

2.10**Employee Benefits****Defined contribution plan**

The Bank has pension obligations from a defined contribution plan. The Bank's defined contribution plan is the main pension scheme and covers all employees of the Bank in Luxembourg and NIFSA. Defined contribution plans are not reflected on the statement of financial position.

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit and loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

Contributions to defined benefit retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Calculation of defined benefit obligations is performed by external actuaries and is based on the actuarial assumptions fixed for the Bank's pension plan. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in staff costs in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.11**Share-based payment**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Bank's Parent Company has granted the right to its equity instruments directly to the employees of the Bank.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to shareholders contributions.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Group also operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with the Total Shareholder Returns ("TSR") and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 the Group also operates

TSR-linked retention on part of variable compensation for certain employee categories under a cash-settled share-based payment programme.

This programme is fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social security charges, recognised in the statement of profit or loss and other comprehensive income in the item "Net gains/(losses) on items at fair value and other foreign exchange revaluation results".