48. RECENTLY ISSUED ACCOUNTING STANDARDS

1- THE RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT CAME INTO FORCE IN 2017 ARE AS FOLLOWS:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Bank started on 1 January 2017:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses

These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

Amendments to IAS 7 - Disclosures

These amendments introduce additional disclosures related to the cash flows from financing activities.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

2 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL TAKE EFFECT IN FUTURE EXERCISES

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, as of the date of approval of these financial statements, endorsed by the European Union:

IFRS 9 - Financial instruments (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement and will provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application.

Banco Comercial Português ('Group') has been working on this process since 2016 and has launched in this context a project supervised by a Steering Committee involving members of the Executive Committee that is responsible for making key decisions regarding the requirements defined by IFRS 9 and by monitoring the status of the process, of analysing and implementing this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments, Recovery Department and IT Department. The Independent validation unit and the Internal Audit division are also part of the project, namely in the component of its validation, currently ongoing.

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 is effective for periods that begin on or after 1 January 2018, with early adoption permission and will replace IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued the document "Prepayment features with negative compensation "(amendments to IFRS 9). The changes are effective for annual periods beginning on January 1, 2019, with early adoption allowed.

The Bank will apply IFRS 9 as issued in July 2014 and adopt in advance the changes meanwhile made to IFRS 9 in the period beginning on 1 January 2018. According to preliminary assessments made based on the information available on this date, the estimated preliminary impact (before taxes) of the adoption of IFRS 9 in the Bank's equity with reference to 1 January 2018 is approximately Euros 166,927,000, representing:

- reduction of approximately Euros 159,014,000 related to impairment requirements; and
- reduction of approximately Euro 7,913,000 related to changes in classification and measurement, which are not related to impairment.

This assessment, although preliminary, since the transition process to IFRS 9 is not yet finalized, is the best expectation of the impact of adopting the standard on this date. The current impact of the adoption of IFRS 9 on 1 January 2018 may be subject to changes, as:

- IFRS 9 requires the Bank to review its accounting procedures and internal control mechanisms, which is not yet finalized;
- although the Bank has made a parallel in the second semester of 2017, changes in IT systems and associated controls have not yet reached an advanced stage of maturity;
- the Bank did not finalize the validation of existing controls in its IT system or complete the changes in its governance structure;
- the Bank is refining and finalizing the Expected Credit Loss (ECL) calculation models;
- the policies, assumptions, decisions and calculation methods are subject to change until the publication of the audited financial statements for the year 2018; and
- there is currently a legal vacuum regarding the tax treatment of the transition adjustment to IFRS9.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

IFRS 9 includes three main categories of classification for financial assets: assets measured at amortized cost, assets measured at fair value through Other comprehensive income (FVOCI) and assets measured at fair value through profit or loss (FVTPL). Consequently, the folowing categories of IAS 39 Held to Maturity, Loans and Receivables, Available for Sale and Held for trading" are eliminated.

A financial asset is measured at amortized cost if it meets at the same time with the following characteristics and if it is not assigned to the FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model whose main objective is the holding of assets to collect their contractual cash flows (HTC - Held to collect); and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

A financial asset is measured at the FVOCI if it simultaneously meets the following characteristics and is not assigned at FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model which the purpose is to collect its contractual cash flows and the sale of this financial asset (Held to collect and Sell); and
- contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In the initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably designate it at FVOCI. This designation is made on a case-by-case basis, investment by investment. This option is available for financial instruments that comply with the definition of capital provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument, within the scope of the issuer is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

All financial assets that are not measured, according to the criteria described above, at amortized cost or at FVOCI, are measured at FVTPL. In addition, at initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, such as FVTPL, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair value option).

A financial asset is classified in one of these categories on initial recognition. See point (VIII) below, alluding to the transition requirements related to the classification of financial assets.

Under IFRS 9, embedded derivatives in financial assets are not separated for classification purposes, so a hybrid instrument is evaluated as a whole.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
-the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and frequency of sales in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value through option (Fair Value Option) will be measured at FVTPL because they are not held either for the collection of contractual cash flows (HTC) or for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond only to the receipt of capital and interest (SPPI)

For the purposes of this assessment, "capital" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfill the SPPI condition. In the evaluation process, the Bank considered that:

- contingent events that may change the periodicity of the cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g. contracts with – clauses which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

A contract with the possibility of early payment is consistent with the SPPI criterion, if the amount of prepayment represent the unpaid amounts of principal and interest on the amount of principal outstanding (accrual), and may also include reasonable compensation for anticipatory payment (i.e. administrative cost or servicing fee incurred by early termination of the contract).

In addition, an advance payment is consistent with the SPPI criterion if (i) the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value, (ii) the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest , but not paid (may include reasonable compensation for prepayment); and (iii) the prepaid fair value is insignificant at initial recognition.

Impact assessment

The standard will have an impact at the level of the classification of the financial assets held as at1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which are classified as "Held-for-Trading" and measured at FVTPL under IAS 39, will be measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortized cost under IAS 39 will be generally measured at amortized cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, will also be measured, generally, at amortized cost under IFRS 9;
- Investments in debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that are measured at fair value option under IAS 39 will be measured at FVTPL under IFRS 9;
- Most of the equity instruments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and will be designated at FVOCI, on 1 January 2018.

Based on this analysis and in the strategy defined, no material changes are estimated at the level of the measurement associated with financial assets of the Bank (financial assets measured at amortized cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The new impairment model is applicable to the following set of Bank's instruments, which are not at FVTPL:
- financial assets classified as debt instruments;
- commitments and financial guarantees granted (for which impairment was calculated in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: without significant increase in credit risk from the moment of initial recognition. In this case, impairment will reflect expected credit losses arising from defaults over the 12 months from the reporting date.

- Stage 2: instruments in which it is considered that a significant increase in credit risk since initial recognition but for which there is still no objective evidence of impairment and interests are recognised. In this case, the impairment will reflect the expected losses from defaults over the residual life period of the financial instrument.

- Stage 3: instruments for which there is objective evidence of impairment in sequence of events that result in a loss and interests are recognised. In this case, the impairment value will reflect the expected losses for credit risk over the expected residual life of the instrument.

The impairment requirements of IFRS 9 are complex and require Management decisions, estimates and assumptions, particularly in following areas:

- evaluation of the existence of a significant risk increase from the moment of initial recognition (SICR); and
- incorporation of forward-looking information into the ECL calculation.

Under the scope of IFRS 9, impairment is not recognised in equity instruments registered at FVOCI, and the respective gains/losses accumulated in the fair value reserve transferred to retained earnings on the disposal moment.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Bank expects to receive;
- Financial guarantees: the present value of expected repayments, less the amounts that the Group expects to recover.

IFRS 9 defines financial assets with impairment signals similar to impaired financial assets in accordance with IAS 39.

Definition of defaults

Under IFRS 9, the Bank will consider its financial assets to be in default by applying the same definition that is applied for regulatory purposes.

A credit, including capital, interest and expense components, are considered in default when there is a non-compliance of a contractual credit obligation or if an authorized limit has been exceeded and previously communicated to the customer's settlement.

Significant increase in credit risk (SICR)

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk (i.e. default risk) since the initial recognition of the financial instrument, the Bank will consider relevant information that is available with no costs and/or excessive effort, including both quantitative and qualitative information as well as an analysis based on Bank history, expert judgment and forward-looking.

Under the scope of IFRS 9, the identification of a significant increase in credit risk should be performed by comparing:

- the PD lifetime remaining at the date of the reporting date.
- PD lifetime remaining at the reporting date that would have been estimated at the initial time of exposure recognition.

The Bank will monitor the effectiveness of the criteria used to identify the significant increase in credit risk.

Credit risk degrees

According to the current management of the Bank's credit risk, each costumer, and consequently its exposures, is allocated a degree of risk from its master scale (see note 46).

The Bank will use these risk grades as a key factor in identifying the significant increase in credit risk under IFRS 9.

Inputs of the ECL

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be obtained through internal statistical models, and other relevant historical data, taking into account existing regulatory models and adjusted to reflect information forward-looking information.

PDs are estimated based on a certain historical period, and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk degrees will be a highly relevant input for determining the PDs associated with each exposure. The Bank will collect performance and default indicators on its credit risk exposures with analyses by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Bank estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Bank obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Bank will calculate the ECL value considering the risk of default during the contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Bank has the right to require payment or end the commitment or guarantee.

Forward-looking information

Under IFRS 9, the Bank will incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of the ECL. The Bank projected the future evolution of the relevant macroeconomic variables based on the assessment of internal experts and other external data.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) are recognized in the income statement, while under IFRS 9 these fair value changes will be presented as follows:

- the amount related to the variation in the fair value attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining value of the change in fair value will be presented in profit or loss.

The Bank has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value will be recognised in OCI and the amount recognised in OCI in each year will be variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

The Bank estimates an immaterial impact arising from the adoption of these new requirements.

V. Hedge accounting

The Bank does not estimate any significant impacts on the transition related to the application of hedge accounting.

Vi. Disclosures

IFRS 9 will require an extensive set of new disclosures, particularly with respect to hedge accounting, credit risk and ECLs that will be presented with the financial statements for the year 2018.

VII. Estimated impact on capital ratio

The Bank of Portugal issued guidelines on the transition requirements under the scope of the implementation of IFRS 9. These guidelines allow choosing between two approaches for the recognition of the impact of the adoption of the standard in the regulatory capital:

i) Transition period of the total impact over a 5-year period, based on the following percentages for some components: 5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021 and 75% in 2022;
ii) Recognition of the full impact on the date of adoption.

The Bank decided to adopt the first approach so that the impact of the adoption of IFRS 9 on the Bank's regulatory capital will be phased in accordance with the provisions listed above, in particular regarding the impact arising from the application of the new impairment requirements.

The full recognition of the preliminary impact of IFRS 9 in the Bank would lead to a decrease in the CET1 ratio as at 31 December 2017 from -36 basis points, including a negative change of Euros 130 million in CET1.

The adoption of the transition period results in a decrease in the CET1 ratio by 28 basis points on 31 December 2017, corresponding to a CET1 decrease of Euros 99 million.

VIII. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Bank will apply the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in Reserves and retained earnings, as at 31 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:

a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

If a debt security has low credit risk as at 1 January 2018, the Bank will determine whether the credit risk of the asset has not increased significantly from the initial recognition.

IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - 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.

The Bank does not anticipate material impact on the application of this change in its financial statements.

IFRS 16 - Locations (Applicable in the European Union to annual periods beginning on or after 1 January 2019)

This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.

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

Amendments to IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

Amendment to IFRS 4: Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts (Applicable in the European Union for years beginning on or after 1 January 2018)

This amendment provides guidance on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2017, as their application is not yet mandatory.

3 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS NOT YET ADOPTED BY THE EUROPEAN UNION

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements:

IFRS 17 - Insurance Contracts (Applicable in the European Union for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces the IFRS 4 - Insurance Contracts.

Amendments to IFRS 2 - Share-based payments (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (Ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (Iii) the classification of transactions with cleared securities.

Amendments to IAS 40 - Transfers of investment property (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

Improvements to international financial reporting standards (cycle 2014-2016) - (Applicable in the European Union for years beginning on or after 1 January 2018 with the exception of amendments to IFRS 12, whose application date is 1 January 2017)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

Improvements to international financial reporting standards (cycle 2015-2017) - (Applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary that previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition / construction of an asset, outstanding after the corresponding asset has been ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IFRS 9: Prepayment features with negative clearing (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value for reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

IFRIC 22 - Foreign currency transactions and down payments (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

IFRIC 23 - Uncertainties in the treatment of income tax (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

These standards have not yet been endorsed by the European Union and as such were not applied by the Bank (Company) in the year ended 31 December 2017.

With respect to these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the accompanying financial statements.