of transactions or at contracted rates, where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the reporting date. Gains and losses on exchange are dealt with through the statement of profit or loss and other comprehensive income under profit and loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are 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".

2.5 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs as endorsed by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.6 Interest income and expense

Interest income and expense are recognized on an accrual basis. Interest income and expense are calculated and recognised based on the effective interest rate method.

2.7 Fee and commission income and expense

The Bank earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection with performed services are recognised as income in the period these services are provided.

Commission expenses are transaction based and recognised in the period when the services are received.

Commission fees mainly include asset management commissions, investment management and distribution fees, custody fees and commissions from trading activities.

2.8 Dividend income

Dividend income from investments is recognized when the Bank's right to receive payment has been established.

2.9 Net gains/(losses) on items at fair value and other foreign exchange revaluation results

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised in the item "Net gains/(losses) on items at fair value and other foreign exchange revaluation results".

Realised and unrealised gains and losses mainly derive from shares and share related instruments, interest-related instruments, currency-related instruments and foreign exchange gains/losses.

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