



IFRS 9 Classification and Measurement Practical experience in Brazil

EEG meeting – December 2021

Content

1 IFRS 9 implementation timeline

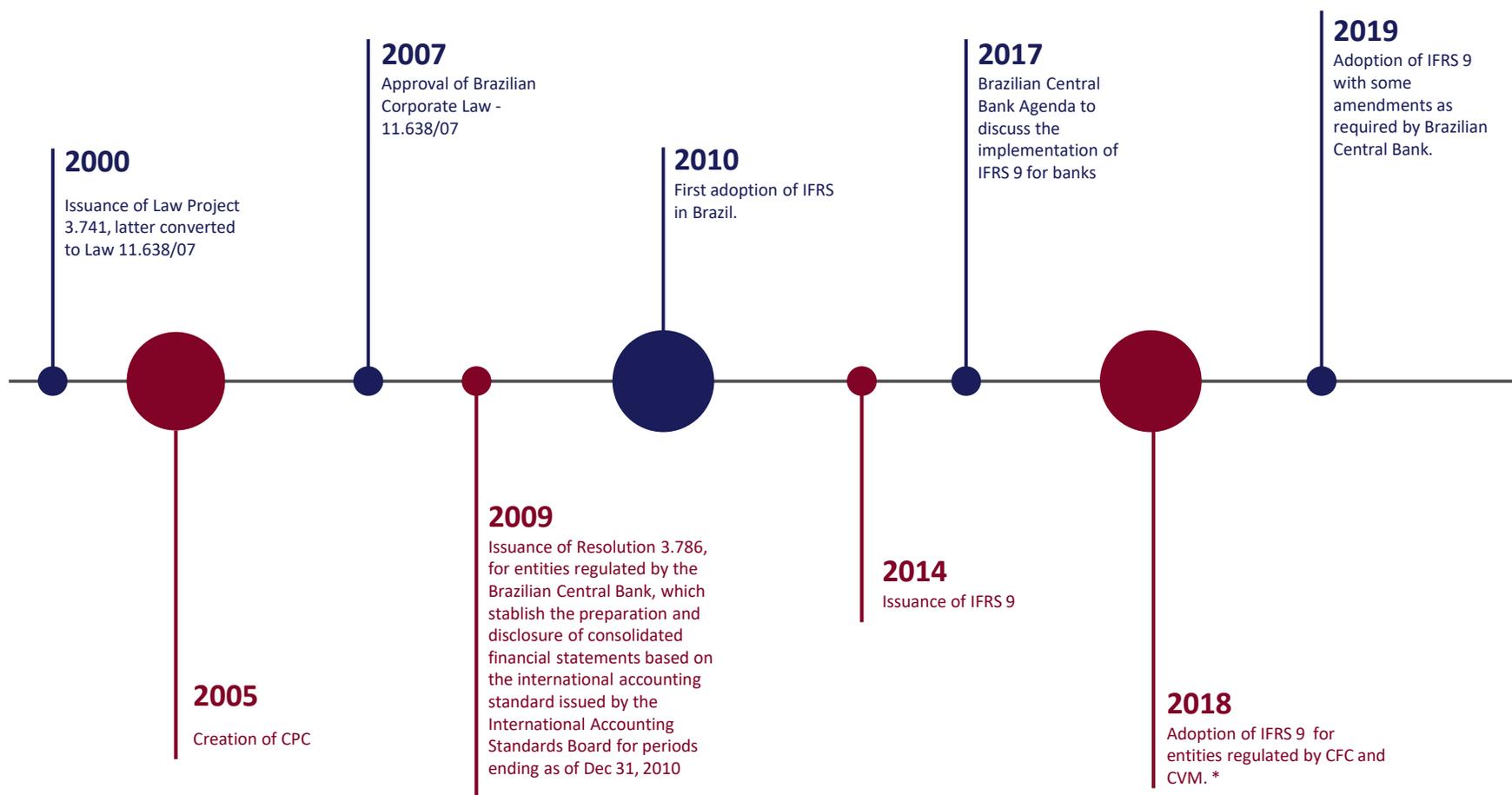
2 Key challenges and issues

3 Impacts on adoption of IFRS 9



1. IFRS 9 implementation timeline

IFRS 9 timeline



* The adoption of any standard must be approved by the regulator which does not permit the early adoption. As such, Brazil is implementing the IFRS 9

2. Key Challenges & issues

Key challenges & Issues

❖ Business model

- Requires regular interaction with the entity's business areas, management and governance;
- Complexity to implement in practice;
- Dynamic changes in the business environment;
- Implementation of a process to capture changes in the business model and implement this in environment of a high volume of different agreements and strategy;

❖ SPPI Test

- Requires regular interaction with the entity's business areas, management and governance;
- Complexity to implement in practice;
- High volume of different agreements (financial institutions);
- Development of new financial products;
- Process and systems;
- Assessment of leverage features (CDI – benchmark interest rate linked financial instruments)

Key challenges & Issues

❖ Other

- Challenge to obtain information, mainly to small financial institutions;
- High degree of judgment is required;
- Systems not developed to attend IFRS 9 requirements;

3. Impacts on adoption of IFRS 9

Main impacts on financial statements

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Reconciliation of Stockholders' Equity and Net Income between IAS 39 and IFRS 9

	Reference	12/31/2017		12/31/2016		01/01/2016
		Stockholders' Equity	Net Income	Stockholders' Equity	Net Income	Stockholders' Equity
In accordance with IAS 39 (excluding non-controlling interests)		134,840	23,903	122,582	23,263	112,252
Adjustments arising from changes in the financial asset write-off policy, net of tax effects	a	2,402	(78)	2,462	201	2,280
In accordance with IAS 39 (excluding non-controlling interests)		137,242	23,825	125,044	23,464	114,532
Expected loss	b	(9,858)	(1,948)	(7,915)	(3,438)	(4,615)
Loan operations and Finance leases		(8,574)	(1,192)	(7,385)	(2,259)	(5,189)
Other financial assets		(1,284)	(756)	(530)	(1,179)	574
Change in financial assets	c	138	101	36	36	-
Adjustment to fair value of financial assets	d	(540)	359	(787)	514	(661)
Effect of adoption of investments in Associates / Jointly-Controlled Companies		(116)	-	-	-	-
Deferred taxes on the above adjustments		4,324	522	3,774	1,164	2,534
Interest of non-controlling stockholders		188	334	(57)	(113)	187
Total adjustments		(5,864)	(632)	(4,949)	(1,837)	(2,555)
In accordance with IFRS 9 - attributable to controlling stockholders		131,378	23,193	120,095	21,627	111,977
In accordance with IFRS 9 - attributable to non-controlling stockholders		12,978	32	12,289	389	1,620
In accordance with IFRS 9 - attributable to controlling and non-controlling stockholders		144,356	23,225	132,384	22,016	113,597

(a) Change in the policy for partial write-off of financial assets, in accordance with IAS 8, which caused the proportional treatment as asset, aligning the recovery behavior of financial assets and their economic realization.

(b) Change in the calculation model based on loss incurred (IAS 39) for expected loss, considering prospective information.

(c) Adequacy of gross carrying amount of financial assets that had their cash flows modified (without write-off), and which balances were recalculated in accordance with IFRS 9.

(d) Change in the measurement model of financial assets due to the new categories introduced by IFRS 9.

Main impacts on financial statements

Bradesco

Reconciliation of the shareholders' equity in the transition from IAS 39 to IFRS 9:

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Shareholders' equity in accordance with IAS 39 as of December 31, 2017	117,693,704
IFRS 9 adjustments	
Expected credit loss for credit operations (1)	(3,829,475)
Expected credit loss for other financial assets	(743,048)
Remesuration of assets by virtue of the new classification of IFRS 9 (2)	644,398
Other (3)	366,102
Deferred income tax	1,424,809
Shareholders' equity in accordance with IFRS 9 as of January 1, 2018	115,556,490

(1) Includes financial guarantees given and loan commitments;

(2) Change of the measurement of financial assets in accordance with the new classification of IFRS 9; and

(3) Accounting adequacy as required by IFRS 9 in the reclassification of securities measured at fair value through other comprehensive income.



Thank You