(Resigned 30 June 2022)

Nominated by the members:

PG Alexander*	(Resigned 31 August 2022)
AN Kane	(Resigned 31 August 2022)
TP O’Doherty	(Resigned 31 August 2022)
CW Steele*	(Resigned 31 August 2022)

(*Pensioner-nominated)

Secretary to the Trustee

WTW, represented by A Rutherford	(Appointed 2 September 2022)
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Principal employer

Northern Bank Limited
 Donegall Square West
 Belfast
 BT1 6JS

Participating employer

Danske Bank A/S
 Holmens Kanal 2-12
 DK 1092
 Copenhagen
 Denmark

A TRUSTEE AND ITS ADVISORS *(CONTINUED)*

Advisors

The advisors to the Corporate Trustee are set out below. Changes to the Advisors of the Trustee Company during 2022, and changes since 31 December 2022, are detailed in the Compliance Statement on page 49 of this report.

Actuary

S Yates
 WTW
 1st Floor
 2 Semple Street
 Edinburgh
 EH3 8BL

Investment Advisor

Hymans Robertson LLP
 Exchange Place One
 1 Semple Street
 Edinburgh
 EH3 8BL

Legal Advisors

Sacker & Partners LLP
 20 Gresham Street
 London EC2V 7JE

Burges Salmon LLP
 One Glass Wharf
 Bristol
 BS2 0ZX

Administrator

Equiniti
 Sutherland House
 Russell Way
 Crawley
 West Sussex RH10 1UH

Auditors

Deloitte LLP
 Lincoln Building
 27-45 Great Victoria Street
 Belfast BT2 7AQ

Consultancy Services

Lane Clark & Peacock LLP
 95 Wigmore Street
 London W1U 1DQ

KPMG LLP
 Advisory
 Saltire Court
 20 Castle Terrace
 Edinburgh EH1 2EG

PricewaterhouseCoopers LLP
 Atria One
 144 Morrison Street
 Edinburgh EH3 8EX

Bankers

Northern Bank Ltd (t/a Danske Bank)
 Donegall Square West
 Belfast BT1 6JS

Danske Bank A/S
 Holmens Kanal 2-12
 DK- 1092 Copenhagen

A TRUSTEE AND ITS ADVISORS (*CONTINUED*)**AVC Providers**

Standard Life Assurance Limited
Standard Life House
30 Lothian Road
Edinburgh EH1 2DH

Northern Bank Ltd (t/a Danske Bank)
Donegall Square West
Belfast BT1 6JS

Investment Managers

BlackRock
Drapers Gardens
12 Throgmorton Avenue
London EC2N 2DL

Bulk Purchase Annuity Providers

Prudential Assurance Company Limited
Laurence Pountney Hill
London
EC4R 0HH

Aviva Life & Pensions UK Limited
Wellington Row
York
YO90 1WR

Global Custodian

The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL

Property Manager

Osborne King
6-9 Donegall Square South
Belfast
BT1 5JA

Savills
33 Margaret Street
London
W1G 0JD

B REPORT OF THE TRUSTEE

Introduction

The Trustee presents its annual report and the audited financial statements of the Northern Bank Pension Scheme for the year ended 31 December 2022.

The Scheme was established under a Trust Deed and is a registered pension scheme for the purposes of the Finance Act 2004. The Scheme is a Defined Benefit scheme and was closed to future accrual on 30 September 2018. The Trustee holds Scheme funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed and Rules. Members were previously contracted-out of the additional component of the State Second Pension (S2P) on the salary-related basis until 5 April 2016.

Management of the Scheme

The Principal Employer is responsible for appointing Directors to the Board of the Corporate Trustee. The power of appointment and removal of the Corporate Trustee is exercisable by the Principal Employer. The power of appointment and removal of the Directors of the Corporate Trustee is exercisable under the Memorandum and Articles of Association of the Corporate Trustee.

Changes to Governance Structure

During the year, the Principal Employer changed the structure of the Board by appointing a professional sole trustee in place of the existing Board of Directors. The previous Board of Directors resigned with effect from 31 August 2022. Nicholas Chadha of PAN Trustees UK LLP was appointed on 1 July 2022 and PAN Trustees UK LLP, primarily represented by Mike Roberts but also on occasion by Jon Walters, was appointed on 1 September 2022. The previous Secretary to the Trustees also resigned with effect from 31 August 2022, and the Secretary to the Trustee role was outsourced to WTW who were appointed on 2 September 2022.

The Trustee is responsible for ensuring that all benefits are paid correctly as well as keeping members fully informed on all aspects of the Scheme, the monitoring of the investment performance of the Scheme and deciding upon the long-term strategy, and reviewing and monitoring the systems and structures the Scheme has in place to create an effective system of governance.

Following the transition to the sole trustee governance model, the Trustee considered and approved the disbandment of the Governance Committee, the Investment Committee, and the Administration Committee. In their place and in addition to the quarterly Board meetings, more

frequent meetings take place throughout the year. These include monthly Trustee catch ups and quarterly Administration Matters meetings.

Corporate Trustee Meetings during the year

There were nine Board meetings during the year ended 31 December 2022 at which matters relating to the operation and administration of the Scheme were considered. During the year to 31 August 2022, the Board received reports from the respective Administration, Governance and Investment Committees. From 1 September 2022, following the change in governance structure, the Trustee considered matters either through either meetings or via email.

Committee meetings up to 31 August 2022

In the year prior to 31 August 2022, Committee meetings took place as outlined below:

<u>Administration Committee</u>	Three meetings (up to 31 August 2022)
The Committee was responsible for ensuring that all benefits were paid correctly as well as keeping members fully informed on all aspects of the Scheme.	

<u>Investment Committee</u>	Three meetings (up to 31 August 2022)
The Committee was responsible for the monitoring of the investment performance of the Scheme and recommended to the Board the long-term strategy.	

<u>Governance Committee</u>	Three meetings (up to 31 August 2022)
The Committee was responsible for reviewing and monitoring the systems and structures the Scheme has in place to create an effective system of governance.	

Custody of Investments

The Bank of New York Mellon, London Branch, provides custodial services to the Northern Bank Pension Scheme in respect of the collateral (ring-fenced pool of assets) provided by Prudential under the terms of the Bulk Purchase Annuity Policy and managed under the terms of the Account Control Agreement. The Bank of New York Mellon, London Branch, also provides custodial services to the Northern Bank Pension Scheme in respect of Scheme assets managed by BlackRock.

B REPORT OF THE TRUSTEE (CONTINUED)

Rule changes

In October 2022, an amendment to the Rules was implemented which introduced increased flexibility for those members no longer employed by the Bank who wish to retire after their NRD.

Administration expenses

The costs associated with the administration of the Scheme were borne directly by the Scheme.

Financial development of the Scheme

The net assets of the Scheme as at 31 December 2022 amounted to £887,264k (2021: £1,434,457k). The Financial Statements are set out in further detail on pages 27 to 48 and the Investment Report is set out on pages 10 to 19 of this report.

The financial statements have been prepared and audited in accordance with regulations made under Article 41 (1) and (6) of the Pensions (Northern Ireland) Order 1995. These show how the Scheme's finances have developed over the year. The notes to the financial statements give further information on the various figures shown.

Contributions

The employing companies and the Trustee agree a Schedule of Contributions setting out the rates and dates at which contributions are to be made to the Scheme. Payments under the Schedule of Contributions must be submitted by the 19th of the month following collection.

No employee contributions were made during 2022. Employer contributions (including employer contributions covering PPF levies) were remitted during 2022 in accordance with the Schedule of Contributions, dated 26 March 2020. The employer also made early retirement funding cost contributions to the Scheme (at a level agreed by the Scheme Actuary) in respect of augmented early retirement benefits.

Actuarial Position

An Actuarial valuation is carried out at least every three years, with the most recent valuation being carried out as at 31 December 2021. The 2021 valuation was concluded in January 2023. Details of the 2021 valuation are shown in the Report on Actuarial Liabilities (page 58).

The next actuarial valuation will be carried out as at 31 December 2024, with results expected in 2025.

The Bank has agreed an objective for the Scheme to be fully funded (100%) using a discount rate based on the WTW gilt curve with no margin applied, by 30 September 2025.

B REPORT OF THE TRUSTEE (*CONTINUED*)

In accordance with the terms of the Funding Agreement (agreed between the Trustee and the Bank at time of Scheme closure), an ‘Escrow account’ is held by the Bank at Danske Bank A/S, London Branch, over which the Trustee holds a legal charge. During 2022, the balance in this account did not fall below £30m.

Pension Increases

Pensions in payment and deferment are reviewed annually by the Trustee in consultation with the Principal Employer and the Scheme Actuary. Where the Rules do not specifically provide for increases, discretion may be exercised as to the level of increases awarded. No discretionary increases were awarded during the year.

Pensions in payment attributable to service in the Northern Bank Pension Scheme were increased on 1 March 2022 in accordance with the Trust Deed and Rules. Pensions in excess of the Guaranteed Minimum Pension (GMP) and attributable to service up to 5 April 1997 were increased by 2.5%. Pensions attributable to service from 6 April 1997 to 31 December 2007 (including former ‘Supplemental Fund’ pensions) were increased by 5.0%. Pensions attributable to service from 1 January 2008 were increased by 2.5%.

Pensions in payment in excess of GMP and attributable to service in the Danske Bank (2004) Pension Scheme (the assets and liabilities of which were merged into the Northern Bank Pension Scheme on 31 December 2008) were increased with effect from 1 March 2022 by 5.0% in respect of service up to 20 July 1997, by 3.1% in respect of service from 21 July 1997 to 5 April 2005 and by 2.5% in respect of service from 6 April 2005.

The following increases (GMP excess) were made to pensions in payment during the last 10 years.

Year	In respect of NBPS service to 05/04/97	In respect of NBPS service from 06/04/97 to 31/12/07	In respect of NBPS service after 31/12/07	In respect of DBPS service to 20/07/97	In respect of DBPS service from 21/07/97 to 05/04/05	In respect of DBPS service after 05/04/05
	%	%	%	%	%	%
2022	2.5	5.0	2.5	5.0	3.1	2.5
2021	0.3	0.9	0.9	5.0	0.5	0.5
2020	1.5	2.2	2.2	5.0	1.7	1.7

NORTHERN BANK PENSION SCHEME**Annual Report and Financial Statements for the year ended 31 December 2022****8**

2019	2.3	3.2	2.5	5.0	2.4	2.4
2018	2.5	3.9	2.5	5.0	3.0	2.5
2017	1.2	2.2	2.2	5.0	1.0	1.0
2016	0.1	1.1	1.1	5.0	0.0	0.0
2015	1.0	2.0	2.0	5.0	1.2	1.2
2014	2.1	2.6	2.5	5.0	2.7	2.5
2013	2.5	3.0	2.5	5.0	2.2	2.2

Deferred pensions not yet in payment were increased during the year by the level determined by statutory requirements.

Fund membership

The number of members and beneficiaries of the Scheme as at 31 December 2022 was as follows:

	2022	2021
Active Deferred members	507	601
Active pensioners (flexible retirement)	11	26
Pensioners	2,468	2,349
Dependants of former members	227	209
Deferred members	1,290	1,390
	<u>4,503</u>	<u>4,575</u>

The Scheme was closed to new joiners with effect from 1 January 2004.

Scheme Closure

Following its consultation with Active Members on future benefits of the Northern Bank Pension Scheme, the Bank's decision led to the closure of the Scheme to future accrual on 30 September 2018. Active-deferred members were permitted to make Additional Voluntary Contributions until 30 September 2019.

Key Risks to the Scheme

The Trustee continues to monitor events relating to the geo-political uncertainty (such as the conflict in Ukraine). During 2022, there was a sharp increase in interest rates and the gilts and LDI crisis following the UK government mini-budget in September 2022. The Trustee worked closely with its advisors to maintain the desired level of interest rate and inflation protection, including taking steps to ensure that the Scheme continued to hold sufficient liquidity following the crisis.

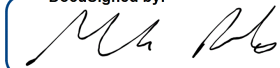
B REPORT OF THE TRUSTEE (*CONTINUED*)

The work to equalise GMPs is a major undertaking which the Trustee is carrying out in stages. The Trustee is satisfied that the impact of these events do not affect the approval of these financial statements, nor does it require them to be adjusted.

Approval of the Report of the Trustee


The Investment Report, Compliance Statement and the Implementation Statement included in this Annual Report and Financial Statements form part of the Report of the Trustee.

Signed for and on behalf of the Trustee of the Northern Bank Pension Scheme by:

DocuSigned by:

Director:26E07FC22516470.....

Mike Roberts

Date: 31 July 2023

DocuSigned by:

Director:7AE140F97BC841E.....

Nick Chadha

Date: 28 July 2023

C INVESTMENT REPORT

This investment report forms part of the report of the Trustee.

Investment policy

The Trustee has produced a Statement of Investment Principles (SIP) in accordance with Article 35 of the Pensions (Northern Ireland) Order 1995 (as amended). The SIP was last updated in May 2022. A copy is available on the Scheme's website (www.northernbankpensionscheme.co.uk) or upon request from the Scheme Administrator.

Over the year, PAN Trustees UK LLP have been appointed as sole Trustee of the Scheme and are responsible for all investment matters.

Investment strategy

The Trustee currently sets the Scheme's investment strategy, taking into account considerations such as the strength of the employer covenant and after receiving professional advice from Hymans Robertson LLP. The Trustee's current objectives are documented within the Statement of Investment Principles. These are as follows:

- The Trustee's statutory funding objective is that the Scheme should have sufficient and appropriate assets to cover its Technical Provisions.
- The Trustee's objective with regard to the Scheme's investments is to ensure that the accumulated fund, together with any contributions payable by the Principal Employer in future, are invested in such a manner that the individual benefits for each member can be paid from the Scheme as they arise.
- Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the Actuary in funding the Scheme.

The Trustee intends to ensure that the investment objectives are consistent with the Scheme's Statement of Funding Principles. Within the context of achieving these over-riding funding principles, the Trustee also aims to:

- Only take risk to the extent that is needed to achieve the Trustee's objectives;

C INVESTMENT REPORT (*CONTINUED*)

Investment strategy (continued)

- Interpret risk as the risk of not being able to pay members' benefits in the future;
- Reflect an expectation that risk will be rewarded in the long term, although for some risks this will depend on current market conditions;
- Recognise that diversification can help to reduce risk, in particular some of the potential extremes of risk, but it does have its limits;
- Recognise that managers with appropriate skill can add value through active management, although this skill can be difficult to identify. However, the choice of manager is rarely more important than the decision to invest in the asset class and the choice of an appropriate benchmark. As such, active management will be used sparingly and only in certain situations such as asset classes that have no viable passive approach or for mandates that involve multiple asset classes where the decision to allocate between asset classes can add value as well as stock selection.

As at 31 December 2022, the Trustee's target strategy and the actual distribution of assets (excluding the buy-in policies) was as follows:

Asset class	Target Allocation^[3]	Actual Allocation
Growth Assets	8.0%	8.6%
UK Equities	2.4%	2.4%
Overseas Equities ^[1]	5.6%	6.2%
Income Assets	39.0%	52.1%
Corporate Bonds	32.0%	39.1%
Property	7.0%	13.0%
Protection Assets	53.0%	39.3%
LDI Portfolio ^[2]	53.0%	38.7%
Trustee Bank Account	0.0%	0.6%
Total assets	100.0%	100.0%

[1]The Trustee hedges approximately 70% of currency exposure to the US Dollar, Japanese Yen and Euro.

[2]The LDI Portfolio consists of hedging assets held with BlackRock plus the Sterling Liquidity Fund, which is held as part of the Managed LDI account.

[3]The Target allocation is based on signed SIP dated 10 May 2022

C INVESTMENT REPORT (*CONTINUED*)

Market movements, particularly the rise in interest rates over 2022, have caused this divergence. Corporate bonds were the most overweight asset class although, as this contributes to the interest rate protection within the Scheme, and the Trustee has chosen not to undertake any rebalancing of the corporate bond holding. Property was also significantly overweight relative to target at 31 December 2022. However, as the allocation reflects two directly held assets, there is little scope to rebalance the asset allocation in line with target. The Trustee will reconsider its target asset allocation and the role of property within the strategy over the course of 2023.

C INVESTMENT REPORT (*CONTINUED*)

Changes during year

There were a number of changes to the Scheme's investment arrangements over 2022:

- In Q2 2022, the inflation hedge ratio target was increased from 90% to 95% on a gilts-flat basis (noting that the actual inflation hedge ratio had progressively drifted up to over 95%). This action was taken to cautiously bring the actual inflation hedge ratio back towards target whilst bringing the inflation hedge target in-line with the interest rate hedge target.
- In the fourth quarter of 2022, around c.4% of scheme assets (£12.5m) were disinvested from equities, reducing the equity allocation to c.8.5% of invested assets, with the proceeds reinvested in the Managed LDI Account. This action was taken to partially rebalance the strategy back towards its strategic target and in order to ensure prudent levels of LDI collateral were in place in light of the gilt market volatility witnessed in September and October 2022 following the UK Government's Mini Budget.
- In Q4 2022 the updated liability cashflows reflecting the December 2021 valuation were provided by the Scheme Actuary. Following analysis of the current hedging assets relative to the updated liability cashflows, the interest rate and inflation hedge ratios were set to 90% of gilts flat liabilities and the LDI portfolio was adjusted accordingly.

Investment arrangements

As at 31 December 2022, c66.7% of Scheme assets were invested in two insurance policies held with Prudential and Aviva. The residual, uninsured assets are split between pooled investment vehicles, a segregated managed account, and direct holdings in property. The Trustee has authorised the use of derivatives by the investment managers in pooled investment vehicles and the segregated managed account for efficient use in portfolio management purposes and to reduce certain investment risks. The nature and disposition of the investments are set out on the following page.

C INVESTMENT REPORT (*CONTINUED*)

Asset Class	Segregated Funds (£000)	Pooled Investment Vehicles (£000)	Total (£000)	%
Insurance policies – bulk annuity ¹	591,800	-	591,800	66.7%
Equities	-	25,677	25,677	2.9%
Property	34,900	-	34,900	3.9%
Corporate Bonds	-	116,988	116,988	13.2%
Managed Account ²	116,565	-	116,565	13.2%
AVC investments	704	-	704	0.0%
Total ³	743,969	142,665	886,634	100%

¹Note that the Insurance Policies include bulk annuities held with Prudential and Aviva.

²Note that the segregated Managed Account contained a pooled liquidity fund holding £43,696 as at 31 December 2022.

³Totals may not agree due to rounding differences.

The Trustee employed the services of a number of organisations to manage and/or provide advice on the management of the Scheme's assets:

- BlackRock is responsible for the management of the majority of the Scheme's investment assets (excluding the buy-in policies and direct property holdings). The Trustee invests in a series of pooled equity and corporate bond funds as well as the segregated Managed Account for the Scheme's hedging assets. Equity assets are managed on a passive basis with bond assets being managed on an active basis. The Trustee hedges approximately 70% of its overseas equity exposure to the Euro, Yen and US dollar by investing in pooled currency hedged funds managed by BlackRock.
- BlackRock is responsible for the management of the LDI portfolio and manages the portfolio in line with guidelines set out in an Investment Management Agreement. This includes details such as the liability benchmark, hedging targets, available instruments and counterparty exposure levels.

C INVESTMENT REPORT (*CONTINUED*)

- Osborne King is responsible for providing advice to the Trustee on the Scheme's property assets.
- Prudential Assurance Company Limited (PAC) is responsible for managing the first insurance policy entered into by the Trustee in respect of a portion of the Scheme's pensioner liabilities (c50% of total liabilities).
- Aviva Life and Pensions UK Limited is responsible for managing the second insurance policy entered into by the Trustee in respect of another portion of the Scheme's pensioner liabilities (c20% of total liabilities)

Insurance Policies

The Trustee purchased an insurance policy (known as a 'buy-in') from Prudential Retirement Income Limited¹, a wholly owned subsidiary of The Prudential Assurance Company Limited, on 8 April 2015. The insurance policy is an asset of the Scheme, under which Prudential pays a monthly income to the Scheme in respect of specified pensioners and their dependants.

The insurance policy initially covered liabilities in respect of pensions in payment on 31 December 2013, however under the policy terms, the cover was extended to cover liabilities in respect of pensions in payment (excluding 'Active Pensioner' liabilities) on 1 February 2015. A balancing payment (which also accounted for pensioner changes following a 'small pot / trivial commutation' exercise in 2015) was paid to Prudential in October 2016.

Whilst the policy fully covers the liabilities of the specified members, it does not exactly match the liabilities, but instead pays a fixed 2.5% increase per annum for those pre 6 April 1997 pensions which receive increases under the rules at CPI capped at 2.5% per annum. This has led to a surplus value in the policy, over the liabilities covered by the policy. As at 31 December 2022 the value of the asset relating to this over-insurance element is £5.0m. The policy is held for the benefit of the Scheme and not for individual members. Under the policy, Prudential is required to hold collateral with an independent third-party custodian in a ring-fenced pool of assets, which must be maintained at agreed levels during the life of the policy.

¹ During 2016, Prudential, by way of a Part VII transfer (under the Financial Services and Markets Act 2000) transferred the entire business of Prudential Retirement Income Limited (the initial counter-party to the Buy-in policy) to the Prudential Assurance Company Limited ("PAC").

C INVESTMENT REPORT (*CONTINUED*)

Insurance Policies (continued)

On 23 September 2021, the Trustee purchased a second buy-in insurance policy, this time from Aviva Life and Pensions UK Limited. This policy is also an asset of the Scheme, under which Aviva pays a monthly income to the Scheme in respect of specified pensioners and their dependants.

The insurance policy initially covered liabilities in respect of retirees between the cut-off date for pensioners covered under the Prudential Policy (1 February 2015) and 30 May 2020, however under the policy terms, the cover was extended to cover liabilities in respect of pensions in payment (excluding 'Active Pensioner' liabilities) on 6 October 2021.

The policies are held for the benefit of the Scheme and not for individual members.

Property portfolio

The Trustee has a portfolio of two properties which are directly held by the Scheme. The objective of the property portfolio is to provide long-term, inflation linked income from strong covenants. As at 31 December 2022, the total value of this portfolio was £34.9m.

The properties held by the Scheme were revalued as at 31 December 2022 at fair value by Savills. The two properties in the portfolio were as follows:

- 10 Pond Street, Hampstead, London is a supermarket investment and was acquired in May 2010. The property is let to Marks & Spencer plc under a long-term lease expiring January 2031 and was valued at 31 December 2022 at £8.8m.
- Southend Road, Woodford Green, Essex is a supermarket investment and was acquired in May 2011. The property is let to Tesco under a long-term lease expiring June 2039. The property was valued at 31 December 2022 at £26.1m.

C INVESTMENT REPORT (*CONTINUED*)

Interest rate risk mitigation strategy

As set out in previous annual reports, since 2007, in conjunction with the Bank, the Trustee has sought to reduce the exposure of the Scheme's funding level to falls in long-term interest rates.

The BlackRock Managed Account combines with the Scheme's corporate bond holdings to achieve an overall target level of 90% interest rate and 90% inflation hedging of non buy-in liabilities (on a gilts basis), although actual levels of hedging vary with market movements.

The portfolio might be expected to increase in value at times when changes in interest rates and inflation lead to an increase in the measured value of Scheme liabilities. Conversely, the portfolio may fall in value when changes in interest rates and inflation lead to a fall in that measured value of the Scheme's liabilities.

Over the course of the year, the hedging portfolio fell by c£194m, primarily due to a significant rise in gilt yield yields over the course of 2022, which culminated in the extreme volatility witnessed in early October. Scheme cashflows have also contributed to the decrease in valuation. However, we would note that the Scheme liabilities also fell by a similar quantum over the year, resulting in a limited overall impact of the Scheme's funding position.

Currency risk management

Currency risk arises within the Scheme through exposure to overseas equity investments. Movements in exchange rates can act to offset or enhance the underlying equity market returns and this currency risk is therefore considered to be unrewarded. In order to mitigate this risk, the Trustee partly hedges currency risk.

The objective of the currency hedge programme is to mitigate 70% of the currency risk arising from the Scheme's equity exposure to the US Dollar, the Euro and the Japanese Yen. Due to cost considerations, the expectation of longer-term currency appreciation and the relatively small exposure to individual currencies, the Trustee does not hedge currency risk in Asia Pacific and Emerging Markets. The Trustee hedges currency risk by investing in currency hedged versions of three passive equity funds managed by BlackRock. The underlying target hedge ratio of these funds is 95% and so the target allocation to the three funds (US, European and Japanese equities) was set at 75% of the equivalent exposure.

C INVESTMENT REPORT (*CONTINUED*)

Currency risk management (continued)

During the year, Sterling weakened against the US dollar but strengthened against the Euro and the Japanese yen. This is set out in the table below.

Currency	Exchange Rates as at		% change of Sterling over 2022
	31-Dec-21	31-Dec-22	
US dollar	1.354	1.203	-12.6%
Euro	1.191	1.127	-5.7%
Yen	155.972	158.717	1.7%

Hedging the US dollar and Euro detracted from returns, however hedging the Euro and Japanese Yen was a positive for the Scheme.

Market Background

The historic returns from major asset classes over the three months, 12 months and 3 years up to 31 December 2022 is set out below.



Amid soaring interest rates and inflation, global growth slowed in 2022. While recent outturns have shown an unexpected resilience in the major economies, economic data point to a relatively weak outlook in 2023.

Initially driven by pent up demand and COVID-related supply disruptions, and latterly exacerbated by the energy price shock emanating from the Russian invasion, inflation rose dramatically in 2022. Headline CPI inflation peaked at 11.1% and 10.6% year-on-year in the UK and eurozone, respectively, in October. Given energy independence and earlier re-opening, US inflation peaked at 9.1% year-on-year in June.

C INVESTMENT REPORT (*CONTINUED*)

Market Background (continued)

The major central banks embarked on one of the most aggressive rate hiking cycles on record as strong wage growth increased concerns that core inflation might become ingrained. Interest rates were raised from record-low levels to 4.5% p.a., 3.5% p.a., and 2.0% p.a., in the US, UK, and eurozone, respectively.

A rapid re-evaluation of inflation and interest rate expectations saw global sovereign bond yields rise dramatically. UK 10 year yields increased from 1.0% p.a. to 3.7% while equivalent US and German yields increased from 1.5% p.a. to 3.9% p.a. and -0.2% p.a. to 2.6% p.a.

Despite the dramatic rise in realised inflation UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.3% p.a. to 3.6% p.a.

Price declines due to rising sovereign bond yields were compounded by spread widening across credit markets as global investment grade credit spreads rose 0.5% p.a., to 1.5% p.a., while speculative-grade spreads rose 1.4% p.a., to 5.1% p.a.

The FTSE All World Total Return Index fell 15.3%. Soaring energy prices drove a 60% outperformance for the energy sector versus the global benchmark. Technology and consumer discretionary stocks had the worst underperformance as rising interest most heavily impacted valuations in the technology sector and high inflation weighed on consumer's real incomes.

UK equities experienced a rare outperformance due to above average exposure to the energy sector and sterling weakness, particularly against the dollar, which flattered the large proportion of overseas earnings in the index. Currency weakness also helped Japan outperform given the prevalence of exporters in the index.

The US dollar was up 6.3% over the period in trade-weighted terms while equivalent sterling and yen measures fell 4.2% and 7.6%, respectively, and the euro rose 1.1%.

The MSCI UK Monthly Property Total Return Index declined 10.1% over the past twelve months primarily due to a 14.2% fall in capital values. Falls were most pronounced in the industrial sector, where a 26.7% decline in capital values from their June peak leaves them 18% below end-2021 levels.

C INVESTMENT REPORT (*CONTINUED*)

Scheme performance

The performance (gross of fees) of the Scheme's assets (excluding the buy-in policies) over one year, three-year and five-year periods ending 31 December 2022 was as follows:

	12 months	3 years (p.a.)	5 years (p.a.)
Portfolio Return	-44.9%	-13.6%	-6.5%

2022 was an exceptional year for financial markets and challenging across most asset classes. The Scheme's investment strategy is built to withstand market volatility and reduce the risk of the funding level falling. This has meant that the Scheme's funding position is still strong despite lower asset valuations than a year ago across both return-seeking assets (such as equities) and liability matching assets (such as gilts).

Over 2022, the Scheme's equity, corporate bond and hedging assets delivered negative returns, whilst the property delivered positive returns. The main driver of the significant negative asset returns over 2022 was the increase in government bond yields and resulting fall in both Scheme liabilities and matching assets. Note that the overall impact on the funding position was limited due to a similar reduction in both assets and liabilities and the Scheme remains in a strong funding position despite the reduction in overall assets over the year.

Going forward, the Trustee will continue to regularly review the Scheme's investment strategy to protect its funding position, whilst targeting the asset returns required to meet the long-term funding objectives.

The impact of investment management fees is to reduce gross returns by approximately 0.1% p.a.

D STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Regulation 3a of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

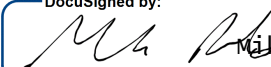
The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

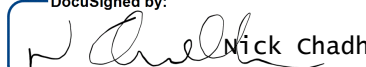
D STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (CONTINUED)**Trustee Responsibilities in Respect of Contributions**

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustee is required by the Pensions (Northern Ireland) Order 1995 and 2005 to consider making reports to The Pensions Regulator and the members.

On behalf of the Trustee of Northern Bank Pension Scheme by:

DocuSigned by:

Mike Roberts
Director.....
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DocuSigned by:

Nick Chadha
Director.....
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Date: 31 July 2023

Date: 28 July 2023

E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the Northern Bank Pension Scheme (the 'scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, made under the Pensions (Northern Ireland) Order 1995.

We have audited the financial statements which comprise:

- the Fund Account;
- the Statement of Net Assets (Available for Benefits);
- the Statement of Accounting Policies; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the

E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)

Basis for opinion (continued)

'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the scheme's industry and its control environment, and reviewed the scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory framework that the scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions (Northern Ireland) Order 1995 and the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the scheme's ability to operate or to avoid a material penalty. These included the scheme's regulatory requirements.

We discussed among the audit engagement team, including internal actuarial and property specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 made under the Pensions (Northern Ireland) Order 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Deloitte LLP
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Deloitte LLP
Statutory Auditor
Belfast, United Kingdom

Date: 31 July 2023

F FUND ACCOUNT

	Notes	2022 £'000	2021 £'000
Contributions and benefits			
Contributions receivable			
- Employer	4	2,096	2,070
		<u>2,096</u>	<u>2,070</u>
Benefits paid or payable	5	(38,685)	(38,225)
Payments to and on account of leavers	6	(8,786)	(15,633)
Administrative expenses	7	(1,530)	(1,242)
		<u>(49,001)</u>	<u>(55,100)</u>
Net withdrawals from dealings with members		<u>(46,905)</u>	<u>(53,030)</u>
Returns on investments			
Investment income	8	53,146	43,209
Investment management expenses	9	(1,090)	(1,669)
Change in market value of investments	10	(552,344)	(123,189)
Net returns on investments		<u>(500,288)</u>	<u>(81,649)</u>
Net (decrease)/increase in the fund during the year		(547,193)	(134,679)
Total net assets of the scheme at 1 January		1,434,457	1,569,136
Total net assets of the scheme at 31 December		<u>887,264</u>	<u>1,434,457</u>

The notes on pages 29 to 48 form part of these Financial Statements.

G STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

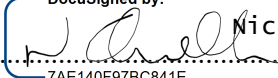
	Notes	2022 £'000	2021 £'000
Investment assets	10		
Bonds		173,085	400,325
Pooled investment vehicles	11	186,362	255,683
Derivatives	12	1,949	1,575
Insurance policies	13	591,800	867,000
Property	14	34,900	37,560
AVC investments	15	704	1,134
Other investment balances	17	-	348
		<u>988,800</u>	<u>1,563,625</u>
Investment liabilities			
Derivatives	12	(685)	(481)
Repurchase agreements	17	(99,700)	(129,593)
Cash deposits	16	(1,184)	(1,144)
Other investment balances	17	(594)	-
		<u>(102,163)</u>	<u>(131,218)</u>
Total investments	10	<u>886,637</u>	<u>1,432,407</u>
Current assets	21	1,829	3,828
Current liabilities	22	(1,202)	(1,778)
Total net assets of the Scheme at 31 December		<u><u>887,264</u></u>	<u><u>1,434,457</u></u>

The notes on pages 30 to 48 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take into account any obligation to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities (page 58) and the Actuarial Certificate included in the Annual Report and these Financial Statements should be read in conjunction with them.

Signed for and on behalf of the Trustee of the Northern Bank Pension Scheme by:

Director:  Mike Roberts
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Director:  Nick Chadha
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Date: 31 July 2023

Date: 28 July 2023

H NOTES TO THE FINANCIAL STATEMENTS

1 Background

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and the guidance set out in the Statement of Recommended Practice (revised November 2018).

2 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report (page 2).

3 Accounting Policies

a) Contributions

Employer contributions are accounted for on an accruals basis at rates agreed between the Trustee and the employer based on the recommendation of the actuary. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid. Other employer contributions are accounted for in accordance with the agreed arrangements.

b) Benefits

Pensions in payment are accounted for in the period to which they relate. Benefits are accounted for in the period in which the members notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

c) Transfers

Individual transfers into and out of the Scheme are accounted for when member liability is accepted/discharged, which is normally when the transfer amount is paid or received.

d) Income

Investment income is accounted for on an accruals basis.

Interest on cash deposits is accounted for by reference to the period to which it relates and is accrued on a daily basis.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)**3** Accounting Policies (*continued*)**d) Income (continued)**

Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in their unit price and reported within change in market value.

Net rental income from properties is accounted for on an accruals basis in accordance with the terms of the lease.

Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.

e) Expenses

The administrative and investment management expenses of the Scheme are borne by the Scheme, and are accounted for on an accruals basis in the period in which they are incurred.

f) Investment assets

As a general principle investment assets are included in the financial statements at their fair value at the year-end:

Bonds

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued Interest

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

Pooled Investment Vehicles

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

Additional Voluntary Contributions

The market values of the additional voluntary contribution investments are included in the net assets of the Scheme as calculated by the providers of these arrangements and as accepted by the Trustee.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)3 Accounting Policies (*continued*)**f) Investments assets (*continued*)***Properties*

Properties are included at open market value determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, with particular regard to UK Practice Statement 1.1, Valuation of financial statements. The properties have been valued by Savills, Chartered Surveyors.

Derivatives

Derivatives are stated at fair value.

Over the counter (OTC) derivatives are stated at fair value determined using pricing models and relevant market data as at the year-end date. All gains and losses arising on derivative contracts are reported within "change in market value". Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

Insurance policies

Two bulk annuity policies, which were purchased in the name of the Trustee to fully provide pension benefits for certain members, are included in these Financial Statements at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology updated for market conditions at the reporting date. Additionally, the Prudential annuity includes excess benefits to the associated liabilities that have been recognised as an asset. Annuity valuations are provided by the Scheme Actuary.

Repurchase agreements:

The Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

g) Foreign currencies

The functional and presentational currency of the Scheme is Sterling.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

3 Accounting Policies (*continued*)

g) Foreign currencies (*continued*)

Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Differences arising on investment translation are accounted for in the change in market value of investments during the year.

4 Contributions receivable

	2022	2021
	£'000	£'000
Employers		
–Expenses	1,000	1,000
–Augmentation	1,047	1,044
–Other	49	26
Total contributions	<u>2,096</u>	<u>2,070</u>

The Schedule of Contributions applicable during 2022 was signed on 26 March 2020. Following the completion of the Actuarial Valuation as at 31 December 2021, the new Schedule of Contributions was signed on 20 January 2023.

In accordance with the Schedule of Contributions certified on 26 March 2020, no employer contribution was required for the period from 1 January 2022 to 31 December 2022. The employer was required to pay £1.0m p.a. to the Scheme in respect of the expenses associated with the running of the Scheme, as well as contributions equal to the PPF levies on the Scheme and any additional contributions as agreed by the Trustee and the Bank (for example, to cover any additional costs arising from ill-health retirements and augmentations on early retirement).

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

5 Benefits payable

	2022	2021
	£'000	£'000
Pensions	35,575	34,701
Commutations and retirement lump sums	3,037	3,492
Lump sum death benefits	18	32
Taxation where lifetime allowance exceeded	55	-
	<u>38,685</u>	<u>38,225</u>

6 Payments to and on account of leavers

	2022	2021
	£'000	£'000
Individual transfers to other schemes	8,786	15,633
	<u>8,786</u>	<u>15,633</u>

7 Administrative expenses

	2022	2021
	£'000	£'000
Administration and processing	306	305
Actuarial and consulting fees	802	772
Audit fees	59	33
Legal fees	94	106
Pension Protection Fund	49	26
Trustee fees	220	-
	<u>1,530</u>	<u>1,242</u>

8 Investment income

	2022	2021
	£'000	£'000
Income from bonds	16,461	12,055
Net rental income	1,733	1,875
Annuity income (*see below)	34,952	29,279
	<u>53,146</u>	<u>43,209</u>

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

8 Investment income (continued)

Net rents from properties is stated after deducting £21k (2021: £23k) of property related expenses, the decrease in net rents reflects an overpayment of rent received during 2021.

(*) Annuity income:-	2022	2021
	£'000	£'000
Monthly pension payments	34,952	29,279
	<u>34,952</u>	<u>29,279</u>

9 Investment management expenses

	2022	2021
	£'000	£'000
Administration, management and custody	862	699
Investment consultancy services	127	563
Collateral management fees	101	407
	<u>1,090</u>	<u>1,669</u>

H NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Reconciliation of investments

	Opening value as at 1 January 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Closing value as at 31 December 2022
	£'000	£'000	£'000	£'000	£'000
Bonds	400,325	131,880	(146,245)	(212,875)	173,085
Pooled investment vehicles	255,683	58,269	(66,791)	(60,799)	186,362
Derivatives	1,094	2,388	(1,456)	(762)	1,264
Insurance policies	867,000	-	-	(275,200)	591,800
Property	37,560	-	-	(2,660)	34,900
AVC investments	1,134	-	(382)	(48)	704
	<u>1,562,796</u>	<u>192,537</u>	<u>(214,874)</u>	<u>(552,344)</u>	<u>988,115</u>
Cash deposits	(1,144)			-	(1,184)
Other investment balances	(129,245)			-	(100,294)
Net investment assets	<u>1,432,407</u>			<u>(552,344)</u>	<u>886,637</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Concentration of investments

Scheme investments include the following which represent more than 5% of the total value of the net assets of the Scheme:

	2022		2021	
	£'000	%	£'000	%
Prudential Insurance Policy	428,400	48.3	609,300	42.5
Aviva Insurance Policy	163,400	18.4	257,700	18.0
LDI Managed Account	116,565	13.1	310,742	21.7
Blackrock Ascent UK Long Corp Bond Fund	98,235	11.1	149,987	10.5

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

11 Pooled investment vehicles ('PIVs')

The Scheme's holdings of PIVs are analysed as follows:

	2022	2021
	£'000	£'000
Equity funds	13,592	21,487
Equity currency hedged funds	12,085	21,623
Corporate bond funds	116,989	172,860
Liquidity	43,696	39,713
	<u>186,362</u>	<u>255,683</u>

The pooled investment vehicles in which the Scheme has invested are all managed by companies registered in the United Kingdom.

12 Derivatives

As discussed more fully in the Investment Report on page 10, the Trustee has authorised the use of derivatives as part of the investment strategy for the Scheme.

Summarised details of the derivatives held at year end are set out below:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Swaps	1,949	(685)	1,575	(481)

A summary of the Scheme's outstanding derivative contracts at the year end:

Swaps

Nature	Notional amount	Expires	Asset value	Liability value
	£'000		£'000	£'000
Inflation rate swaps	1,804	1 - 5 years	315	-
Inflation rate swaps	6,847	5 - 10 years	728	-
Inflation rate swaps	7,700	10 - 15 years	761	-
Inflation rate swaps	1,695	15 - 20 years	52	-
Interest rate swaps	5,759	1 - 5 years	93	-
Interest rate swaps	5,695	5 - 10 years	-	(685)
Total 2022	<u>29,500</u>		<u>1,949</u>	<u>(685)</u>
Total 2021	<u>40,852</u>		<u>1,575</u>	<u>(481)</u>

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

13 Insurance policy - annuities

The Scheme held insurance policies at the year end at market value as follows:

	2022	2021
	£'000	£'000
Prudential Assurance Company Limited	428,400	609,300
Aviva Life & Pensions UK Limited	163,400	257,700
	<u>591,800</u>	<u>867,000</u>

The insurance policy contract with Prudential Assurance Company Limited relates to the benefits due in respect of most pensions brought into payment prior to February 2015. The Prudential annuity is valued annually by the Scheme Actuary.

Under the Prudential insurance policy contract, collateral is held by BNY Mellon, as custodian to Prudential Assurance Company Limited, totalling £499.1m as at 31 December 2022 (2021: £765.6m).

The insurance policy contracts with Aviva Life & Pensions UK Limited relate to the benefits due for in respect of most pensions brought into payment between February 2015 and October 2021. There is no over-insurance element nor collateral held in respect of the Aviva policies. The Aviva annuity is valued annually by the Scheme Actuary.

14 Property

	2022	2021
	£'000	£'000
Freehold – United Kingdom	<u>34,900</u>	<u>37,560</u>

The properties held by the Scheme were valued as at 31 December 2022 at a fair value by Savills.

15 AVC investments

The Trustee holds assets invested separately from the main fund which secure additional benefits on a money purchase basis for those members who elected to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year.

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

15 AVC investments (continued)

The aggregate amounts of these AVC investments analysed by the providers who administer these policies are as follows:

	2022	2021
	£'000	£'000
Standard Life- unitised funds	702	1,132
Danske Bank- staff savings account	2	2
	<u>704</u>	<u>1,134</u>

16 Cash deposits

	2022	2021
	£'000	£'000
Sterling	(1,184)	(1,144)
	<u>(1,184)</u>	<u>(1,144)</u>

17 Other investment balances

	2022	2021
	£'000	£'000
Outstanding interest income	(594)	348
Repurchase agreements	(99,700)	(129,593)
	<u>(100,294)</u>	<u>(129,245)</u>

18 Transaction costs

There were no direct transaction costs during 2022 relating to the freehold properties (2021: £nil). Transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

19 Investments Fair Value Hierarchy

The fair value of financial instruments has been disclosed using the following hierarchy.

- Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level 3: inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety. The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 December 2022			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Bonds	-	173,085	-	173,085
Pooled investment vehicles	-	186,362	-	186,362
Derivatives	-	1,264	-	1,264
Insurance policies	-	-	591,800	591,800
Property	-	-	34,900	34,900
AVC investments	2	-	702	704
Cash deposits	(1,184)	-	-	(1,184)
Other investment balances	(595)	(99,699)	-	(100,294)
	(1,777)	261,012	627,402	886,637

	At 31 December 2021			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Bonds	-	400,325	-	400,325
Pooled investment vehicles	-	255,683	-	255,683
Derivatives	-	1,094	-	1,094
Insurance policies	-	-	867,000	867,000
Property	-	-	37,560	37,560
AVC investments	2	-	1,132	1,134
Cash deposits	(1,144)	-	-	(1,144)
Other investment balances	348	(129,593)	-	(129,245)
	(794)	527,509	905,692	1,432,407

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

20 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee through regular reviews of the investment portfolios. Changes to Credit risk and Market risk since 2020 are primarily due to the Aviva buy-in transactions, equity de-risking and increase in hedging levels in the Managed Account.

The Trustees have also identified a number of other key risks that could impact on the funding level. These are:

- cashflow risk — the Trustee manages this risk by taking into account the timing of future payments in order to minimise the probability that there is a shortfall in liquid assets relative to the Scheme's liabilities;

H NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Investment risks (continued)

- covenant risk – the Trustees manage this risk by considering the strength of the sponsor when setting investment strategy, and by consulting with the employer as to the suitability of the proposed strategy;
- operational risk – the Trustees manage this risk by ensuring that all advisors and third party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(i) Credit risk

The Scheme is subject to credit risk from its holdings in its insurance policy, pooled investment vehicles ('PIV's'), Managed Account (see page 13) and cash balances.

The table below shows the analysis of direct credit risk at the year end:

Analysis of direct credit risk

	At 31 December 2022			
	Investment grade	Non- investment grade	Unrated	Total
Insurance Policies	591,800	-	-	591,800
Managed Account ¹	72,869	-	43,696	116,565
PIVs	-	-	142,665	142,665
	<u>664,669</u>	<u>-</u>	<u>186,361</u>	<u>851,030</u>

¹ Note the Managed Account contains a pooled liquidity fund holding £43,696k as at 31 December 2022.

	At 31 December 2021			
	Investment grade	Non- investment grade	Unrated	Total
Insurance Policy	867,000	-	-	867,000
Managed Account ²	271,029	-	39,713	310,742
PIVs	-	-	215,970	215,970
	<u>1,138,029</u>	<u>-</u>	<u>255,683</u>	<u>1,393,712</u>

² Note the Managed Account contains a pooled liquidity fund holding £39,713k as at 31 December 2021.

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

20 Investment risks *(continued)*

The insurance policy held with Prudential Assurance Company Limited is collateralised to reduce credit risk.

Direct credit risk arising from PIV's is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks prior to the appointment of new managers and, on an ongoing basis, monitors any changes to the operating environment of the pooled manager.

Additionally, through the managed account, the Scheme is subject to credit risk from its holdings in gilt repurchase agreement and derivatives.

These positions are collateralised to reduce this risk and the eligible collateral posted in relation to the derivative contracts as at 31 December 2022 was £95m. Cash in the managed account is held within a short-term money market fund which invests with financial institutions which are at least investment grade credit rated.

A summary of PIVs by type of arrangement is as follows:

	2022 £'000	2021 £'000
Open ended investment companies	160,684	212,573
Unit Linked Insurance Policies	25,678	43,110
	<u>186,362</u>	<u>255,683</u>

Indirect credit risk arises in relation to underlying investments held in corporate bonds and equity pooled investment vehicles.

(ii) Currency risk

The Scheme is subject to currency risk from a proportion of its investments in equities and other financial instruments. The Trustee has reduced currency risk by investing in currency hedged pooled funds which hedges approximately 70% of the Scheme's exposure to the US Dollar, Yen and Euro.

H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

20 Investment risks *(continued)*

The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	2022	2021
	£'000	£'000
Currency		
US Dollar	2,593	4,448
Euro	1,535	2,537
Japanese Yen	688	1,117
Other	2,244	3,694
	<u>7,060</u>	<u>11,796</u>

(iii) Interest rate risk

The Scheme is subject to interest rate risk, both in absolute terms and also unhedged risk in relation to the liabilities. The value of the Scheme's bonds, gilts and derivatives, are subject to interest rate risk. However, this risk offsets a proportion (around 90% at 31 December 2022) of the interest rate risk associated with the liabilities (measured on a gilts basis). If interest rates fall, the value of these investments will rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value at the same time as the actuarial value of the liabilities fall because of an increase in the discount rate.

The table below shows the analysis of interest rate risk at the year-end:

	2022	2021
	£'000	£'000
Direct		
Managed Account ¹	116,565	310,742
Indirect		
Corporate bond PIVs	116,988	172,860
	<u>233,553</u>	<u>483,602</u>

¹Includes gilts, index-linked gilts, repurchase agreements, swaps and liquidity fund

(iv) Other price risk

Other price risk arises principally from the Scheme's growth and income portfolios, which includes PIVs and property. BlackRock may make limited use of derivatives within pooled funds as a way of obtaining efficient exposure to investment markets.

The Trustees manage other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)20 Investment risks (*continued*)

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2022	2021
	£'000	£'000
Direct		
Investment properties	34,900	37,560
Insurance policy	591,800	867,000
Managed Account ¹	72,869	271,029
Indirect		
Equity PIVs	13,592	21,487
Equity Currency Hedged PIVs	12,085	21,623
Corporate bond PIVs	116,988	172,860
	<u>842,234</u>	<u>1,391,559</u>

¹Excludes cash balances

(v) Summary of risks

The following table summarises the significant exposure to investment risks:

	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Insurance policies	✓	-	✓	✓
Managed Account	✓	-	✓	✓
Equity PIVs	✓	✓	-	✓
Equity Currency Hedged PIVs	✓	-	-	✓
Corporate bond PIVs	✓	-	✓	✓
Cash	✓	-	✓	-
Property	-	-	-	✓

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

21 Current assets

	2022	2021
	£'000	£'000
Cash balances	1,829	3,688
Other debtors	-	140
	<u>1,829</u>	<u>3,828</u>

22 Current liabilities

	2022	2021
	£'000	£'000
Deferred income	528	413
Unpaid benefits	-	245
Accrued expenses	580	1,028
VAT recoverable	94	92
	<u>1,202</u>	<u>1,778</u>

23 Related party transactions

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

- Seven of the Trustee Directors listed on page one were members of the scheme at year end, of which five are in receipt of their pension from the Scheme.
- AVCs are held with Danske Bank and the value as at 31 December 2022 was £2k (2021: £2k).
- The Scheme bank account is held with Danske Bank and the balance as at 31 December 2022 was £1,824k (2021: £3,683k).
- The Scheme invests in pooled funds, managed by BlackRock, which through normal activity might be expected to include holdings in Danske Bank A/S. The level of the Scheme's pooled fund holdings in Danske Bank A/S at 31 December 2022 was £10.5k (2021: £11.8k).

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

23 Related party transactions (*continued*)

- Contributions receivable from the employer of the Scheme are disclosed in note 4.
- Payments in respect of payroll deductions (e.g. PAYE and GAYE) were paid directly by the employer of the Scheme and subsequently reimbursed by the Scheme.
- Administration costs of £101k (2021: £85k) were paid directly by the employer of the Scheme and subsequently reimbursed by the Scheme.
- During 2022, remuneration amounting to £220k (2021: £83k) was paid from the Scheme to Trustee Directors.
- The Scheme holds a legal charge over an Escrow Account, held at Danske Bank A/S London Branch, as part of a Funding Agreement between the Trustee and the Bank. The balance in the Escrow Account at 31 December 2022 was £30,771k (2021: £30,370k).

All of the above transactions were made in accordance with the Scheme rules.

24 Employer related investments

Other than as explained in the Related party transactions note, there were no employer related investments in 2022 (2021: nil).

25 Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

26 Guaranteed Minimum Pension (GMP)

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and, in preparation for equalising GMPs, has undertaken a GMP reconciliation exercise and a GMP rectification exercise. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. This judgment followed on from the previous judgment on 26 October 2018, which had not considered historic transfer values. This development and its implications for the Scheme have been discussed by the Trustee with its Actuary since the date of the Court ruling. On the basis of the known facts and the analysis of the likely impact to date, the Trustee does not consider the expected cost of rectifying past transfer values to be material.

27 Post Financial Statements Events

Following the Scheme year-end, several banks including Credit Suisse and Silicon Valley Bank failed. As at 31 December 2022, the Scheme's exposure to these banks was not material. The Scheme had c0.05% exposure on a total portfolio basis to credit issuances of Credit Suisse as at 31 December 2022. Exposures to the equity of SVB and Credit Suisse were less than 0.01% of total Scheme assets.

In the opinion of the Trustee, no adjustment to the Scheme's financial statements between 31 December 2022 and the date of approval of these financial statements is required.

I COMPLIANCE STATEMENT

This compliance statement forms part of the report of the Trustee.

Tax status

The Scheme has been approved by the Inland Revenue as an exempt approved scheme and as such its income and investment gains are free of taxation. However the Scheme cannot reclaim certain amounts of withholding taxes relating to some overseas investment income. The Scheme was registered for VAT with HMRC on 21 December 2009.

Changes to the Scheme's Trust Deed and Rules

Details of the change to the Scheme's Trust Deed and Rules during 2020 are provided in the Report of the Trustee (page 4).

Statement of Investment Principles

In accordance with the Pensions (Northern Ireland) Order 1995, the Trustee has prepared a Statement of Investment Principles governing investment policy and objectives. A copy is available on the Scheme's website (www.northernbankpensionscheme.co.uk) and on request to members.

Data Protection

The Trustee has registered under the Data Protection Act 1998 to hold on computer information regarding members which is necessary for the management of the Scheme. The Trustee also maintains a Data Protection Policy in alignment with its requirements under the General Data Protection Regulation, which came into force on 25 May 2018.

Calculation of transfer values

All transfer values paid and received were calculated and verified in accordance with regulations made under the Pension Schemes (Northern Ireland) Act 1993 and include an allowance for guaranteed pension increases.

Changes to the Advisors to the Trustee

WTW were appointed as Secretary to the Trustee on 2 September 2022. There were no other changes to advisers during 2022.

I COMPLIANCE STATEMENT (*CONTINUED*)

Changes to the Directors to the Trustee

During the year, the Principal Employer changed the structure of the Board by appointing a professional sole trustee in place of the existing Board of Directors. The previous Board of Directors resigned with effect from 31 August 2022. Nicholas Chadha of PAN Trustees UK LLP was appointed on 1 July 2022 and PAN Trustees UK LLP, primarily represented by Mike Roberts but also on occasion by Jon Walters, was appointed on 1 September 2022.

The following are the changes to the Directors of the Trustee during 2022:

N Chadha	appointed 1 July 2022
PAN Trustees UK LLP represented by M Roberts and J Walters	appointed 1 September 2022
L Bourke	resigned 31 August 2022
P Alexander	resigned 31 August 2022
A Kane	resigned 31 August 2022
I Martin	resigned 31 August 2022
D Murphy	resigned 31 August 2022
T O'Doherty	resigned 31 August 2022
C Steele	resigned 31 August 2022
K Strain	resigned 31 August 2022
B Telford	resigned 31 August 2022
PAR Tayler	resigned 30 June 2022

Changes to the Secretary to the Trustee

The following are the changes to the Secretary of the Trustee during 2022:

ES Thompson	appointed 1 January 2022
ES Thompson	resigned 31 August 2022
WTW, represented by A Rutherford	appointed 2 September 2022

J FURTHER INFORMATION

The Registrar, TPAS, the Pensions Ombudsman and the Pensions Regulator

In accordance with the Occupational Pensions Schemes (Disclosure of Information) Regulations (Northern Ireland) 1997, as amended, members are advised that:

- Information regarding the Scheme has been given to the Pension Tracing Service (Telephone: 0800 731 0193: Website: www.gov.uk/find-pension-contact-details).
- The Pensions Advisory Service (provided by the Money and Pensions Service) is available to assist members and beneficiaries with difficulties which they cannot resolve with the Trustee or the Scheme administrator (www.moneyhelper.org.uk/en/contact-us).
- In extreme cases, the Pensions Ombudsman of 10 South Colonnade, Canary Wharf, London E14 4PU may investigate and determine any complaint or dispute in relation to how the Scheme is run (www.pensions-ombudsman.org.uk/contact-us).

In addition to the above, the Pensions Regulator (tPR) regulates occupational pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the powers to:

- Suspend, disqualify or remove a trustee, or director of a trustee company, for consistently failing to carry out their duties;
- Wind up schemes where necessary;
- Apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The auditor and actuary have a statutory duty to make an immediate written report to tPR if they believe that there has been a material breach of statutory requirements in relation to the running of the Scheme.

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by members, beneficiaries or potential beneficiaries of the Scheme. Details of this can be obtained by writing to the Secretary using the contact details below:

Email: northern.bank.ps@wtwco.com

Post: The Scheme Secretary, Northern Bank Pension Trust Limited, c/o WTW, Watson House, London Road, Reigate, RH2 9PQ.

J FURTHER INFORMATION (*CONTINUED*)

Contact for further information

Any enquiries or complaints about the Scheme, including requests from individuals for information about their benefits or for a copy of Scheme documentation, should be sent to:

Danske Administration
Equiniti
Sutherland House
Russell Way
Crawley
West Sussex, RH10 1UH
Telephone : 0203 997 6720
E-mail : danske.administration@equiniti.com

Scheme Website

Information relating to the Scheme (including information which must be made available to members on a publicly available website) can be found on the Scheme's website – www.northernbankpensionscheme.co.uk.

K INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME

Independent auditor's statement about contributions to the Trustee of the Northern Bank Pension Scheme

We have examined the summary of contributions to the Northern Bank Pension Scheme for the scheme year ended 31 December 2022 which is set out on page 55.

In our opinion contributions for the scheme year ended 31 December 2022 as reported in the Summary of Contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 26 March 2020

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 55, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 made under the Pensions (Northern Ireland) Order 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose.

**K INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS
TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME
(CONTINUED)**

Use of our report (*continued*)

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

DocuSigned by:
Deloitte LLP
0946AD28A6C54CC...

31 July 2023

Deloitte LLP
Statutory Auditor
Belfast, United Kingdom
Date

L STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND TRUSTEE'S SUMMARY OF CONTRIBUTIONS

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustees' Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2022

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 26 March 2020, and following the completion of the Actuarial Valuation as at 31 December 2021, the Schedule of Contributions dated 20 January 2023, in respect of the Scheme year ended 31 December 2023. The Scheme auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Scheme year	£'000
Employer:	
Expense contributions	1,000
Other contributions - PPF levy	49
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	1,049

L STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND TRUSTEE'S SUMMARY OF CONTRIBUTIONS (*CONTINUED*)

Reconciliation of contributions

Reconciliation of contributions payable under the Schedule of Contributions reported in the Financial Statements in respect of the Scheme year:

	£'000
Contributions payable under the Schedules (as above)	1,049
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme auditor):	
Employer augmentation contributions	1,047
Total contributions reported in the Financial Statements	2,096

Signed on behalf of the Trustee of the Northern Bank Pension Scheme by:

DocuSigned by:

 Director..... 26E07FC22516470..... Date 31 July 2023

DocuSigned by:

 Director..... 7AE140F97BC841E..... Date 28 July 2023

APPENDIX 1
Actuarial Statements

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, a defined benefit schemes is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits that members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Bank and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2021. This showed that on that date:

The value of the technical provisions was: £1,366 million
The value of the assets (excluding AVCs) was: £1,433 million

The method and significant actuarial assumptions used to determine the technical provisions are set out below (all assumptions adopted are set out in the Statement of Funding Principles).

Method

The actuarial method to be used in the calculation of the technical provisions is the projected unit method.

Significant actuarial assumptions

Discount rates: the discount rate curve used to calculate the capital value of future cashflows are determined using the gilt curve (WTW GBP Zero Coupon Nominal curve) plus a margin which, for the 31 December 2021 valuation, is 0.5% per annum.

Future Retail Price Inflation (RPI): a rate derived from the Bank of England fixed interest and index-linked gilt yield curves at an appropriate duration at the valuation date.

Future Consumer Price Inflation (CPI): derived from the assumption for future Retail Price Inflation less 0.7% per annum until 2030, and then 0% per annum thereafter.

Pension increases: derived from the assumptions for future Retail Price Inflation and Consumer Price Inflation allowing for the caps and floors on pension increases, according to the provisions in the Scheme's rules.

Mortality: mortality before and after retirement is assumed to follow the standard "S3" tables, based on the experience of Self-Administered Pension Schemes ("SAPS") from 2009 to 2016 with improvements from 2013 to 2021 using CMI's 2021 Core Projections (with a rating of 88% for male non-pensioners, 76% for male pensioners, 90% for female non-pensioners and 83% for female pensioners).

There is a further allowance for improvements in mortality after the valuation date in line with the CMI's 2021 Core Projections using the default core parameter for smoothing ($S_k = 7.0$), 0% for initial addition and 0% for both 2020 and 2021 mortality experience, with a 1.5% per annum long-term trend.

For benefit accrual after 31 December 2007, members bear the cost of any mortality improvements in the period to retirement. No allowance is therefore made, in the funding of benefit accrual after 31 December 2007, for future improvements in mortality over the period to retirement.

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Northern Bank Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2021 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 20 January 2023.





Stephen Yates
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW Company
20 January 2023

Towers Watson Limited
Floor 4, 80 George Street
Edinburgh, EH2 3BU
UK

NORTHERN BANK PENSION SCHEME**Annual Report and Financial Statements for the year ended 31 December 2022****Schedule of Contributions for a five year period from the date of certification of this Schedule by the Scheme Actuary i.e. until 20 January 2028**

1	Name of employers:	Northern Bank Limited Danske Bank A/S (collectively known as the Employer)
2	Rates of contribution:	
	Member rate:	None required.
	Employer rate:	None required.
3	Employer contributions towards deficit amortisation	None required.
4	Employer contributions towards the expenses (including Pension Protection Fund levies) associated with the running of the Scheme	The Employer will pay to the Scheme a sum of £1.0 million per annum, payable by equal monthly instalments. The Trustee and the Bank may decide (and agree in writing) from time to time to cease the expense contributions to the Scheme, subject to the Trustee being satisfied that the Scheme is in surplus when all pension liabilities are covered by bulk buy-in annuities. In this situation such surplus may be used to meet the Scheme's expenses.
5	Other expenses	Expenses related to the investment of the assets are to be paid from the Scheme's assets.
6	Due dates of payment:	
	Member contributions:	None required.
	Employer contributions:	Due no later than the 19 th day of the calendar month following the month to which contributions relate.
7	Additional contributions:	As agreed by the Trustee and the Bank, for example to cover any additional costs arising from ill-health retirements and augmentations on early retirement.

Agreed on behalf of the Trustee of the Northern Bank Pension Scheme	Agreed on behalf of Northern Bank Limited	Agreed on behalf of Danske Bank A/S
 7AE1A0F970C841E Nicholas Chadha	 02700432908647F Stephen Matchett	 37203081C00974FD Stephan Engels
Date: 20 January 2023	Date: 20 January 2023	Date: 20 January 2023

Name of Scheme: *Northern Bank Pension Scheme*

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2021 to continue to be met for the period for which this schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 20 January 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.



20 January 2023

Stephen Yates
Fellow of the Institute and Faculty of Actuaries
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APPENDIX 2

Implementation Statement

NORTHERN BANK PENSION SCHEME – 2022 IMPLEMENTATION STATEMENT FOR 2019 DB REGULATIONS

Statement of Compliance with the Northern Bank Pension Scheme’s Stewardship Policy for the year ending 31 December 2022

Introduction

This statement is prepared on behalf of the Northern Bank Pension Trust Limited (“the Trustee”) in its capacity as Trustee of the Northern Bank Pension Scheme (“the Scheme”) in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme’s Stewardship Policy during the period from 1 January 2022 to 31 December 2022.

Stewardship policy

The Trustee’s Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme’s assets, which includes the Trustee’s approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme’s Stewardship Policy is reviewed in line with the Scheme’s Statement of Investment Principles (SIP) review, which was last completed in December 2021. The stewardship policies in the Scheme’s SIP are related below:

- The Trustee aims to meet with BlackRock on an annual basis. Ahead of each meeting, the Trustee provides their manager with an agenda for discussion including, where appropriate, Environmental Social and Governance (ESG) issues.
- Within Trustee controlled assets (property), the Trustee engages with and seeks input directly from its advisers on any issues of concern.
- The Trustee has adopted a policy of delegating voting decisions on stocks to their Investment Manager (BlackRock) who will exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy.
- The manager is challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues.
- The Trustee has reviewed the voting policy of BlackRock and has determined that the policy is satisfactory. On an annual basis, the Trustee will request their Investment Manager to provide details of any change in house policy.
- The Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the

management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks.

- The Trustee monitors the manager's voting and engagement activity on a quarterly basis in conjunction with its investment adviser. Where the Trustee deems it appropriate, any issues of concern will be raised with their manager for further explanation.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at: <https://danskebank.co.uk/northern-bank-pension-scheme/scheme-information>

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager, BlackRock. The Trustee believes it is important that their investment manager take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on dialogue with their investment manager, which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with their manager and the Trustee considers manager's exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

In Q1 2022, the Trustee worked with their investment advisor, Hymans Robertson, to carry out a formal review of BlackRock as the Scheme's investment manager. Part of this review included an analysis of the manager's Stewardship capabilities and a formal meeting between the Trustee and the BlackRock team, which involved a discussion of BlackRock's approach to Stewardship and ESG.

The Trustee monitors compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor manager voting patterns. The Trustee also monitors the investment manager's voting on particular companies or issues that affect more than one company.

The Trustee holds equity assets through several regional passive mandates with BlackRock. BlackRock have reported on how votes were cast in each of these mandates as set out in the table below:

Strategy/Fund name	UK	Japan	US	Europe	Emerging Markets	Pacific Rim
Proportion of total Scheme assets	2.4%	0.9%	2.8%	1.7%	0.4%	0.4%
No. of meetings eligible to vote at during the year	1,087	497	612	492	2,765	471
No. of resolutions eligible to vote on during the year	14,904	6,200	7,615	8,937	24,869	3,310
% of resolutions voted	96.1%	100.0%	98.9%	75.1%	98.3%	100.0%
% of resolutions voted with management	91.3%	97.2%	95.3%	65.8%	86.6%	88.6%
% of resolutions voted against management	4.9%	2.8%	3.9%	9.3%	11.7%	11.4%
% of resolutions abstained	3.9%	0.0%	0.8%	24.9%	1.7%	0.0%
% of meetings with at least one vote against management	27.1%	20.1%	23.4%	51.2%	41.8%	31.2%

The resolutions on which BlackRock voted against management the most over the year were mainly in relation to:

- Lack of board independence
- Lack of board diversity
- Directors having too many board commitments
- Executive compensation not aligned with long-term performance

Significant votes

BlackRock provide information on what they view as their most significant votes during the year. From the manager's reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

Grupo México, S.A.B. de C.V. (BMV: GMEXICO), 28 April 2022, Annual election of board members

BlackRock voted AGAINST the director bundled ballot election at the 2022 AGM because the company has not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report.” In addition, the company has not addressed shareholder concerns, including BlackRock’s, regarding the quality and effectiveness of their Board of Directors.

Equinor ASA(Oslo Exchange: EQNR), 11 May 2022, Advisory Vote to Approve Company’s Energy Transition Plan

BlackRock voted for the management resolutions in recognition of Equinor’s disclosed plan to manage climate-related risks and opportunities and the company’s progress against this plan. BlackRock believe that Equinor’s climate-related disclosure is robust, and clearly outlines the company’s decarbonization efforts.

Woodside Petroleum Ltd.(ASX: WPL), 19 May 2022, Management proposal to Approve the BHP Petroleum Merger

BlackRock voted for the resolution seeking shareholder approval for the merger. After a combination of careful analysis and engagement with management and members of the Board, BlackRock concluded that support for this resolution is in the best economic interests of long-term investors like their clients.

Shell Plc (LSE: SHEL), 24 May 2022, Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions (Shareholder proposal)

BlackRock voted AGAINST this shareholder proposal because BlackRock believe that it is not additive to Shell’s Energy Transition Strategy and that the company’s ability to set absolute short- and medium-term scope 3 emissions (resulting from activities relating to assets not owned or controlled by the reporting organization) reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.

Meta Platforms Inc. (NASDAQ: META), 25 May 2022, Child Sexual Exploitation Online (Shareholder proposal)

BlackRock voted AGAINST this shareholder proposal because Meta recently published an independent report that addresses the potential human rights impacts associated with end-to-end encryption, in BlackRock’s view meeting the proponent’s request.

Sumitomo Mitsui Financial Group, Inc. (NYSE: SMFG), 29 June 2022, Partial amendment to the Articles of Incorporation (AOI) to set and disclose short- and medium-term greenhouse gas (GHG) emissions reduction targets consistent with the Paris Agreement

BlackRock voted AGAINST the proposed amendments because, based on BlackRock’s assessment, SMFG’s clear and timely disclosures to investors demonstrate that the company is addressing climate-related risks and opportunities in the context of their business model, sector, and geography. In addition, the proposed amendments to the AOI, which are legally binding, are overly prescriptive and risk unduly restricting management’s ability to make basic business decisions.

Engagement activity

As their primary investment manager, the Trustee invites BlackRock to meetings on a regular basis (most recently at the March 2022 Trustee Board meeting) where stewardship issues are often discussed in further detail. This discussion and challenge to BlackRock is aided by stewardship summaries provided by the Trustee's investment adviser. At the February 2022 Investment Committee Meeting, the Scheme's investment advisor presented a review of BlackRock's stewardship capabilities and representatives from BlackRock subsequently set out a summary of the steps taken to improve stewardship and BlackRock's commitments to sustainability.

Following the change in Trustee structure over the course of 2022, the expectation is that the approach to Engagement and Stewardship going forward will remain broadly consistent with previous years.

Summary of manager engagement activity

The Trustee receives annual reporting on BlackRock's engagement activity. The following table summarises the key engagement activity for the 12-month period ending 31 December 2022.

Number of engagements	Topic engaged on
108	Biodiversity
2,429	Climate Risk Management
24	Land Use/Deforestation
619	Environmental Impact Management
801	Operational Sustainability
244	Other company impacts on the environment
147	Water and Waste
2,292	Board Composition and Effectiveness
353	Board Gender Diversity
1,360	Business Oversight/Risk Management
2,113	Corporate Strategy
846	Executive Management
1,439	Governance Structure
118	Other
1,956	Remuneration
562	Sustainability Reporting
68	Business Ethics and Integrity
122	Community relations
332	Diversity and Inclusion
109	Health and Safety
1,455	Human Capital Management
49	Indigenous Peoples Rights
62	Other Human Capital Management issues
86	Other company impacts on people/human rights
99	Privacy and Data Security
839	Social Risks and Opportunities
170	Supply Chain Labour Management

The manager carried out 4,893 engagements with 3,139 companies over 2022. The most common topics of engagement were climate risk management, board composition/effectiveness, and corporate strategy. Engagements include multiple company meetings during the year with the same company and most engagement conversations cover multiple topics.

Other engagement activity

The Trustee also has investment in two directly held property assets. Through its property adviser, Osborne King, the Trustee engages with the tenants of these properties on an ongoing basis to discuss issues that could affect the assets.

Use of a proxy adviser

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, these are among many inputs into their vote analysis process and do not determine how they cast their votes.

Review of policies

The Trustee has committed to reviewing the investment managers' Engagement and RI policies on an annual basis. The RI policy review considers the managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.