

NOTE 37.

Recently issued accounting standards and interpretations

New standards and interpretations applicable to the period

IFRS 15 – Revenue from contracts with customers

IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Customers with mandatory application for periods beginning on or after 1 January 2018.

This standard will revoke IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

- i) At a time when the control of the goods or services is transferred to the customer; or
- ii) Over the period, to the extent that represents the performance of the entity.

The Bank adopted IFRS 15 on 1 January 2018. As part of the gap analysis performed, the approach followed by the Bank to identify revenue from contracts with customers subject to accounting in accordance with the standard requirements and the subsequent analysis, is as follows:

- Identification of the income statement captions that may present revenue records resulting from contracts with customers;
- For each of the captions identified in the point above, the regulatory framework was set out establishing the guidance for the accounting whenever the high-level assessment of the caption's nature allows for that direct identification;
- Analysis of accounts for captions that, under the previous point, were not fully included in another standard.

A detailed analysis was made of the commissions or income that are being recorded in those accounts. Following the analysis described, revenue not relating to contracts from customers are excluded.

For situations where revenue falls within the scope of IFRS 15, the respective framework has been established in the standard analysis model, in order to identify any accounting gaps against the current accounting treatment.

There were no significant impacts on the Bank's financial statements arising from the adoption of this standard.

IFRS 16 – Leases

The Bank is required to apply IFRS 16 – Leases issued by the IASB on 13 January 2016 for periods beginning on or after 1 January 2019. The Bank assessed the estimated impact that the initial application of IFRS 16 will have in its Financial Statements, as described below. Changes to the impacts resulting from the adoption of IFRS 16, as of 1 January 2019, may occur in response to:

- the set of tests and assessment of controls on new IT systems are not yet finished by the Bank; and
- the new accounting policies are subject to changes until the Bank presents its first financial statements including the date of initial application.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and low value leases. The accounting policy for lessors remains similar to that of the current standard – that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 revokes the current guidance on leases, including IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease.

i. Leases in which the Bank is the lessee

The Bank will recognise the new assets and liabilities for its operating leases of agencies and facilities (central services). The nature of expenses related to these operating leases will be changed as IFRS 16 replaces operating lease expenses on a straight-line basis by depreciation for right-of-use assets and interest charges related to lease liabilities.

The Bank formerly recognised operating lease expenses on a straight-line basis over the lease term and recognised assets and liabilities only when there was a difference in the time period between lease payments and expense recognition.

As of 31 December 2018, the Bank is assessing the impact of adopting the new standard and should not expect the impact to be significant

IFRIC 22 – Foreign currency translations and advance consideration

It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018.

This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date).

There were no significant impacts on the Bank's financial statements arising from the amendment of this standard.

IFRIC 23 – Uncertainty over income tax treatment

On June 7, 2017 was issued an interpretation on how to handle, in an accounting manner, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment be made to the Authorities in the context of a tax dispute and the entity intends to appeal to a tax examination which resulted in a payment to a taxation authority.

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the standard as to the favorable outcome in favor of the entity on the matter concerned.

In this context, the entity may use the most likely amount method or, if the resolution can dictate ranges of values, use the expected value method.

IFRIC 23 becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Bank does not expect significant changes in the adoption of this interpretation.

Other Amendments

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.
- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide information that helps the investors to better understand changes in a company's indebtedness.
- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments to IFRS 12 (clarification of the scope of the Standard), with effective date on or after 1 January 2017.
- On 20 June 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- On 8 December 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IAS 40 – Transfers of investment property clarifies the time at which the entity must transfer properties under construction or development of, or for, investment properties when there is an evident change in the use of such properties (other than that listed in paragraph 57 of IAS 40)
- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments with effective application date for periods beginning on or after 1 July 2018 to IFRS 1 (Removal of fixed dates for First-time adopters) and IAS 28 (Measuring an associate or joint venture at fair value).
- The annual improvements cycle 2015-2017, issued by IASB on 12 December 2017, introduce amendments to IFRS 3 (Remeasurement of previously held interests – obtaining control or joint control in a joint operation), to IFRS 11 (Non-remeasurement of previously held interests – obtaining control or joint control in a joint operation), to IAS 12 (Accounting for income tax consequences of dividends), to IAS 23 (treatment of general borrowings any borrowing originally made to develop an asset when the asset is ready for intended use or sale), with effective date on or after 1 January 2019.

The Bank does not anticipate any impact on the application of these changes in its financial statements.