Note 36.
Recently issued accounting standards and interpretations

The accounting standards and interpretations recently issued that have become effective and that the Bank has applied in preparing its financial statements are as follows:

IFRS 16 – Leases

IASB, issued on 13 January 2016, IFRS 16 Leases, of mandatory application for periods beginning on or after 01 January 2019. The standard was endorsed in the European Union by European Commission Regulation 1986/2017 of 31 October. Early adoption is permitted provided that IFRS 15 is also adopted. This standard revokes IAS 17 – Leases.

IFRS 16 removes the classification of leases as operating or financial (for the lessor – the customer of the lease), treating all leases as financial.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements of the standard.

IFRIC 23 – Uncertainty over Income Tax Treatment

On 7 June 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 favourable outcome in favour 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 was adopted by EU Commission Regulation 2018/1595 of 23 October and is mandatory for financial years starting on or after 1 January 2019 and may be adopted in advance.

No significant changes have been recorded in the adoption of this interpretation.

The Bank has decided not to apply in advance the following standards and/or interpretations adopted by the European Union:

Definition of Materiality (amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB issued amendments to its definition of materiality to help companies make materiality judgments.

The amendments consist of (a) replacing the term 'may influence' with 'may reasonably be expected to influence'; (b) including the concept of 'concealment' together with the concepts of 'omission' and 'misstatement' of information in the definition of materiality; (c) clarifying that the 'users' referred to are the primary users of the general financial statements referred to in the Framework; and (d) aligning the definition of materiality among IFRS disclosures.

The amended definition of materiality therefore states that 'The information is material if it can reasonably be expected that its omission, misstatement or concealment could influence the decisions that primary users of the general financial statements will make on the basis of those financial statements, which provide the financial information about a particular reporting entity'.

The amendments are effective from 1 January 2020, but can be implemented in advance.

Amendments to references to the IFRS standards framework

In March 2018, the IASB issued a comprehensive set of financial reporting concepts, the revised Framework for Financial Reporting (Framework), which aims to update, in the existing standards, references and citations to the existing version of the Framework or the version that was replaced in 2010, replacing them with references to the revised Framework.

The revised Framework is effective from 1 January 2020 – with early adoption permitted – for companies that use the Framework to develop accounting policies when no IFRS standard applies to a specific transaction.

Reform of Interest Rate Benchmarks (amendments to IFRS 9, IAS 39 and IFRS 7)

On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to ease the potential effects of the uncertainty caused by the IBOR reform. Moreover, the amendments require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The amendments provide exceptions for entities to apply hedge accounting requirements, assuming that the interest rate benchmark, on which the hedged risk, the hedged item's cash flows or the hedged instrument's cash flows are based, is not changed as a result of the IBOR reform. The proposed exceptions apply only to hedge accounting requirements and the amendments do not provide any cushion against other consequences arising from the reform of the interest rate benchmark.

The amendments have a limited scope. If a hedge relationship no longer meets the hedge accounting requirements for reasons other than those specified in the amendments, discontinuing hedge accounting remains necessary.

In addition, the amendments clarify that if an entity designates cash flows based on interest rate benchmarks as the hedged item in a cash flow hedge, the entity does not assume, for the purpose of measuring the ineffectiveness of the hedge, that expected replacement of the interest rate benchmark with an alternative benchmark will result in no cash flow after replacement. The gain or loss on the hedge shall be measured using cash flows based on an interest rate benchmark when applying a present value technique, discounted at a market discount rate that reflects market participants' expectations about the uncertainty resulting from the reform.

Amendments are mandatory for all hedge relationships to which the exceptions apply.

The amendments have an effective date of adoption of annual periods beginning on or after 1 January 2020. Early adoption is allowed. Amendments are applied retrospectively to hedging relationships existing at the beginning of the reporting period in which the entity first applies the amendments and to the gain or loss recognised in comprehensive income at the beginning of the period in which the entity first applies the amendments (that is, even if the reporting period is not an annual period).

Standards, amendments and interpretations issued but not yet in force for the Bank

Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements)

The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The amendments aim to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. The amendments include clarification on the debt classification requirements that a business can settle by converting into capital.

This amendment becomes effective for periods after 1 January 2022.

Note 37.
Events after the reporting period

With regard to the public health pandemic associated with the new COVID-19 virus, since it is not yet possible to determine the possible impacts, the Bank's Board of Directors has been monitoring developments at national and international level in order to take timely action to mitigate any impact that may arise. In this sense, the Bank has defined a Contingency Plan aimed at preventing and mitigating the risks associated with the spread of the virus, which determines the adoption of measures that allow: ensuring the lives and health of employees and their safety conditions by providing preventive information and appropriate means of protection, maintaining essential services in operation, ensuring the operation and functioning of infrastructures and assessing the asset value impacts.

Although Governments and Central Banks and Multilateral Agencies are developing packages with measures to stimulate economies – such as the easing of deadlines for compliance with credit obligations determined in Instruction No. 04/2020 of the Banco Nacional de Angola – the existing data do not allow the quantification of financial impacts in a reliable manner. However, the Bank is taking steps to minimise these impacts on its solvency and liquidity.

Note 38.
Explanation added for translation

These financial statements and corresponding notes are a free translation of the financial statements and notes to the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.