



Northern Bank Pension Scheme

Report to Members
December 2018

Danske Bank



The Trustee

Northern Bank Pension Trust Limited, which is the corporate Trustee of the Northern Bank Pension Scheme, is governed by its Directors.

Trustee Board

Kevin Brown* (Chairman)
Paul Alexander*
Stephen Bloomfield*
John-Paul Coleman
Clive Harper
Stephen Johnston*
Irene Martin
David Murphy**
Stephen McLaughlin
Brian Telford

* Member Nominated Director
** Independent Director

Secretary

Brett Armstrong

Administration Committee

Irene Martin (Chairman)
Stephen Bloomfield
Stephen Johnston
Stephen McLaughlin

Investment Committee

Brian Telford (Chairman)
Kevin Brown
John-Paul Coleman
Clive Harper
David Murphy

The Trustee’s Professional Advisers

Actuary:

Stephen Yates (Willis Towers Watson)

Administrator:

Equiniti

Auditor:

KPMG

AVC Providers:

Standard Life Assurance Limited
Northern Bank Limited (t/a Danske Bank)

Bankers:

Northern Bank Limited (t/a Danske Bank)
Danske Bank A/S

Bulk Purchase Annuity Provider:

Prudential Assurance Company Limited

Custodians:

The Bank of New York Mellon, London Branch
The Northern Trust Company

Investment Adviser:

Hymans Robertson LLP

Investment Consultant:

Lane Clark & Peacock LLP

Investment Managers:

BlackRock
Danske Bank A/S (Treasury Division)
Osborne King

Solicitors:

Sacker & Partners LLP
Johns Elliot
Burgess Salmon LLP

Chairman’s Introduction

Dear Member

Each year, the Trustee issues a Report to all Scheme members to ensure that you are kept informed of key developments affecting your pension scheme and of other relevant pension matters. We hope that you find this year’s Report informative and we would encourage you to carefully read its content.

During 2018, our pension scheme continued to evolve, to reflect changes which have come about through the maturing membership profile and through Scheme, regulatory, industry and market changes.

Significant areas of focus for the Trustee during 2018 have included finalising the Rule changes associated with the closure of the Scheme to future benefit accrual, updating the new Member Guide (for Active Deferred Members) and issuing Deferred Benefit Statements to those who ceased benefit accrual on 30 September 2018. Other administration work (in addition to ‘business as usual’) has included the actuarial factor review, GMP reconciliation and data-cleansing projects.

The protection of the Scheme’s funding position, through investment allocation and hedging strategies, continues to be a significant area of focus, as the Scheme moves forward towards its objective of being fully funded on a very low-risk basis. During 2018 the Scheme’s funding position supported further investment de-risking, by reducing holdings in equities and increasing holdings in liability-matching assets (e.g. assets that provide protection against changes in interest-rates, inflation and foreign-exchange rates). The results of the forthcoming triennial valuation at 31 December 2018 will also influence future investment strategy.

Compliance with increasing regulatory obligations and wider risk-management responsibilities has also been high on the Trustee’s agenda, with significant time and effort being spent to ensure that direct and indirect risks to the Scheme are assessed, monitored and (where possible) controlled.

During the year, we welcomed three new Directors to the Trustee Board. I wish to extend my thanks to former Directors, Brona Brennan, Anders Herskind and Zahir Fazal, for their valued contribution to the Scheme, as well as to my fellow Directors and Secretarial team for their ongoing support and commitment.



J K H Brown
Chairman
December 2018

Pension Scams – Don’t let a scammer enjoy your retirement



Active Deferred or Deferred Members who are considering transferring their benefits from the Scheme should be aware of the risk of pension scams. For further information, please see page 5.

Once a transfer is made to a scam scheme, your pension savings will only benefit the scammers. Never be rushed or pressurised into making a transfer.

General Information

Actuarial Factors

Actuarial factors affect the level of benefits you receive if your pension is converted to another type of payment. For example, if you elect to take a pension commencement lump sum at retirement, the commutation factor will determine how much of a lump sum you will be entitled to and how much pension you will give up to fund that lump sum. Other actuarial factors will determine the cash equivalent transfer value or the level of reduction for early payment of pension.

A review of Actuarial factors was completed in 2018 and the new factors are now being applied by the Scheme Administrator when calculating benefit entitlements and options.

Information about your benefits from contracting-out of the State scheme

A recent Court decision, involving Lloyds Bank (published on 26 October 2018), may have a small impact on the way your Scheme benefits are calculated.

The decision relates to the equalisation of benefits in the Scheme to take account of the fact that one element of the benefit, the guaranteed minimum pension (GMP) earned from 17 May 1990 (the date of an earlier Court decision on equal treatment) to 5 April 1997 (when GMP's were replaced) currently results in unequal treatment between men and women. The GMP is the minimum Scheme benefit you built up because of being contracted-out of the State Earnings Related Pension Scheme in this period. Benefits in respect of members who were not in pensionable service during this period will not be affected.

If you are affected, your benefits may need to be adjusted in future, but any change to benefits is expected to be small.

There is still considerable uncertainty about the Court decision. If the decision stands as it is, it will affect a large number of members across the whole Scheme. Working out how to adjust affected members' benefits will be a complex process, which is likely to take many months or years to complete.

If the Scheme does need to make an adjustment to your pension in future, we will contact you again at the time to explain this.

New Pension Age

This is the age at which pension accrued for service after 31 December 2007 will be payable without reduction. Pension can still be taken at age 60, subject to reduction for post-2007 accrual, or earlier under certain options. New Pension Age for 2019 will be 61 years and 4 months.

State Pension

As a member of the Scheme you will receive a State pension in addition to your Scheme pension, although this will not become payable until State Pension age. The amount payable will depend on your National Insurance contribution record. Like most occupational pension schemes, the Scheme was contracted-out of the upper tier of the State Pension until 5 April 2016 (reducing your national insurance contributions) and accordingly a deduction will be applied to your single-tier State pension to reflect contracted-out service. Details on how to get a State Pension estimate and to calculate your State Pension age can be found at www.gov.uk/calculate-state-pension.

Transferring your Deferred Pension out of the Scheme

Pension benefits from the Scheme are normally paid by way of an annual pension or by way of a reduced annual pension and cash lump sum. The security and certainty of such regular pension payments from the Scheme (including, in periods of inflation, guaranteed annual increases) is expected to be in the best interests for the majority of Scheme members. However depending on personal circumstances, transferring benefits out of the Scheme to a DC arrangement may be more attractive for some members (as a DC fund provides greater flexibility on how pension savings are accessed in retirement – e.g. an annuity from an insurance company, income drawdown, cash or combination thereof).

The Scheme Rules allow for transfers out, up to the point of your retirement (including a partial transfer of AVCs, or 'split transfers' for those who became Active Deferred members on 1 October 2018).

The Trustee does not give financial advice, nor does it promote or encourage one retirement option over another. The Trustee would encourage members, particularly those approaching retirement, to seek independent financial advice on their retirement options.

Before transferring your benefits from the Scheme, you need to fully consider the benefits and risks of doing so and you should get independent financial advice. If the transfer value is £30,000 or above, under legislation, a member must provide evidence that they have taken 'appropriate independent advice' from a financial adviser who is regulated by the FCA and has permission to advise on pension transfers. The FCA Financial Services Register can be accessed online at www.fca.org.uk/register. Further details are available from the Scheme Administrator.

Please note that you may have to pay for any independent advice that you receive and you would also need to decide where any transfer would be payable to.

Pension Scams – Don't let a scammer enjoy your retirement



Members who are considering transferring their benefits from the Scheme should be aware of pension scams. In an attempt to scam you out of your pension savings, scammers may pose as financial advisers and/or try to flatter, tempt and pressure you into transferring your pension.

Tactics used may include promises of guaranteed or unusually high returns; a cold call, text or website pop-up offering a free pension review, a one-off opportunity or a legal loophole; access to pension savings before age 55; paperwork delivered by courier that requires immediate signature; a proposal to put your pension savings in a single investment or an overseas transfer.

Once a transfer is made to a scam scheme, it is probably too late.
Your pension savings will then only benefit the scammers.

Never be rushed or pressurised into making a transfer decision.

Further information is available from the Scheme Administrator and by visiting The Pensions Regulator and The Financial Conduct Authority websites. The following links may be helpful:

www.fca.org.uk/scamsmart/how-avoid-pension-scams
www.pension-scams.com

Information for Active Deferred Members

Closure of the Scheme to Benefit Accrual (30 September 2018)

Following the outcome of the Bank's consultation, the Scheme closed to future accrual on 30 September 2018. Active Members became Active Deferred Members on 1 October 2018.

Deferred Pension Statements, showing accrued pension at date of closure, are being issued in December to all members who were in Active Membership at 30 September 2018. **Please read your Statement carefully.**

A copy of the updated 'A Guide to Your Benefits 1 October 2018' was included with the Statement. **The Guide contains important information on how the Scheme operates and what options are available to you regarding your pension benefits. The Guide is in a simple Q&A format and it is important that you familiarise yourself with its content.**

If you have any queries on the Statement or the Guide, please contact Equiniti or the Scheme Secretary.

Active Deferred Members – AVCs

Active Deferred Members of the Scheme can still make additional voluntary contributions (AVCs) to boost the value of their pension benefits at retirement. AVCs can be made up to 20% of Pensionable Salary in the period from 1 October 2018 to 5 April 2019 and up to 20% of Pensionable Salary in the period from 6 April 2019 to 30 September 2019. No AVCs can be made to the Scheme after 30 September 2019.

One of the options presently available for your Scheme AVC fund is for it to be taken as a tax-free lump sum when your pension comes into payment, subject to it being within the maximum tax-free lump sum allowed.

Before making AVCs, members are recommended to take Independent Financial Advice and to consider the impact on their Annual Allowance and Lifetime Allowance positions.

An AVC Information Booklet (December 2016) can be found on the Danske People teamsite. Further information on how to make AVCs can be obtained from the Scheme Administrator.

Members with AVCs are encouraged to regularly review their AVC fund choice, particularly when approaching retirement.

HMRC – Annual and Lifetime Allowances

Annual Allowance

The HMRC Annual Allowance for tax-relief on pension savings is currently £40,000 however, any unused allowance from the three previous tax-years may be taken into account when calculating whether or not you have a tax charge to pay. A tapered Annual Allowance (reducing to as low as £10,000) applies if your *adjusted income* is more than £150,000 and your *threshold income* is more than £110,000. The allowance on future pension savings is reduced to £4,000 if a flexible withdrawal (i.e. one that is taxable) is taken from a 'money purchase' pension scheme. This limit is known as the Money Purchase Annual Allowance.

Your annual pension savings (known as the Pension Input Amount) is broadly the increase in your accrued Scheme pension over the tax year (after allowing for inflation) multiplied by 16, plus the amount of any AVC contributions to the Scheme plus the amount of any contributions to other registered pension schemes.

HMRC – Annual and Lifetime Allowance (Continued)

Lifetime Allowance

Pension benefits (from all registered pension schemes) in excess of the Lifetime Allowance are subject to a tax charge. The charge (when paid as a lump sum) is 55%. For those members who do not hold HMRC Individual or Fixed Protection, the Lifetime Allowance is currently £1,030,000. This is increasing to £1,055,000 from April 2019. The increased Lifetime Allowance is broadly equivalent to an annual pension of £52,750. **However, members who elect to transfer their benefits out of the Scheme could find that the transfer value from a much lower level of accrued annual pension will breach the Lifetime Allowance.**

Further information on HMRC Allowances is available on the HMRC website. Further information on Scheme Annual Allowance usage or Scheme annual pension and transfer value measures against the Lifetime Allowance are available from the Scheme Administrator.

The information provided above on the Annual and Lifetime Allowances should not be taken as tax advice. You are encouraged to take independent financial advice on tax matters.

Information for Deferred Members

Keeping in contact with the Scheme Administrator

Deferred members are reminded that it is important to inform the Scheme Administrator if your name or address change. This will ensure that you receive any Trustee communications and enable the Scheme Administrator to contact you to arrange payment of your pension when it is due.

Your Deferred Pension and its Payment

Deferred members are sent a pension quotation around six months before their pension is due to come into payment. If you have AVCs, you should regularly review your fund choice, particularly as you approach retirement.

Early retirement quotations are also available from the Scheme Administrator. Your pension cannot normally be paid before age 55 and will be reduced to reflect any early payment. (Members who left service under the 1993/94/95 voluntary severance schemes have protected age entitlement and may continue to bring their pension into payment at any time from age 50.)

Information for Pensioner Members

Staff Bank Accounts – Danske Bank

Pensioner members who have their pension paid to a Danske Bank account may ordinarily avail of staff account facilities. This is not a Scheme benefit but is offered at the discretion of Danske Bank. Staff account facilities include the availability of commission-free foreign currency at special rates. Staff foreign cash purchases **must not exceed** £3,000 per calendar year and must only be used for personal travel purposes.

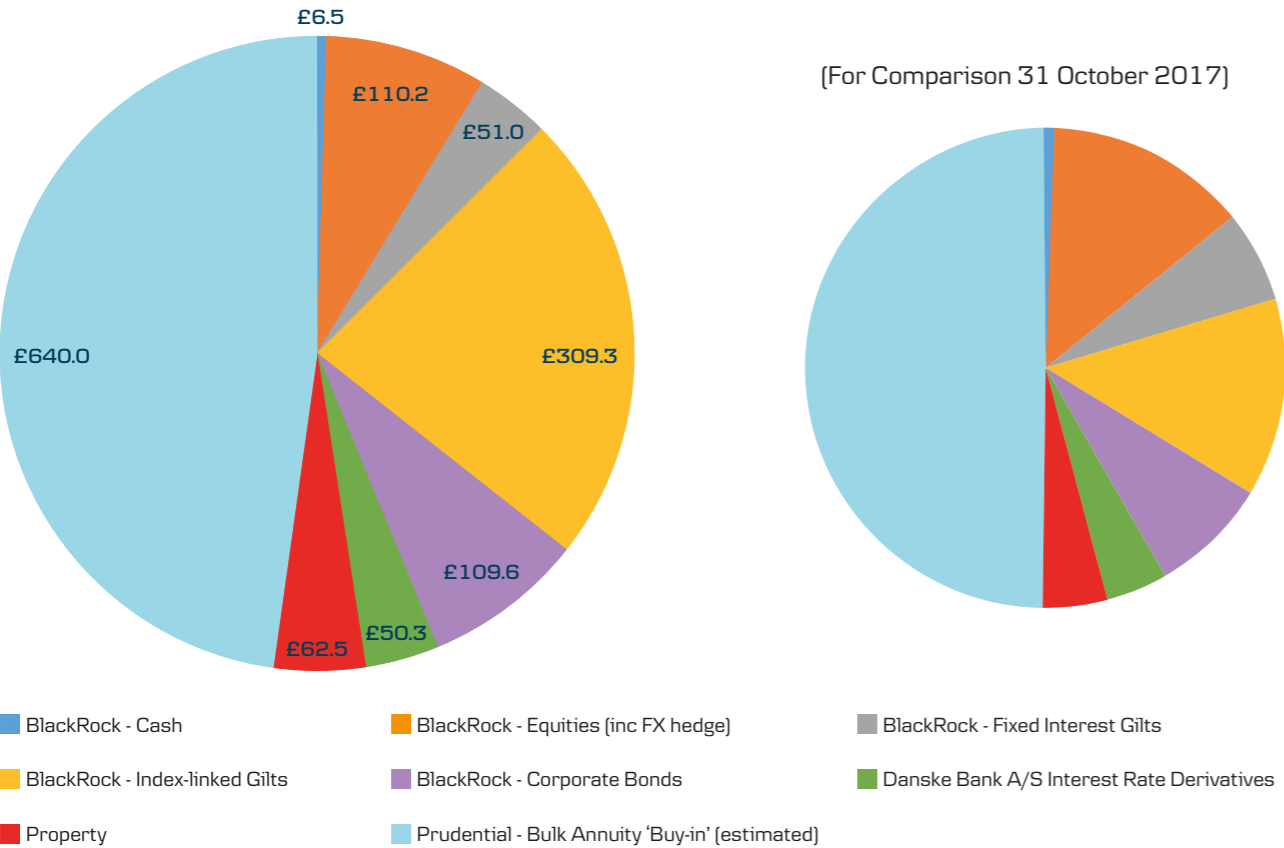
Pensioner-organised Social Activities

After retiring, some pensioners like to keep in touch with each other through various social activities such as luncheons and golf outings. These are organised by different groups of pensioner members.

If you would like further information on these activities, please email nbpensionergroup@gmail.com.

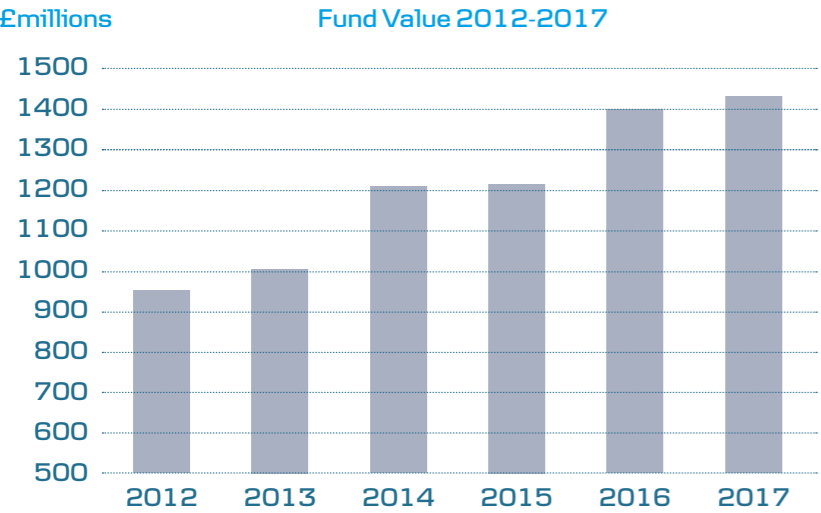
Asset Allocation

Investment allocation as at 03 December 2018 (£M's)



How the Scheme's Fund Value has changed

The Scheme's audited assets (excluding AVCs) amounted to £1,436m at 31 December 2017.



Membership Statistics

(as at 1 October 2018)

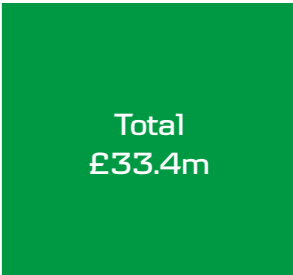
Active members	0
Active Deferred members	802
Deferred members	1,557
Pensioner members	2,155
Spouses/Dependants	183
Children	16
Total Membership	4,713

Annual Report and Financial Statements (2017)

A copy of the Scheme's latest Annual Report and Financial Statements (for the year ended 31 December 2017) as audited by KPMG, is available from the Scheme Administrator (Equiniti). A summary of the Financial Statements for the year ended 31 December 2017 is shown below:

Income and Expenditure

Income	£m
Employer Contributions (normal)	9.2
Employer Contributions (additional)	20.0
Employer Contributions (early retirement funding)	2.4
Member Contributions (normal and AVC)	1.8



Expenditure	£m
Pensions paid	30.3
Commutations and lump sums	7.6
Transfers out	10.6
Administration expenses	1.1
PPF Levies	0.0



Return on Investments	£m
Change in market value of investments*	27.1
Annuity Income (Buy-in)	28.0
Investment income	3.0
Investment expenses	(1.0)



Assets	£m
Net assets (inc AVCs) at 1 January 2017	1,397.5
Net increase	40.9
Net assets (inc AVCs) at 31 December 2017	1,438.4



* Investment income from assets held in pooled funds with BlackRock is included in the 'change in market value of investments'.



General Data Protection Regulation

Following the coming into force of the General Data Protection Regulation on 25 May 2018, the Trustee updated its data protection policy and procedures to ensure compliance with the Regulation. The Trustee also issued a Privacy Notice in December 2017 to all members explaining what information the Trustee holds about Scheme members, what they do with it and who they share it with. The Trustee now wishes to circulate an updated and slightly expanded version of the Privacy Notice for your attention.

Privacy Notice

As the Trustee of the Northern Bank Pension Scheme ("Scheme"), we hold certain personal information (known as "personal data") about Scheme members and, where applicable, their dependants and beneficiaries. Most of the personal data held and processed by the Trustee in running the Scheme will be personal data (in other words, it is information from which you as an individual can be identified).

What information do we collect about you?

Depending on the circumstances and the stage of your membership, the information we need to hold to pay benefits may include:

- Your name, date of birth and gender
- Your address
- Your national insurance number and, if you are a pensioner, HMRC tax reference/codes
- Your employment service records (including salary records) and pension contribution records, relating to your membership of the Scheme
- Details of your bank account to pay benefits to if you are a pensioner or if we are paying a lump sum to you
- Your marital status, as well as details about your dependants and/or beneficiaries where this is needed so that we can administer the Scheme and pay benefits following your death
- If you receive benefits on grounds of ill health, medical and other details about your health

How we gather your personal information

Your personal data will generally be collected directly from you or from your employer. However, we may also receive personal data from other parties such as HM Revenue & Customs, the Pensions Ombudsman or someone acting on your behalf, such as an independent financial adviser. If you are receiving a dependant's benefit from the Scheme, or a benefit resulting from divorce or the dissolution of a civil partnership, we may have been given your personal data by the member or through enquiries undertaken by us on a member's death. We will not collect any personal data that we do not need.

Privacy Notice (continued)

How do we use that information?

The Trustee needs to hold and process information about you, as it is required to administer the Scheme and to calculate and pay benefits. In legal terms, this means that we have a legitimate interest in processing the information. We also keep information about you in order to allow us to comply with our obligations towards members under the Scheme's governing documents, as well as under relevant legislation.

Personal data relating to the Scheme is held on paper and on computer systems. As the "data controller", the Trustee must process this information fairly and lawfully.

As part of running the Scheme, we may also need to hold and process particularly sensitive information about you and/or your dependants and beneficiaries. This is known as "sensitive personal data" and for instance includes information that relates to health and/or sexual orientation. Except where the legislation allows it, this information cannot be processed or passed to a third party without your explicit consent.

Who do we share it with?

We are not allowed to share personal data about you with other organisations and people, unless the law allows us to or you have given your consent. As we need to share information with others in order to provide you with benefits, there is a legitimate interest in the Trustee sharing this information. We may also need to share it in order to meet contractual and other legal obligations.

We may need to share personal data with the following:

- The third parties who are responsible for the day-to-day administration of the Scheme on behalf of the Trustee
- Your employer and, where relevant, any former employer which participated in the Scheme
- The Scheme's third party service providers, such as our payroll and IT providers
- The Scheme's professional advisers, including the Scheme actuary, auditor, investment adviser, investment consultant and lawyers
- HM Revenue & Customs and other statutory bodies (such as the Pensions Ombudsman and the Pensions Regulator) – the Trustee can be fined and subject to other action if they fail to provide certain information to these authorities
- The printers who help us prepare various communications we send to you, such as this Member Report
- Our appointed insurance company or companies (and their re-insurers) for the purposes of life insurance, additional voluntary contributions and bulk annuity (e.g. buy-in) transactions
- Depending upon how we pay pensions and/or lump sums, the personal data we have to supply in order to effect a bank transfer
- Tracing agencies who assist the Trustees with updating scheme data from time to time

Any transfer of your personal data outside of the European Economic Area will comply with the requirements of data protection legislation and appropriate safeguards will be put in place to ensure it is kept secure.

The Scheme's actuary is also a data controller in relation to your personal data. This means that they have to comply with the requirements of data protection legislation, as well as relevant industry codes and standards, when processing your personal data. For more information about what personal data they hold about you and how they use it, please see www.willistowerswatson.com/personal-data.

Privacy Notice (continued)

How long do we keep personal data for?

We must keep all personal data safe and only hold it for as long as necessary. To meet the requirements of both UK tax and pensions law, we must keep certain personal data (for example, details about the date a member joins the Scheme, their name and address, and details of benefits paid) for a minimum of 6 years. However, given the nature of pension schemes, the Trustee may be required to keep some of your personal information for the rest of your life so that we have the information we need in order to pay benefits and to answer queries relating to your benefits.

We review the personal data held in relation to the Scheme on a regular basis.

Your rights:

- You have the right to see personal data that is held about you and a right to have a copy provided to you, or someone else on your behalf, in a machine readable (namely, digital) format
- If at any point you believe that the personal data we hold about you is inaccurate or wrong, you can ask to have it corrected
- You can require the Trustee to restrict/limit the processing of your personal data in certain circumstances, for example, whilst a complaint about its accuracy is being resolved
- You can object to your personal data being processed, although the Trustee can override this objection in specific instances.
- Where you have given us your consent to processing your personal data, you can withdraw that consent at any time by notifying us (see "Who to contact" below)
- You can request that your personal data is deleted altogether.

You should be aware that taking some of the above steps could impact on the payment of your benefits, the ability for you to build up benefits and our ability to answer questions relating to your benefits.

Information will generally be provided to you free of charge, although the Trustee can charge a reasonable fee in certain circumstances.

Who to contact about your personal data

Please contact Equiniti (Scheme Administrator) in the first instance, if you wish to:

- See your personal data or to exercise any of the rights mentioned above
- Make a complaint about how we have handled your personal data

Making a complaint to the Information Commissioner's Office

If you are not satisfied with our response to any query you raise with us, or you believe we are processing your personal data in a way which is inconsistent with the law, you can complain to the Information Commissioner's Office whose helpline number is: 0303 123 1113.

Summary Funding Statement

As a member entitled to benefits from the Northern Bank Pension Scheme (“the Scheme”), we are writing to give you an update of the Scheme’s funding position. The Scheme’s Trustee looks after the Scheme and we will send you a statement like this once a year to give you updated information about the Scheme.

Valuing the Scheme

The last annual update of the Scheme was carried out on 31 December 2016, and this summary funding statement gives you an update of the Scheme’s progress to 31 December 2017 (subsequent developments are not reflected in the figures). This showed that the funding position of the Scheme at 31 December 2017 was as follows:

Scheme assets	£1,436 million
Assets needed to provide benefits	£1,300 million
Surplus assets	£136 million

As part of the 2015 valuation the Bank agreed to pay 31% of pensionable salaries each year, to meet the cost of the benefits being earned by the active members. As the Scheme was in surplus, there is no requirement for any additional shortfall contributions from the Bank.

We wrote to you in October 2017 to inform you of the closure of the Scheme at 30 September 2018. Even though the effective date of this statement is before the Scheme closed, allowance has been made in the above figures for the impact of the Scheme closing

Change in funding position

The above figures show a funding level of 110%, which has increased from the funding level of 104% shown in the last annual update at 31 December 2016.

The funding position has improved as a result of the closure of the Scheme and the additional contribution of £20 million that was paid into the Scheme by the Bank. In addition, the Scheme has achieved strong investment growth over 2017 whilst UK Government Gilt yields (and therefore the target assets needed to provide benefits) remained largely unchanged. The next formal funding valuation of the Scheme is due at 31 December 2018.

As part of the Scheme closure it was agreed that steps will be taken to strengthen the assumptions and increase the assessment of the target assets needed to provide benefits. We therefore expect the surplus disclosed at the next formal valuation to be lower than that disclosed in this statement.

Solvency position

As part of the formal valuation, an estimate was made of the additional money that the Bank would be required to pay into the Scheme to secure members’ benefits with an insurance company. This might be required if, for example, the Scheme were to be wound up. The Trustee is required by law to provide you with this information - it does not mean that there is any intention of winding up the Scheme.

If the Scheme had been wound up on 31 December 2017, it is estimated that an additional £195 million would have been needed to ensure that all members’ benefits could have been paid in full. At the previous assessment (31 December 2016), this figure was £290 million.

Payments to the Bank

There have not been any payments to employers from the Scheme’s assets since the last Summary Funding Statement (again, the Trustee is required by law to provide you with this information).

Where can I obtain more information?

If you have any other questions, or would like any more information, please contact the Scheme Secretary (see back cover for contact details).



Contact Information

Equiniti (Scheme Administrator)

Danske Administration, Equiniti,
Sutherland House, Russell Way,
Crawley, West Sussex,
United Kingdom, RH10 1UH

Tel: 01293 604 224

Email: danske.administration@equiniti.com

The Equiniti team deal with the day-to-day administration of the Scheme and should be your first point of contact for all general enquiries, including requests for details of your Scheme benefits.

Scheme Secretary

Northern Bank Pension Trust Ltd
Donegall Square West
Belfast, BT1 6JS

Tel: 028 9004 8514

Email: pensionsteam@danskebank.co.uk

The Scheme Secretary and his team, assist the Trustee Board with the management and operation of the Scheme. Please contact the Secretary if your query cannot be resolved by Equiniti.

This Member Report summarises developments within, and progress of, the Northern Bank Pension Scheme. It also contains details of Scheme benefits and other general pension information. Checks have been undertaken to verify the accuracy of its content, however in the event of any omissions or inaccuracies, the legal documents governing the Scheme, or relevant legislation, will apply.

Northern Bank Pension Trust Limited

Registered in Northern Ireland NI 3155

Registered Office: Donegall Square West, Belfast, BT1 6JS

Danske Bank

Danske Bank is a trading name of Northern Bank Limited
www.danskebank.co.uk