Banco Sumitomo Mitsui Brasileiro S.A.

Consolidated Financial Statements prepared according to International Accounting Standards - IFRS
December 31, 2022

Content

Administration Report

Messrs. Shareholders:

In compliance with the legal provisions, we submit to your appreciation the financial statements for the year closed December 31, 2022, which profit for the year was BRL 137,261 (BRL 156,917 on December 31, 2021), total assets, BRL 8,852,600 (BRL 7,772,378 on December 31, 2021) and the portfolio of loans and receivables from clients BRL 3,161,381 (BRL 3,067,747 on December 31, 2021).

We remain at your disposal, for any clarifications that may be necessary, also informing that all accounting documents supporting these financial statements are at the headquarters of this premise.

São Paulo, March 31, 2023

Public Accounting Firm’s report on the financial statements

To the
Management and Shareholders of
Banco Sumitomo Mitsui Brasileiro S.A.
São Paulo - SP

Opinion
We assessed the individual financial statements of Banco Sumitomo Mitsui Brasileiro S.A. ("SMBCB”) comprising the balance sheet on December 31, 2022 and respective income statements, comprehensive statement, changes in stockholders equity, cash flow for the year closed on this date, as well as the corresponding explanatory notes comprising of the main accounting practices and other explanatory notes.

In our opinion, the consolidated financial statements referred to above properly represent the consolidated equity and financial position of Banco Sumitomo Mitsui Brasileiro S.A. in all relevant aspects on December 31, 2022, the performance of the operations, cash flow corresponding to the years closed on such dates, according to the International Financial Report Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for opinion
Our audit was carried in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section named "Auditor's responsibility for the audit of the consolidated financial statements". We are independent in relation to the SMBCB in accordance with the relevant ethical principles set out in the Code of Ethics of Professional Accountants and professional standards issued by the Federal Accounting Council and have complied with other ethical responsibilities according to these standards. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
The key audit matters are those that, in our professional opinion, have been the most significant in our audit of the current fiscal year. These subjects were assessed in the context of our financial statements audit overall and in the formation of our opinion regarding these consolidated financial statements and, therefore, we do not issue a separate opinion on these subject matters.

Provisions for losses on impairment
As mentioned in explanatory notes 3b, 3c and 8g, for the purpose of measuring the provision for losses on impairment, credit and exchange operations are classified according to management's judgment regarding the level of risk, according to SMBCB policy considering the economic situation, past experience and specific risks in relation to each operation, its debtors and guarantors. The determination of the credit risk of a transaction is used for its ranking in one of the stages of credit deterioration. From this ranking, the expected loss is determined for each stage (expected losses for twelve months or for the duration of the transaction). The provision for losses for impairment is determined based on a variety of factors: the amounts on exposure, the quality of the debtor's credit, the level of subordination of its obligations and guarantees, the economic environment and the correlation between debtors, which are defined in terms of the concepts of probability of default (PD), loss given default (LGD) and exposure on the date of default (EAD). Due to the relevance of the credit transactions and the uncertainties inherent in the determination of the estimate of the provision for losses for impairment and the complexity of the methods and assumptions used, as well as the judgment involved in its determination, we consider this to be a considerable matter for our audit.

How the matters were addressed in our audit

We evaluated the design and operational effectiveness of key internal controls related to the processes for approving, recording and updating credit transaction, as well as the internal methodologies for assessing the risk levels ("ratings") of clients supporting the classification of transactions and the main assumptions used in determining the provision for losses for impairment. We engaged the experts who carried out the methodological analysis and recalculation related to the calculation of the provision for expected losses in the recoverable amount, as required by IFRS 9. We also assess whether the disclosures made in the financial statements are appropriate in relation to current standards.

Based on the evidence obtained through the procedures described above, we consider to be acceptable to measure the provision for losses for impairment in the context of the financial statements for the year closed December 31, 2022.

Measurement of the fair value of derivative financial instruments, including evaluation of hedge accounting

According to explanatory notes 3.b and 6, SMBCB carries out operations with derivative financial instruments to protect market price variations and mitigate foreign currency risks and interest rates on its assets and liabilities and contracted cash flows. These derivative financial instruments are composed by Swap, *Non-Deliverable Forward* (NDF) and Futures transactions. The marking-to-market methodology of these derivative financial instruments was established based on consistent and verifiable criteria taking into account the closing price, or adjustment, as applicable, on the day of calculation or, in the absence thereof, through pricing models translating the probable net realization value, or even the price of a similar financial instrument, taking into account, at least, the payment and maturity terms, the currency or index, and the credit risk associated with the counterparty. In addition, SMBCB has Futures agreements, which were carried out with the purpose of mitigating the effect of the currency exchange variation of funding made in foreign currency and pre-fixed credit transactions in reais. These transactions were designated as hedge derivatives and classified as Market Risk Hedges or Cash Flow Hedges. Transactions designated as "hedges" are measured at fair value. The fair value measurement of both derivatives and the hedged item must meet the criteria for accounting records and evaluation of derivative financial instruments, in addition to policies and controls to ensure their effectiveness. In view of the uncertainty about the assumptions and estimates involved in pricing derivative financial instruments and measuring the fair value of the hedged item, we consider this a major matter for our audit.

How the matter was addressed by our audit

As part of our procedures, we evaluated the design and operational effectiveness of the key internal controls adopted by SMBCB to measure the fair value of derivative financial instruments, including derivatives intended for hedging, and hedged items. With the help of our experts in financial instruments, we tested the models developed by SMBCB professionals to determine the fair values and the reasonableness of the criteria for defining the parameters and information included in the pricing models used, recalculated the value of the transactions and compared the assumptions used to determine the fair value with similar transactions in the market. Also, with the help of our experts in financial instruments, we obtained an understanding on the protection strategies adopted by SMBCB, including those related to hedge accounting to preserve the spread of investments, interbank deposits and transfer transactions. We evaluated the sufficiency of the documentation prepared by SMBCB supporting the designation as hedge accounting, specifically the formal designations containing the descriptions of all strategies and methodologies used to measure effectiveness. In addition, we analyze whether the information presented in the explanatory notes meets all the disclosure requirements determined by the current standards.

Based on the evidence obtained through the procedures summarized above, we consider it acceptable to measure the fair value of derivative financial instruments, including derivatives intended for hedging, and hedged items, in the context of the financial statements taken for the year closed December 31, 2022.

Responsibility of management and governance on the consolidated financial statements:
The Management is liable for preparing and submitting the consolidated financial statements according to the International Standards for Financial Report (IFRS) issued by *International Accounting Standards Board* – (IASB) and the internal control determined as necessary to allow preparing such consolidated financial statements free from relevant misstatement irrespective if caused by fraud or error.

In preparing the consolidated financial statements, management is liable for assessing the SMBCB ability to continue operating, disclosing, as applicable, issues related to its operating continuity and using the accounting basis in the preparation of the consolidated financial statements unless management either intends to liquidate the bank or to cease operating, or has no realistic alternative to avoid closing the operations.

Those responsible for the SMBCB governance are those liable for overseeing the preparation of consolidated financial statement.

Auditors' responsibilities for the audit of consolidated financial statements
Our goals are to obtain reasonable assurance that the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with Brazilian and international standards will always detect a material misstatement when it exists. Misstatements should arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of the audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the consolidated financial Investments, regardless of whether they are caused by fraud or error, we plan and perform audit procedures in response to such risks, as well as obtain appropriate and sufficient audit evidence to support our opinion. The risk of non-detection of relevant misstatement resulting from fraud is greater than that which arises from error, since fraud can involve the act of circumventing internal controls, collusion, forgery, omission or intentional misrepresentations.
- We become aware of the relevant internal controls for the audit so we can plan proper audit procedures in such circumstances, other than to express our opinion on the effectiveness of the internal controls of SMBCB.
- We assess the suitability of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the management.
- We concluded on the suitability of the use by the Management of the accounting basis for continuity of operations and, based on obtained audit evidences, if there is the material uncertainty concerning events or conditions that may raise any significant doubt about the capacity of the SMBCB continuity of operations; If we conclude that there is material uncertainty, we must draw attention in our audit report to the respective disclosures in the consolidated financial statements or include changes in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions should cause SMBCB to cease to continue operating.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the correspondent transactions and events in a manner compatible with proper presentation.

We communicated with the people in charge for the governance regarding, among other aspects, the planned scope at the time of the audit and significant audit findings, including the eventual considerable deficiencies in internal controls identified during our works.

On the issues that were the subject of communication with those responsible for the governance, we determine those who were most significant in the audit of the financial statements for the current year thus they are the key audit matters. We describe these matters in our audit report, unless law or regulation has prohibited public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be reported in our report because the adverse such communication consequences can, within a reasonable perspective, exceed the benefits of communication to the public interest.

São Paulo, March 31, 2023

KPMG Auditores Independentes Ltda
CRC 1SP027685/O-0 “F” SP

Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

Banco Sumitomo Mitsui Brasileiro S.A.

Balance sheets on December 31, 2022 and 2021

(In thousands of reais)

	Notes	2022	2021
Assets			
Cash and cash equivalents	4	398.604	1.541.807
Deposits linked to Central Bank	5	2.525	3.015
Financial Assets			
At fair value in result		609.008	-
Investment in interbank deposits	8 a	259.106	-
Derivative financial instruments	6	143.740	-
Loans and receivables from clients	8c	206.162	-
Fair value through other comprehensive income		1.290.937	1.647.780
Bonds and securities	7	1.290.937	1.647.780
At amortized cost		6.399.485	4.378.582
Investment in interbank deposits	8 a	705.061	783.676
Bonds and securities	8b	495.971	530.666
Loans and receivables from clients	8c	3.161.381	3.067.747
Provision for losses from expected credits	8f	(3.984)	(3.507)
Other assets		80.467	77.388
Debtors by deposits in guarantee.	13	1.160	14.887
Taxes to be offset	15f	21.990	18.183
Other assets	9	57.317	44.318
Fiscal Assets		56.812	104.207
Other deferred tax credits	15d	56.812	104.207
Tangible Assets	10	12.002	15.728
Intangible assets	11	2.761	3.871
Total Assets		8.852.600	7.772.378

	Notes	2022	2021
Liabilities			
Financial liability			
At fair value in result		-	196.196
Derivative financial instruments	6	-	37.382
Obligations on loans and transfers	12b	-	158.814
At amortized cost		6.413.381	5.246.746
Clients' Deposits	12	2.139.016	1.671.795
Raising in open market	12	31.006	-
Acceptance funds and issue of securities	12	100.128	-
Obligations on loans and transfers	12b	4.143.231	3.574.951
Other liabilities		320.115	375.263
Taxes payable	14e	81.216	61.989
Other liabilities	14b	91.702	145.865
Contingent liability	13	20.739	32.343
Net worth	15	2.119.104	1.954.173
Capital Stock - Domestic		2	2
Capital Stock - Foreign		1.559.697	1.559.697
Retained Earnings		568.916	431.655
Adjusts of equity valuation		20.667	23.585
Actuarial liabilities adjustments		(16.116)	(9.603)
Gain and Losses - Hedge		(14.062)	(51.163)
Total liabilities and net worth		8.852.600	7.772.378

The explanatory notes are an integral part of the consolidated financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.

Income Statement

Fiscal Years closed on December 31, 2022 and 2021

(In thousands of reais)

	Notes	2022	2021
Interest income calculated using effective rate method	16	490.898	295.825
Other interest revenue	17	303.554	105.878
Interest expense and similar	18	(296.282)	(522.836)
Net interest income and similar		498.170	(121.133)
Net income of fees		89.872	45.546
Net revenues of fees and services rendering	19	93.044	48.331
Fees expenses	19	(3.172)	(2.785)
Other Operational revenue (expenses)		(346.972)	309.008
Provisions (losses) with financial instruments	20	(355.580)	184.757
Exchange rates variations (net)	21	167.711	232.235
Provision for impairment	8e	1.163	(2.159)
Personnel expenses	22	(97.036)	(80.850)
Administrative expenses	23	(55.218)	(44.723)
Taxes expenses	24	(20.648)	(14.645)
Depreciation and amortization		(4.470)	(4.511)
Other operational revenue	25	24.693	47.628
Other operational expenses	26	(7.587)	(8.724)
Results before Tax on profit and sharing		241.070	233.421
Income tax and social contributions - Current		(81.216)	(61.989)
Income tax and social contribution - Deferred		(22.593)	(14.515)
Net profit of years attributed to the controlling party		137.261	156.917
Number of shares		1.559.699	1.559.699
Profit per thousand shares batch:		88,01	100,61

The explanatory notes are an integral part of the consolidated financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.

Comprehensive Statement of Income

Years closed December 31, 202 [sic] and 2021

(In thousands of reais)

	2022	2021
Net earnings of the years	137.261	156.917
Comprehensive result to be classified to net profit:	(6.513)	1.266
Variation of fair value.	(11.842)	2.302
Deferred taxes	5.329	(1.036)
Comprehensive result not to be classified to net profit:		
Defined benefit plan	37.101	(47.193)
Variation of fair value.	67.456	(85.805)
Deferred taxes	(30.355)	38.612
Comprehensive net profit	167.849	110.990

The explanatory notes are an integral part of the consolidated financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.

Statement of changes in net worth

Fiscal Years closed on December 31, 2022 and 2021

(In thousands of reais)

	Notes	Paid-up capital	Retained Earnings - Legal	Retained Earnings - Statutory	Other comprehensive results - Own	Other comprehensive results - Gain and Losses - Hedge	Other comprehensive results - Actuarial liabilities adjustments	Other comprehensive results - Exchange rate adjustment Investment Abroad	Retained earnings	Total
Balances on December 31, 2020		1.559.699	15.867	258.871	3.299	(3.970)	(10.869)	20.635	-	1.843.532
Adjustment to market value - Securities and derivatives		-	-	-	(4.292)	(47.193)	-	331	-	(51.154)
Adjustments - actuarial liabilities		-	-	-	-	-	1.266	-	-	1.266
Exchange rate adjustment Investment Abroad		-	-	-	-	-	-	3.612	-	3.612
Profit of the year		-	-	-	-	-	-	-	156.917	156.917
Allocations:		-	7.846	149.071	-	-	-	-	(156.917)	-
Legal Reserve		-	7.846	-	-	-	-	-	(7.846)	-
Statutory Reserve		-	-	149.071	-	-	-	-	(149.071)	-
Balances as of 12/31/2021		1.559.699	23.713	407.942	(993)	(51.163)	(9.603)	24.578	-	1.954.173
Changes of the year		-	7.846	149.071	(4.292)	(47.193)	1.266	3.943	-	110.641
Balances as of 12/31/2021		1.559.699	23.713	407.942	(993)	(51.163)	(9.603)	24.578	-	1.954.173
Adjustment to market value - Securities and derivatives		-	-	-	827	37.101	-	-	-	37.928
Adjustments - actuarial liabilities		-	-	-	-	-	(6.513)	-	-	(6.513)
Exchange rate adjustment Investment Abroad		-	-	-	-	-	-	(3.745)	-	(3.745)
Profit of the year		-	-	-	-	-	-	-	137.261	137.261
Allocations:		-	6.839	130.422	-	-	-	-	(137.261)	-
Legal Reserve		-	6.839	-	-	-	-	-	(6.839)	-
Statutory Reserve		-	-	130.422	-	-	-	-	(130.422)	-
Balances as of 12/31/2022		1.559.699	30.552	538.364	(166)	(14.062)	(16.116)	20.833	-	2.119.104
Changes of the year		-	6.839	130.422	827	37.101	(6.513)	(3.745)	-	164.931

The explanatory notes are an integral part of the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.

Cash Flows Statements

Fiscal Years closed on December 31, 2022 and 2021

(In thousands of reais)

	2022	2021
Cash flow of operational activities		
Net earnings of the years	137.261	156.917
Included adjustment do not affect the cash flow:		
Depreciations And Amortizations	4.470	8.822
Provision for impairment	477	(205)
Adjustment to market value - Securities and derivatives	37.928	(51.154)
Actuarial liabilities adjustments	(6.513)	1.266
Exchange rate adjustment Investment Abroad	(3.745)	3.612
Net profit before changes in working capital	169.878	119.258
Variation in:		
Deposits linked to Central Bank	490	(369)
Derivative financial instruments	(181.122)	(3.903)
Bonds and securities	391.538	(332.075)
Investment in interbank deposits	(180.491)	(69.602)
Loans and receivables from clients	(299.796)	(217.040)
Debtors by deposits in guarantee.	13.727	1.007
Tax credit	(3.807)	(4.046)
Other assets	(12.999)	(36.316)
Deferred Income Tax and Social Contribution	47.395	(81.797)
Clients' Deposits	467.221	(631.730)
Funding in open market	31.006	-
Security issued	100.128	-
Provisions	(11.604)	(32.195)
Interdependences Relationship	(9.240)	27.828
Taxes payable	19.227	33.174
Other deferred taxes	632	55.493
Other liabilities	(54.163)	70.724
Net cash generated by (invested on) financing activities	(1.553.035)	(1.101.589)
Cash flow from investing activities:		
Disposal/purchase of tangible assets	636	(13.633)
Investment in intangible assets	(270)	(968)
Net cash from (used on) investment activities	366	(14.601)
Cash flows from financing activities		
Obligations on loans and transfers	409.466	360.179
Net cash generated by (used on) financing activities	409.466	360.179
Net increase (reduction) in cash and cash equivalents	(1.143.203)	(756.011)
Cash and cash equivalents at the beginning of the year	1.541.807	2.297.818
Cash and cash equivalents at the end of the year	398.604	1.541.807
Net increase (reduction) in cash and cash equivalents	(1.143.203)	(756.011)

The explanatory notes are an integral part of the financial statements.

Explanatory notes to financial statements

(Values expressed in thousands of Reais)

1 Operational context

Banco Sumitomo Mitsui Brasileiro S.A. ("Bank") is incorporated as a multiple bank, operating the commercial portfolios, including foreign exchange and investment transactions. The Bank is a wholly owned subsidiary of our parent company, SMBC Tokyo - Japan.

The consolidated IFRS Banco Sumitomo (“SMBCB” or “Consolidated”) is composed of Banco Sumitomo Mitsui Brasileiro S.A. and SMBCB Onshore Fundo de Investimento Multimercado Investimento no Exterior (“SMBCB Onshore”), in which the Bank is an exclusive shareholder.

2 Basis of preparation

a. Compliance declaration

The consolidated financial statements have been drafted in accordance with International Accounting Standards (“IFRS”), issued by the International *Accounting Standards Board* (“IASB”), and the interpretations of the International Accounting Standards Interpretations Committee (“IFRIC”).

The Executive Board authorized the issuance of the financial statements on March 31, 2023.

b. Use of estimates and judgments

In the process of drafting the consolidated financial statements, Management has exercised its best judgment and used estimates to calculate certain amounts recognized in these statements:

Continuity

Management has evaluated the SMBCB’s ability to continue operating normally and is satisfied it has the resources to continue its business in the future. Moreover, Management is not aware of material uncertainties that should generate significant doubts as to its ability to continue operating, thus the consolidated financial statements were drafted considering this principle.

Fair value of the financial instruments

The fair value of financial assets and liabilities accounted for in the balance sheet was either derived from prices quoted in an active market or determined using mathematical models for pricing.

Measurement of provision for expected losses

The measurement of the provision for expected credit loss requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Several significant judgments are required in the use of accounting requirements for the measurement of expected losses, such as:

- Determination of criteria for a significant increase in credit risk;
- Appropriate choice of models and assumptions suitable for the measurement of expected losses;
- Establishment of groups of similar financial assets for the purpose of measuring expected losses.

Deferred taxes

Deferred taxes are recognized on tax losses and temporary differences to the extent the taxable income is likely to be available in the period in which the losses should be utilized. A judgment is required to determine the amount of deferred future tax asset that should be recognized, based on the likely flow of future taxable income, together with tax planning strategies, if any.

Contingent Assets and Liabilities

Represented by potential rights and obligations arising from past events which occurrence depends on future events.

Contingent assets - are not recognized, except when there is evidence to ensure their realization.

Contingent liabilities - basically result from judicial and administrative proceedings, inherent to the normal course of business filed by third parties in civil, labor, tax and social security lawsuits and other risks.

Recently issued accounting pronouncements applicable in future periods

- **IFRS 17 – Insurance Contracts**: the pronouncement replaces IFRS 4 – Insurance Contracts. It presents three approaches to the evaluation of insurance contracts:

- Standard Model: applicable to all contracts, especially long-term contracts;

- *Premium Allocation Approach (PAA)*: applicable to contracts lasting up to 12 months and cash flows of low complexity. It is more simplified than the standard model, but can be used only when it produces results similar to the one that would be obtained if the standard model were used;

- *Variable Fee Approach*: specific approach to contracts with participation in the investments yields.

Insurance contracts must be recognized through the analysis of four components:

- Expected Future Cash Flows: estimate of all components of the cash flow of the contract, considering inflows and outflows of funds;

- Risk Adjustment: estimate of the offset required for deviations that may occur between cash flows;

- Contractual Margin: difference between any amounts received before the beginning of the contract coverage and the present value of the estimated cash flows at the beginning of the contract;

- Discount: projected cash flows must be discounted at present value, in order to reflect the value of money in time, by rates that reflect the characteristics of the respective flows.

This standard is applicable to the years starting on or after January 1, 2023. The possible impacts arising from the adoption of this standard are evaluated and should be completed by the date of entry into force of the standard.

- **Change on IAS 1 "Presentation of Financial Statements":** the purpose of one of the changes is to clarify that liabilities are classified as current or non-current, subject to the rights existing at the end of period. The classification is not affected by expectations of entity or evens after the report date. Another change was made to require that only information about material accounting policies are disclosed, eliminating information disclosures that duplicate or summarize the requirements of IFRS standards. The change in IAS 1 is in force as of January 1st, 2023.

- **Change on IAS 8 -** Accounting Policies, Change of Estimates and Rectification of Error: clarifies how the entities shall distinguish the changes in accounting policies from the changes in accounting estimates, as the changes in accounting estimates are applied prospectively to future transactions and other future events, but the changes in accounting policies are generally applied retrospectively to the previous transactions and other previous events, as well as the current period. The change is applicable as of January 1st, 2023.

- **Change on IAS 12 - Taxes on Profit**: requires to entities to recognize the deferred tax on the transactions which in initial recognition originate amounts equal to the temporary taxable and deductible differences. Regularly this applies to the leasing transactions (assets of right of use and leasing liabilities) and decommissioning and restoration obligations, for instance, and require the recognition of the additional deferred tax assets and liabilities. The change is applicable as of January 1st, 2023.

3 Main accounting practices

a. Functional currency and foreign currency transactions

The result and financial position of SMBCB are expressed in Reais, which is the functional and presentation currency of the consolidated financial statements.

Currency exchange variations arising from the translation of foreign currency balances into functional currency are generally recognized at their net value as “Exchange Differences (Net)” in the income statements, with the exception of currency exchange variations arising from financial instruments at fair value in income, which are recognized in the income statements as “Gains (losses) on financial assets (net)” without distinguishing them from other variations in fair value.

The effect of currency exchange variation resulting from the translation of foreign currency transactions and financial statements invested abroad are recorded in detached equity accounts in accordance with IAS 21.

b. Financial Instruments

The classification and measurement of SMBCB's financial instruments are carried out in accordance with IFRS 9 and are described below:

(i) Initial recognition

Recognition date

A financial asset or liability, exception credit transactions and time deposits, is recognized in the balance sheet when the SMBCB becomes a party of the contractual provisions of the instrument, which usually occurs on the trade date.

Loans and advances to clients are recognized when cash is transferred to borrowers.

Time deposits are recognized when clients transfer funds to SMBCB.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model used by SMBCB in the management of its instruments.

Financial instruments are initially measured at their fair value, except in the case of financial assets or liabilities recorded at fair value through income, the costs attributable to the transaction are added to, or subtracted from, that value.

(ii) Classification and measurement of the financial assets

a. Business model evaluation

SMBCB classifies its financial assets based on the business model used in the management of these assets and their contractual terms, causing them to be measured (i) at amortized cost, (ii) at fair value through other comprehensive income (FVOCI) and (iii) at fair value through income (FVI).

SMBCB classifies and measures its trading portfolio and its derivative instruments in FVI.

Financial liabilities, other than those related to loan commitments, are measured at amortized cost or FVI when they are held for trading and derivative instruments or the designation at fair value is applied.

b. SPPI Test ("Solely Payment of Principal and Interests")

As a second step in the classification process, the SMBCB evaluates the contractual terms of financial assets to verify whether they have cash flows representing only payments of principal and interest, meeting the SPPI test (Solely payment of principal and interests).

"Principal", for such test, is defined as the fair value of the financial asset at initial recognition and should change over its life (for example, if there are payments of principal).

The most significant elements of interest in a basic loan agreement are consideration for the time value of money and credit risk. To apply the SPPI test, the SMBCB evaluates and considers relevant factors, such as, for example, the currency in which the financial asset is denominated and the period for which the interest rate is set.

On the other hand, contractual terms that introduce a material exposure to volatility risks in contractual cash flows unrelated to a basic loan agreement do not give rise to cash flows representing only payments of principal and interest. In such cases, the financial asset must be measured at fair value through income.

Financial instruments at amortized cost

A financial asset, provided that it is not designated at fair value through profit or loss on initial recognition, is measured at amortized cost if both of the following conditions are met:

It is maintained within a business model which purpose is holding assets for receiving contractual cash flows; and

The contractual terms of the financial asset represent contractual cash flows which represent only payments of principal and interest.

Amortized cost is the amount by which a financial asset or financial liability is measured at initial recognition less repayments of principal, plus or minus the accumulated amortization using the actual interest rate method of any difference between that initial amount and the maturity value, and, for financial assets, adjusted for any provision for loss.

The actual interest rate is the rate discounting exactly the estimated future cash payments or receipts over the expected life of the financial asset or financial liability to the gross book value of a financial asset (i.e., its amortized cost before any provision for impairment) or the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts, and fees or receipts which are an integral part of the actual interest rate, such as origination fees.

Interest income from financial assets measured at amortized cost is included in “Interest income”, using the actual interest rate method.

Financial liabilities are classified as measured after amortized cost, except for financial liabilities at fair value through income. This classification is applied to derivatives, where applicable, to liabilities designated at initial recognition.

Financial instruments at the fair value through P&L.

Items at fair value through P&L comprise items held for trading and items designated at fair value through P&L on initial recognition. In addition, under IFRS 9, debt instruments with contractual terms which do not only represent payments of principal and interest are also measured at fair value through P&L.

Financial instruments measured at fair value through P&L are initially recognized at fair value, and transaction-related costs are recognized in P&L when spent. Subsequently, these instruments are measured at fair value and any gains or losses are recognized in income as they are determined.

When a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit quality of the counterparty, representing changes in fair value attributable to credit risk.

When a financial liability is designated at fair value through P&L, the change in fair value attributable to changes in SMBCB's credit quality is presented in other comprehensive income.

Derivative instruments are measured at FVI and recorded as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Derivatives with collateral which are settled daily at net value through a clearance chamber (e.g., futures trades) are recorded at the amount pending settlement overnight.

Financial instruments at fair value through other comprehensive income - equity instruments

Equity instruments are instruments meeting the definition of equity from the issuer's perspective; that is, instruments without a contractual obligation to pay (cash or any other financial asset to the other entity) which evidence a residual interest in the issuer's equity.

SMBCB should make an irrevocable choice to present changes in the fair value of investments in equity instruments in other comprehensive income which are not held for trading and are not a contingent consideration recognized by SMBCB in a business combination.

In this case, the balances recognized in other comprehensive income are not subsequently transferred to income. Only dividends received from these investments are recognized in income.

Financial instruments at fair value through other comprehensive income - debt instruments

Debt instruments are instruments meeting the definition of a financial liability from the perspective of the issuer, such as loans, public and private securities. The classification and subsequent measurement of debt instruments depends on the business model to manage the asset's cash flow characteristics.

Investments in debt instruments are measured at fair value through other comprehensive income (FVOCI) when:

They have contractual terms originating cash flows on specific dates, which represent only payments of principal and interest on the outstanding principal balance; and

They are maintained within a business model which purpose is achieved both by receiving and selling contractual cash flows.

These debt instruments are recognized at first at fair value plus transaction costs directly attributed and subsequently measured at fair value. Gains and losses arising from changes in fair value are recorded in other comprehensive income. The result of impairment losses, interest income and exchange variation gains and losses are recorded in income on settlement of the debt instrument, gains or losses accrued in other comprehensive income are reclassified to income.

The measurement of impairment is based on the three-stage model of expected losses, as described in note 3 (c).

(iii)Hierarchy of fair value.

Fair value is the value at which an asset can be sold, or a liability settled, between independent parties with knowledge of the business and interested parties, under competitive and normal market conditions, on the valuation date.

Financial instruments are measured according to the fair value hierarchy described below:

Level 1: Quoted market prices (without adjustments) in active market to identical assets and liabilities; They include government bonds, shares of listed companies, purchased /sold positions, futures and units of investment funds with immediate liquidity.

Level 2: Valuation techniques for which the lowest and most significant level information for fair value measurement is directly or indirectly observable. They include over the counter derivatives and units of investment funds without immediate liquidity.

Level 3: Valuation techniques for which the lowest and most significant level information for fair value measurement is not available.

(iv) Reclassification of financial instruments

SMBCB does not reclassify its financial assets after their initial recognition, other than the exceptional circumstances in which it initiates, sells or terminates a line of business. In these cases, the reclassification occurs from the beginning of the first presentation period after the change. These changes are expected to be very infrequent. Financial liabilities are never reclassified.

(v) Derecognition of financial assets and liabilities

Derecognition due to substantial changes in contractual terms and conditions
SMBCB derecognizes a financial asset, such as a credit operation granted to a client, when the terms and conditions of the operation are renegotiated to an extent that substantially makes it a new transaction, and the difference is recognized as a result of the year as derecognition gains or losses.

The new recognized transaction is classified in Stage 1 for the purpose of measuring its expected losses, unless it is determined to be an operation originated with credit recovery problems.

If the renegotiation does not result in substantially different cash flows, the change does not result in a derecognition of the transaction. Considering the change in cash flows discounted by the original actual interest rate of the transaction, SMBCB recognizes a gain or loss of change.

Derecognition of the financial assets
Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows of the assets have expired or become uncollectible, or if they have been transferred to a third party and (i) SMBCB transfers substantially all the risks and benefits of ownership, or (ii) SMBCB does not transfer, does not retain substantially all the risks and benefits of ownership and no longer has control of the transferred asset. The derecognition is made by the Group when the financial asset has a delay exceeding 360 days.

Derecognition of the financial liabilities
A financial liability is derecognized when the obligation related to that liability is waived, canceled or expired.

When an existing financial liability is replaced by another from the same counterparty with different terms or the terms of the existing liability are substantially modified, such exchange or modification is processed as derecognition of the original liability and recognition of a new liability. The difference between the book value of the original liability and the paid amount is recognized in income.

c. Impairment

Overview of the principles used in determining expected credit losses

SMBCB records the provision for expected credit losses (“ECL”) for its loans and advances to clients, other debt instruments not measured at FVI and for the limits of credits granted and unused, which in this section are considered as "financial instruments".

The ECL provision is based on the expectation of credit losses arising over the useful life of the asset (lifetime expected loss or Life ECL), unless there has been no significant increase in credit risk since its origination, in which case the provision is based on the expectation of losses for 12 months (12-month ECL).

The 12-month ECLis the part of Life ECL representing the expected losses arising from events of default which occurrence is possible within 12 months after the base date of the consolidated financial statements.

The 12-month ECL and the Life ECL are calculated both on an individual basis and on a collective basis, depending on the nature of the portfolio of financial instruments.

SMBCB has established as a policy to assess, at the end of each period of disclosure of its financial statements, whether the credit risk of a financial instrument has increased significantly since its initial recognition, considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, SMBCB distributes its financial instruments in stages (Stage 1, Stage 2 and Stage 3), as described below:

Stage 1: When financial instruments are initially recognized, SMBCB recognizes a 12-month EL-based provision. In Stage 1, it also includes transactions that have improved their credit risks and have been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since its origination, SMBCB records a provision for Life EL. Stage 2, also includes transactions that have improved their credit risks and have been reclassified from Stage 3.

Stage 3: Financial instruments considered to have recovery problems. SMBCB records a provision for Life EL.

(i) Calculation of expected losses

SMBCB calculates EL to measure the expected cash shortfall, discounted to present value. A cash shortfall is the difference between the cash flows due to an entity under the transaction contract and the cash flows the entity expects to receive.

The EL calculation mechanisms are described below and their main elements are:

Probability of default (*PD*): is an estimate of the probability of default over a certain time horizon.

Exposure at default - *EAD*: is an estimate of the exposure on the future date of default, considering the expected changes in the exposure after the base date of the consolidated financial statements, including payments of principal and interest, use of limits and interest calculated on outstanding payments.

Loss given default (*LGD*): is an estimate of loss originated in the event that the default occurs at a certain time. It is based on the difference between the contractual cash flows due and the flows the entity expects to receive, including those arising from the performance of guarantees. It is usually expressed as a percentage of EAD.

The maximum period for which credit losses are determined is the contractual term of the financial instrument, unless the SMBCB has the legal right to settle in advance.

The mechanisms for EL determination are described as follows:

Level 1: SMBCB calculates the 12-month EL provision based on the expected occurrence of default in the 12 months following the reporting date. These 12-month default probabilities are applied over the EAD forecast and multiplied by the expected LGD discounted to present value.

Level 2: In significant increase in credit risk since its origination, SMBCB recognized provision of Life EL. The mechanisms are similar to those explained above, but PDs and LGDs are estimated over the life of the instrument. The expectation of insufficient cash is discounted to present value.

Level 3: For transactions considered to have recovery issues, SMBCB recognizes expected credit losses over the life of those transactions. The method is similar to that used for Stage 2 transactions, however the PD is determined at 100%.

Credit limits: when estimating Life EL for unused credit limits, SMBCB estimates the portion of the granted limit to be used over its lifetime. The EL is then based on the present value of cash flows shortfall if limit is used. The expected cash shortfall is discounted at present value.

(ii) Debt instruments measured at FVOCI

The PE of debt instruments measured at FVOCI does not reduce the book value of these financial assets on the balance sheet, which remain at fair value. Instead, an amount equal to the provision that would arise if the assets were measured at amortized cost is recognized in other comprehensive income against the result. The accumulated loss recognized in other comprehensive income is transferred to income upon derecognition of the assets.

d. Repo transactions

Purchases of financial assets based on a non-optional resale contract at a fixed price are recognized in the balance sheet as financing granted, based on the nature of the debtor, under the item "Investments in repo transactions".

e. Tangible Assets

Tangible assets include the data processing system, communication items, facilities and furniture and equipment for use owned by SMBCB, which are showed at acquisition cost, deducting the respective accrued depreciation, if any, any loss by impairment (net book value higher than recoverable amount).

Such assets are initially recognized at acquisition cost plus all incremental costs necessary to have the asset in place and condition of use, and the costs subsequently made with these assets are immediately recognized under "other administrative expenses".

Depreciation is determined by the straight-line method based on the useful life estimated at 5 years for data processing systems, and 10 years for communication systems, facilities and furniture and equipment in use.

SMBCB assesses at the base date of the financial information, whether there is any indication that an asset should be non-recoverable (i.e., its book value exceeds its recoverable amount).

If such a situation occurs, the book value of the asset is reduced to its recoverable value and future depreciation expenses are adjusted in proportion to the revised book value and the new remaining useful life (if the useful life needs to be revalued).

f. Intangible Assets

Intangible assets represent identifiable assets (separable from other assets) without physical substance resulting from a legal right or other type of contract that gives the Bank actual control of the asset or are developed internally by the Bank. Assets are only recognized when cost could be reliably estimated from which Bank deems to be probable the generation of future economic benefits.

Intangible assets are initially recognized at acquisition or production cost, plus the costs to place them in a situation and condition of use. These assets are subsequently measured at acquisition cost less any accrued amortization and any discounts to recoverable value.

They are composed substantially by software purchased from external suppliers. These expenses are amortized over the term of these software licenses.

g. Provisions and contingent liabilities and assets

The Managers, in preparing their consolidated financial statements, make a distinction between:

Provisions: credit balances representing present obligations (legal or presumed) on the balance sheet date arising from early events which occurrence is considered probable and which nature is certain, although the amount and/or date are uncertain.

Legal obligations: derive from legally or contractually established obligations, arising from past events, substantially represented by tax obligations which legality and constitutionality of the laws that established them are challenged in court.

Contingent liabilities: possible obligation originating from early events which existence shall only be confirmed by occurrence or non-occurrence of one or more future events which are not entirely on the Bank’s control. They include the present obligations of the Bank if it is not probable that an outflow of funds should be required for its liquidation.

Contingent assets: assets originating from early events which existence depend and should be confirmed only by occurrence or non-occurrence of future events which are not entirely on Bank’s control. Contingent assets are not recognized in the statement of financial position, but disclosed in the explanatory notes, except when it is probable that these assets should give rise to an increase in funds that incorporate economic benefits.

SMBCB's consolidated financial statements include all substantial provisions for which is highly possible that the obligation shall have to be settled. According to accounting standards, contingent liabilities should not be recognized in the consolidated financial statements, but rather disclosed in the explanatory notes.

Provisions are used to meet the specific obligations for which they were originally recognized. Such provisions are constituted based on the best available information on the events giving rise to it, and are reviewed and adjusted (when necessary) at the end of the period. They are fully or partially reversed provisions when obligations cease to exist or are reduced.

h. Recognition of income and expenses

The most significant criteria used by SMBCB to recognize its revenue and expenses are summarized below:

(i) Interest income and expense

Interest income and expenses and the like, fees paid or received which are components of the expected return of the transaction and all inherent costs linked to the origination of the asset or raising of the liability are recognized in income over the term of the originated financial instruments (accrual basis) using the actual interest rate method.

(ii) Dividends revenue

Dividends received from investments which are not considered as affiliated or controlled companies are recognized as income when the right to receive them is originated to the Bank (resolution of the Board of Directors).

(iii) Fees and similar items

Revenue and expenses from fees are recognized in the income statement using the criteria varying according to its characteristics of each transaction originating them. The main criteria are the following:

Revenue and expenses from fees regarding the financial assets and financial liabilities measured at fair value in results are recognized when paid.

Revenues or expenses received or paid as a result of the rendering of services are recognized on a straight-line basis for the period of time while the rendering of these services lasts;

Revenues and expenses received or paid as a result of service rendering which value is uncertain or establishing the right to receive or pay is subject to one or more future events where the occurrence is uncertain are recognized in a single act when the amount receivable becomes known or when the future event actually takes place.

i. Income Tax

Income tax is calculated at the base rate of 15% of taxable income, plus an additional 10% on taxable income exceeding BRL 240 in the year. The social contribution on net income was calculated considering the 20% rate, after making the adjustments determined by the tax legislation.

On April 28, 2022, MP # 1.115 was published, which increased the CSLL rate of financial institutions from 20% to 21% of taxable income, between August 1, 2022 and December 31, 2022, returning to 20% as of January 1, 2023.

According to the provisons in regulation in force, the expectation of realization of SMBCB's tax credits is based on forecast of future results and based on a technical study.

The expectation of recovery of tax credits is 10 (ten) years. The offset depends on the nature of the credit generated, arising from tax loss, negative basis and temporarily non-deductible differences, composed of provision for expected losses and fair value of financial instruments.

The constitution, realization or maintenance of tax credits are periodically evaluated, which parameter is the generation of taxable profit for income tax and social contribution purposes in an amount that justifies the performance of such amounts.

Income tax expense is recognized in the income statement, except when it results from a transaction recognized directly in net worth , in which case the tax effect shall also be recognized in net worth.

Deferred tax assets and liabilities include temporary differences, identified as the amounts payable or recoverable on differences between the book value of the assets and liabilities and their respective bases of calculation. These amounts are measured at the rates expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax assets are recognized for temporary differences only to the extent it is considered probable that SMBCB should have sufficient future taxable profits against which the deferred tax assets can be used, and the deferred tax assets do not result from the initial recognition (other than in a business combination) of other assets and liabilities in transaction affecting neither actual profit nor accounting profit.

The recognized deferred tax assets and liabilities are revalued on the date of each balance sheet, in order to determine if they still exist, making the appropriate adjustments based on the findings of the analyzes carried out.

j. Financial guarantees

Financial guarantees are defined as contracts by which an entity undertakes to make specific payments on behalf of a third party, if it does not do so, regardless of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the entity, among others.

Financial guarantees, regardless of the guarantor or other circumstances, are reviewed from time to time for the determination of the credit risk to which they are exposed and, as the case may be, to consider whether a provision is required. Credit risk is determined by applying criteria similar to those established for the quantification of impairment losses of financial instruments valued at amortized cost.

k. Benefits plan to employees

The post-employee benefit plan comprises the commitment made by SMBCB to complement the benefits of the pension system.

Defined benefit plan

For this type of plan, the Sponsor's obligation is to provide the agreed benefits to employees, assuming the potential actuarial risk that the benefits should cost more than expected.

The present value of the defined benefit obligation is the present value, without deduction of any plan assets, the expected future payments required to settle the obligation resulting from the employee's service in the current and past periods.

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) adjustments for experience (effects of differences between the actuarial assumptions adopted and that actually occurred); and (b) effects of changes in actuarial assumptions.

Full recognition is made in a liability account when unrecognized actuarial losses (actuarial deficit) occur, in offsetting entry to a net worth account ("Other Comprehensive Income").

Defined benefit plans are recorded based on an actuarial study, carried out annually by an external consulting entity, at the end of each year in force for the subsequent period.

l. Cash flow statements

The words below are used in the cash flow statement with the following meaning:

Cash and cash equivalents: are represented by cash and cash equivalents in national or foreign currency, investments in repo operations and investments in interbank deposits, which maturity of transactions on the actual date of the investment is equal to or less than 90 days and present an insignificant risk of change in fair value, and used to manage short-term commitments.

Cash flows: are inflows and outflows of cash and cash equivalents.

Operational activities: the main activities generating revenue of the entity and other activities, which are not financing or investment activities.

Investment activities: the purchase and sale of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: activities that result in changes in the size and composition of net worth and the indebtedness of the entity.

m. Uncertainty about Income Tax treatments: clarifies how to apply the recognition and measurement requirements of IAS 12 - Income Taxes when there is uncertainty about the acceptance of income tax treatments by the tax authority.

4 Cash and cash equivalents

	2022	2021
Bank accounts:		
Local currency	81,448	40,191
Foreign currency	29,970	555,105
Interbank investment of Liquidity		
Investment in open market	-	910,312
Investment in interbank deposits	161,945	36,198
Investment in foreign currency	125,241	1
	398,604	1,541,807

5 Deposits linked to Central Bank

	2022	**2021**
Deposits linked to Central Bank	2,525	3,015
	2,525	3,015

6 Financial derivative instruments (assets and liabilities)

Derivative instruments, composed by Swap, *Non-Deliverable Forward* – NDF and Futures transactions are held in custody at B3 S.A. – Brasil, Bolsa, Balcão in stock exchange over the counter ("OTC") modalities.

a) Breakdown of derivative financial instruments

	2022			**2021**
	Asset Leg	**Liability Leg**	**Notional**	**Notional**
SWAP Transactions				
CDI X PRE	-	-	-	499
PRE x CDI	36	11,091	553,649	83,800
PRE x DOLLAR	23,819	2,583	470,824	685,774
CDI x DOLLAR	199,002	12,712	3,069,408	1,348,575
NDF Transactions				
PRE x DOLLAR	7,829	10,493	245,966	212,858
DOLLAR X PRE	8,006	53,459	330,283	289,806
PRE x EUR	-	273	1,679	59
PRE x YENE	-	3,382	1,013,186	1,885,697
Credit value adjustment (CVA)				
CVA	(959)	-	-	-
Total	237,733	93,993	5,684,995	4,507,068

b) Breakdown of par value by maturity

	2022				**2021**
	Up to 90 days	**From 91 up to 360 days**	**More than 360 days**	**Total**	**Total**
SWAP Transactions					
CDI X PRE	-	-	-	-	500
PRE x CDI	2,200	16,800	534,649	553,649	83,800
PRE x DOLLAR	70,257	241,567	159,000	470,824	685,774

CDI x DOLLAR	72,000	40,000	2,957,408	3,069,408	1,348,574
NDF Transactions					
PRE x DOLLAR	180,291	65,675	-	245,966	212,858
DOLLAR X PRE	77,722	212,640	39,921	330,283	289,806
PRE x EUR	1,022	657	-	1,679	59
PRE x YENE	713,186	1,300,000	-	2,013,186	1,885,697
Total	1,116,678	1,877,339	3,690,978	6,684,995	4,507,068

c) Comparison of par value by trading place

	2022			2021
	Stocks Exchange	OTC	Par value	Par value
Swaps	-	4,093,881	4,093,881	2,118,648
NDF	-	2,591,114	2,591,114	2,388,420
Total	-	6,684,995	6,684,995	4,507,068

d) Comparison: Amortized cost x Fair value

	2022		2021
	Amortized cost	Fair value	Fair value
Assets (receivable)			
SWAP Transactions	109,252	222,857	13,007
NDF Transactions	19,540	15,835	52,163
Credit value adjustment (CVA)			
CVA	-	(959)	(89)
Liabilities (Payable)			
SWAP Transactions	(60,155)	(26,386)	(67,312)
NDF Transactions	(71,427)	(67,607)	(35,151)
Total	(2,790)	143,740	(37,382)

e) Hedge accounting

On December 31, 2022 and 2021, the SMBCB has derivative financial instruments transactions with the purpose of mitigating the effect of the currency exchange variation of funding made in foreign currency and pre-fixed credit transactions in reais. Such transactions were designated as *hedge* accounting and were segregated between:

Market risk *hedge* – intended to offset the risks arising from the exposure to the variation in the fair value of the *hedged* item and its valuation or devaluation is recorded in the income or expense accounts in the income of the period. The respective *hedged* items are adjusted by the fair value on the balance sheet date.

***Cash flow hedge* –** is intended to offset the variation in estimated future cash flow and its valuation or devaluation is recorded against the offsetting entry in net worth, less tax effects.

e.1 - Fair value assessment of derivative financial instruments by maturity range and index – Market risk *hedge*

Maturities - Fair Value - 2022					
Description	**Index**	**Up to 12 months**	**1 up to 3 years**	**3 up to 5 years**	**Total**
Futures	Foreign exchange coupon	(104,916)	(346,632)	-	(451,548)
Total		(104,916)	(346,632)	-	(451,548)

	2022	**2021**
Hedged item		
Assets		
Investment in interbank deposits		
Value updated by agreed conditions	258,891	-
Adjustment amount	(215)	-
Fair value	259,106	-
Working capital		
Value updated by agreed conditions	154,208	-
Adjustment amount	222	-
Fair value	153,986	-
Export credit notes		
Value updated by agreed conditions	52,150	-
Adjustment amount	(26)	-
Fair value	52,176	-
Liabilities		
Transfer transactions		
Value updated by agreed conditions	-	(157,715)
Adjustment amount	-	1,099
Fair value	-	(158,814)
Total Value at market Hedged item	465,268	(158,814)
Hedge instrument at market		
Assets		
Futures	-	476,697
Liability		
Futures	(451,548)	-
Hedge reserve of Cash Flow (*)	(17,213)	-
Total Value at market Hedge instrument	(468,761)	476,697

(*) The amount of BRL (17,213) in cash flow hedge reserve, net of tax effects, refers to the balance frozen on December 31, 2022 of the transactions designated at the cash flow hedge and were redesignated in December 2022. The frozen balance shall be recognized in the income statement for the maturity of the hedging instrument.

e.2 - Fair value assessment of derivative financial instruments by maturity range and index – Cash flow hedge

Maturities - Fair Value - 2022

Description	Index	Up to 12 months	1 up to 3 years	3 up to 5 years	Total
Futures	Foreign exchange coupon	1,287,292	1,228,242	149,499	2,665,033
Total		1,287,292	1,228,242	149,499	2,665,033

	2022	2021
Hedged items		
Liability		
Transfer transactions		
Value updated by agreed conditions	(2,721,989)	(2,048,602)
Hedge instrument		
Assets		
Futures	2,665,033	1,626,210
Hedge Reserve of Cash Flow	(130,980)	(51,163)

The amount of BRL (130,998) on December 31, 2022 and BRL (51,163) on December 31, 2021 in Cash Flow Hedge Reserve shall be recognized in profit or loss over the maturity of the hedged object.

7 Financial assets at fair value

a) Fair value through other comprehensive income (FVOCI)

Breakdown

	Level 1	
Own portfolio	**2022**	**2021**
Debt instruments:		
Government bonds	1,290,600	1,647,480
Equity instruments:		
Investment Fund's units	337	300
	1,290,937	1,647,780

Explanatory note # 30 Risk Management - contains details of the maturity periods of financial assets at fair value through other comprehensive income.

Segregation by fair value hierarchy

	2022		2021	
	Level 1	**Level 2**	**Level 1**	**Level 2**

Own portfolio				
Debt instruments:				
Treasury Bonds	723,917	-	1,112,209	-
Equity instruments:				
Investment Fund's				
FIP	337		300	
Debt instruments:				
Linked to the rendering of guarantees:				
Government Bonds	566,683	-	535,271	-
	1,290,937	-	1,647,780	-

The government bonds are book-entry and are registered in the Special Settlement and Custody System of the Central Bank of Brazil (SELIC).

8 Financial assets at amortized cost

a) Investment in interbank deposits

	Level 1	
	2022	**2021**
Interbank Deposit Certificates		
Non – related party	964,167	783,676
	964,167	783,676

Explanatory note # 30 Risk Management - contains details of the maturity periods of investments in interbank deposits and foreign currencies.

b) Securities

	Level 2	
	2022	**2021**
Debt instruments		
Debentures	495,971	530,666
	495,971	530,666

Explanatory note # 30 Risk Management - contains details of the maturity periods of investments in securities at amortized cost.

c) Loans and receivables from clients

	2022	**2021**
Description		
Transfer of foreign currency	175,355	184,951
Compror	-	6
Working capital	1,560,691	1,324,904
Export Credit Notes - ECN	335,357	178,458

Interbank transfers	401,872	535,121
Advances from currency exchange contract	881,985	841,446
income on advances	12,283	2,861
	3,367,543	3,067,747

d) By maturity

	2022	**2021**
Becoming due		
Up to 30 days	323,191	177,200
From 31 to 60 days	571,516	85,738
From 61 to 90 days	191,976	529,010
From 91 to 180 days	496,315	775,886
From 181 to 360 days	1,076,484	729,903
More than 360 days	708,061	770,010
	3,367,543	3,067,747

Segregation by maturity was carried out considering the outstanding installments on the balance sheet date.

The loans of the 20 largest debtors as of December 31, 2022 represent 90.20% of the credit portfolio (89.49% in 2021).

e) By activity sector

	2022	**2021**
Private sector:		
Industry:	1,283,941	1,091,164
Financial Institutions	401,872	535,121
Commerce	810,917	844,697
Other Services	572,886	337,775
Public sector		
Federal	297,927	258,990
	3,367,543	3,067,747

f) Expected credit losses

	Balances as of 12/31/2022			
	Levels			
	1	**2**	**3**	**Total**
Financial assets at amortized cost				
Expected credit losses				
Securities	(1,697)	-	-	(1,697)
Loans and receivables from clients	(4,534)	(17)	-	(4,551)
Financial guarantees provided (explanatory note # 14b)	(2,287)	-	-	(2,287)
Total	(8,518)	(17)	-	(8,535)

	Balances as of 12/31/2021			
	Levels			
	1	**2**	**3**	**Total**
Financial assets at amortized cost				
Provision for expected losses				
Securities	(1,331)	-	-	(1,331)
Loans and receivables from clients	(2,173)	(3)	-	(2,176)
Financial guarantees provided (explanatory note # 14b)	(2,514)	-	-	(2,514)
Total	(6,018)	(3)	-	(6,021)

SMBCB has not presented a provision for expected credit losses from instruments classified as FVOCI in 2022 and 2021.

g) Methodology for calculating the expected loss with the portfolio of loans and receivables from clients

The references below show how the evaluation and measurement of the impairment were carried out by SMBCB for the purpose of preparing these consolidated financial statements. They should be read together with the explanatory note describing the main accounting practices of SMBCB (explanatory note # 3 (c)).

Allocation in stages

As described in explanatory note 3 (c), SMBCB distributes its financial assets in stages (Stage 1, Stage 2 and Stage 3), according to their level of credit risk deterioration. To carry out this distribution, the following assumptions are considered:

(i) Significant increase in credit risk

SMBCB continuously monitors all assets subject to the provision for expected losses. In order to determine whether an instrument is subject to the provision for expected losses for 12 months (PE 12 months) or for the life of the transaction (Life EL), SMBCB assesses whether there has been a significant increase in credit risk over the term of the transactions since its initial recognition.

SMBC considers that a transaction had a significant increase in credit risk (Stage 2 classification) when its delay reaches 30 days or there is an increase in its probability of default (PD) by 3 p.p.

(i) Definition of default and "cure"

SMBCB considers as a defaulting financial instrument and, consequently in Stage 3 for the purpose of calculating PE, all transactions overdue for more than 90 days in relation to its contractual payments or have as a counterparty clients with an internal credit risk rating (*Obligor Grade*) indicating serious business difficulties and unlikely recovery (see note 30 (v) – Risk Management - Credit Risk for a description of SMBC's methodology for rating its clients according to their credit quality).

For interbank operations (interbank liquidity operations), SMBCB considers them to be in default when the required intra-daily payment is not made at the close of the transactions as determined in the contractual terms.

SMBCB considers the instrument is no longer in default (i.e., “cure” event) when the counterparty (individual or legal entity) no longer has delays in the payments flow for 6 months consecutive period.

Assessment and measurement of impairment

SMBC considers the following elements in the evaluation and measurement of the provision for expected credit losses.

(i) Probability of default (*PD*)

SMBCB has an internal model for assigning credit risk *ratings (ratings*) to its clients and probabilities of default (PD). The model incorporates qualitative and quantitative information, in addition to client-specific information, supplemental external information that should affect client’s behavior is used (see note 30 (v) – Risk Management – Credit Risk for a description of SMBC's methodology for classifying its clients according to their credit quality).

(ii) Loss given default (LGD)

LGD is the loss resulting from the default case. The LGD calculation is based on the net write-offs of delinquent loans.

(iii) Forward looking information

In the ECL models, the SMBCB uses forward looking macroeconomic information, and the household indebtedness rate (excluding indebtedness related to housing credit) is the main one.

Other forward-looking considerations have not been incorporated, such as the impact of any regulatory, legislative or policy changes, which have also been considered but are not seen as having a significant impact therefore no *impairment* adjustment has been made for these factors. This is reviewed and monitored for suitability on a quarterly basis.

We present below the changes in the provision for expected credit losses as of December 31, 2022, which would be the reasonable result of possible changes in the assumptions of economic variables used by SMBC:

		PD	**Relative % change**
	Base estimate (39.23%)	0.282%	
Household indebtedness (except housing credit)	Increases 1 p.p.	0.288%.	2.314%.
	Decreases 1 p.p.	0.275%.	-2.262%.
	Increases 5 p.p.	0.316%.	12.117%.
	Decreases 5 p.p.	0.251%.	-10.811%.

(iv) Exposure at default (EAD)

EAD represents the gross book value of financial instruments subject to the calculation of expected losses (EL), considering the client's ability to increase its exposure while approaching default and the potential for prepayments to occur.

For credit limits granted and unused and financial guarantees provided, the default exposure is predicted taking into account the balance used and adding a "credit conversion factor" that considers the expected use of the remaining limit until the time of default.

h) Transactions of provision for impairment

Financial assets at Amortized Cost

	December 31, 2020 through December 31, 2022			
	Credit Operations			
Stages 1-2-3	**1**	**2**	**3**	**Total**
Expected credit loss on January 1st, 2022	(6,018)	(3)	-	(6,021)
Transaction				
Stage migration:				
Stage 1 to Stage 2	17	(17)	-	-
New financial assets originated or purchased	(4,501)	-	-	(4,501)
Changes in PDs, LGDs and EADs	(660)	-	-	(660)
Reversal of provision for settled/written-off contracts	2,647	-	-	2,647
Total transaction				
Expected credit Loss as of December 31, 2022	(8,515)	(20)	-	(8,535)

	December 31, 2019 through December 31, 2021			
	Credit Operations			
Stages 1-2-3	**1**	**2**	**3**	**Total**
Expected credit Loss as of December 31, 2020:	(3,712)	-	-	(3,712)
Transaction				
Stage migration:				
Stage 1 to Stage 2	1	(3)	-	(2)
New financial assets originated or purchased	(4,313)	-	-	(4,313)
Changes in PDs, LGDs and EADs	(1,021)	-	-	(1,021)
Reversal of provision for settled/written-off contracts	3,027	-	-	3,027
Total transaction				
Expected credit Loss as of December 31, 2021	(6,018)	(3)	-	(6,021)

9 Other assets

	2022	**2021**
INCOME RECEIVABLE	217	122
Services rendered receivable	2,891	1,514
Clearing accounts and brokerage	42,990	-
Payments reimbursable	-	2
Prepaid Expenses	2,644	1,022
Consumables	-	83
Equity security	-	25
Right on foreign exchange transactions, net	928	36,104
Others	7,647	5,446

	57,317	44,318

10 Tangible Assets

g. Breakdown

	2022		
	Cost	Accrued depreciation	Net balance
Furniture and equipment *	12,502	(3,220)	9,282
Facilities	4,394	(4,039)	355
Data processing system	8,561	(6,333)	2,228
Communication system	363	(246)	117
Safety system	302	(298)	4
Transportation system	1,261	(1,245)	16
Balances	27,383	(15,381)	12,002

	2021		
	Cost	Accrued depreciation	Net balance
Furniture and equipment *	20,672	(8,012)	12,660
Facilities	4,395	(3,740)	655
Data processing system	8,298	(6,118)	2,180
Communication system	369	(215)	154
Safety system	302	(296)	6
Transportation system	1,261	(1,188)	73
	35,297	(19,569)	15,728

(*) In this line, the amounts of software license in the amount of BRL 10,842 (BRL 19,009 in 2021) and depreciation of BRL 1,807 (BRL 6,685 in 2021) are considered, referring to the adoption of IFRS 16. The standard was applied to the consolidated financial statements using the modified prospective transition method, after analyzing the entity return, the discount rate of 8.23% p.a. was defined. (2.79% p.a. in 2021).

b. Transactions

	2022	2021
Cost:		
Balance at the beginning of the year	35,297	25,974
Net Additions (Write-Offs)	(7,914)	9,323
Balance at the end of the year	27,383	35,297

	2022	2021
Accrued depreciation:		
Balance at the beginning of the year	(19,569)	(16,340)
Write-off	7,278	4,310
Net depreciation	(3,090)	(7,539)
Balance at the end of the year	(15,381)	(19,569)

11 Intangible assets

g. **Breakdown**

	2022		
	Cost	**Accrued Amortization**	**Net balance**
Information Technology Developments	14,727	(11,966)	2,761
Balances	14,727	(11,966)	2,761

	2021		
	Cost	**Accrued Amortization**	**Net balance**
Information Technology Developments	14,457	(10,586)	3,871
	14,457	(10,586)	3,871

b. Transactions

	2022	**2021**
Cost:		
Balance at the beginning of the year	14,457	13,489
Net Additions (Write-Offs)	270	968
Balance at the end of the year	14,727	14,457

	2022	**2021**
Accrued Amortization:		
Balance at the beginning of the year	(10,586)	(9,303)
Net Amortization	(1,380)	(1,283)
Balance at the end of the year	(11,966)	(10,586)

12 Financial liability

g. **Clients' Deposits**

	2022	**2021**
Deposits		
Call deposits	90,076	147,287
Time deposits	1,844,732	1,524,508
Interbank Deposits (5)	204,208	-
Open market fundings	31,006	-
Security issued – "Letras Financeiras"	100,128	-
	2,270,150	1,671,795

The amounts of time deposits highlighted in the table above are at amortized cost. Explanatory note # 30 Risk Management – contains details of the maturity periods of clients' deposits.

b. **Obligations on loans and transfers**

	2022	2021
Financial liabilities measured at fair value through P&L		
Obligations on loans abroad	-	158,814
Financial liabilities at amortized cost		
Obligations on loans abroad	830,006	767,549
Obligations by transfers abroad	3,313,225	2,807,402
	4,143,231	3,733,765

Explanatory note # 30 Risk Management – contains details of the maturity periods of obligations on loans and transfers.

13 Contingent liabilities

	Provisions		Judicial deposits	
	2022	**2021**	**2022**	**2021**
Provision for tax risks				
ISS – RJ (a)	-	-	-	4,043
ISS – SP (b)	-	15	-	54
Legal obligations:				
Cetip demutualization €	109	103	-	-
PIS constitutional amendment (d)	-	1,007	-	-
Social Contribution on Net Prof–t - CS€(e)	-	9,674	-	9,674
Provision for risks				
Civil (f)	14,311	12,403	-	-
Labor (g)	6,319	9,141	1,160	1,116
	20,739	32,343	1,160	[redacted]

(g) (a) In 2021, SMBCB had a tax process related to Tax on Ser–ices - Rio de Janeiro, regarding tax levied on fees received on loans and transfers transactions arising from revenues recorded on the item of apportionment of internal results. SMBCB was successful in the process. We await the withdrawal of the amount deposited in court, which updated amount was BRL 4,043.

(g) (b) SMBC had 2 lawsuits related to Tax on Ser–ices - São Paulo, in which it discussed foreign exchange services in the period from 2001 to 2003 and guarantees provided in 2004, one of which SMBCB was successful and the other was not. In 2021, based on the opinion of'SMBCB's legal advisors, the amount related to the loss of suit of one of the lawsuits was provisioned, and in 2022 the City of São Paulo was successful in the cause, the provision for this lawsuit was reversed and represented an amount of BRL 15 in 2021. As well as the escrow deposit required for the progress of the proceeding in the judicial sphere was also withdraw, by the City of São Paulo and represented in 2021 the amount of BRL 54

(g) (c) SMBCB recorded the amount referring to the portion of the ongoing proceeding which was considers a probable loss on the demutualization of'Cetip's shares, and the amount for December 31, 2022 is BRL 109 (BRL 103 in 2021).

(d) Refers to the process related to PIS prior to EC 10/96, in which the unconstitutionality of the tax was discussed. The provision was reversed during the proceeding by filing of the administrative proceeding and future practical success in the lawsuit. In 2021, only the amount referring to the att'rneys' fees related to the lawsuit remained provisioned, which were paid and reversed in November 2022.

(e) SMBCB questioned the increase in rates from 18% to 30% for 1996 and the determination of the social contribution calculation basis. For the purpose of suspending the enforceability of the tax credit, the escrow deposit was made for the discussed amount. According to the legal advisors' opinion the chance of loss related to this judicial discussion was possible. Thus, by management's decision, a provision was established, related to the underpaid differential on the subject matters under analysis, which updated amount on December 31, 2021 was BRL 9,674. In 2022, the process was finalized in favor of SMBCB, so the escrow deposit was withdrawn and the existing provision was also reversed.

(f) The provision basically refers to inflationary purge processes on term deposit transactions, in which there is a probability of financial disbursement. The updated amount in December 31, 2022 is BRL 14,310 (BRL 12,403 in 2021).

(g) The provision refers to lawsuits filed by former employees and outsourced workers claiming labor rights that they believe to be due. The proceedings are controlled individually and the provisions are established on the decision previously determined by the Executive Board or in the labor trial court. Management, based on its legal advisors' opinion understands that the amounts currently provisioned are suitable. The updated amount is BRL 6,319 (BRL 9,141 in 2021).

14 Other liabilities

a. Interdependences Relationship

	2022	2021
Funds in transit of third parties	45,981	55,221
	45,981	55,221

b. Other obligations

	2022	2021
Collection and Payment of Taxes and Similar	517	974
Corporate and statutory	8,350	5,767
Taxes and contributions on third parties service	24	17
Taxes and contributions on salaries	2,569	2,172
Other taxes and contributions	2,428	2,037
Clearing accounts and brokerage	-	72,084
Provision for financial guarantees provided (explanatory note # 8f)	4,551	2,514

Provision to payment to make:		
Staff expenses	27,703	22,916
Other administrative expenses	3,149	4,551
Other payments	-	30
Lease liability (*)	8,377	12,539
Actuarial liabilities	30,357	17,971
Others	3,677	2,293
	91,702	145,865

(*) SMBCB is a lessee of real estate for use in its operations, and leases with a term of longer than 12 months and of substantial amounts are recognized.

c. Tax credits and tax liabilities

Income tax and social contribution

	2022		2021	
	IRPJ	**CSLL**	**IRPJ**	**CSLL**
Result before taxes and after equity interest	241,070	241,070	233,421	233,421
Reversal of provisions and contingent liabilities	(17,856)	(17,856)	(38,377)	(38,377)
Provision for contingent liabilities	6,260	6,260	11,922	11,922
Provision for impairment	(1,163)	(1,163)	2,159	2,159
Temporary provisions	254,728	254,728	2,603	2,603
Fair value adjustment - Derivatives	(135,003)	(135,003)	(16,657)	(16,657)
Adjustment to fair value through hedge *accounting* operations	(12,404)	(12,404)	(17,484)	(17,484)
Non-deductible expenses	2,880	1,257	8,369	945
BM&F operations	(160,646)	(160,646)	(48,181)	(48,181)
Other additions/(exclusions)	(223)	(223)	(395)	(395)
Offset of previous tax loss	-	-	(9,035)	(1,648)
Taxable Profit	177,643	176,020	128,345	128,308
Total charges of income tax at 25% rate of and 15% rate of social contribution	44,387	36,964	32,062	32,077
CSLL adjustment - proportional rate	-	-	-	(2,125)
Citizen Company Law	(135)	-	(25)	-
Income tax expense	44,252	36,964	32,037	29,952

d. Other deferred tax credits

Other tax credits: SMBCB also has deferred tax credits and obligations in the amount of BRL 56,812 (BRL 104,207 in 2021), which are related exclusively to adjustments to the fair value of transactions with financial assets measured at fair value through other comprehensive income.

The rules for recognizing the effects of the actuarial liabilities related to the retirement plan of defined benefit and the post-employment benefits related to the Health Care Plan in which the SMBCB is a sponsor (according to the current rule) are also considered.

There are also not recorded tax credits on provisions for civil contingencies in the amount of BRL 5,581 (BRL 5,581 in 2021) regarding the uncertainty of their realization in less than 10 years.

e. Tax credits

	2022	2021
Income tax and social contribution	81,216	61,989
	81,216	61,989

f. Taxes Credits

	2022	2021
IRPJ prepayments	13,429	11,062
CSLL prepayments	7,503	6,667
IRRF	225	78
PIS	395	331
COFINS	329	34
CSLL	109	11
	21,990	18,183

15 Net worth

a. Share capital

The share capital is represented by common shares, in the amount of BRL 1.00 each, distributed as follows:

	Number of shares	
	2022	2021
Sumitomo Mitsui Banking Corporation (Japan)	1,559,697	1,559,697
Shareholders - Domestic	2	2
	1,559,699	1,559,699

b. Dividends

In accordance with the corporate law and the bylaws, a minimum of 25% of the net income for the year to be distributed to shareholders as dividends and/or interest on equity is ensured. On December 31, 2022 and 2021, it was decided not to provision for dividends/interest on net equity, and the amount of profit for the year was allocated to the statutory reserve for future disposal.

c. Legal Reserve

The legal reserve was established as provided for in the corporate law, and should be used to offset losses or to increase the share capital.

d. Statutory Reserves

The statutory reserve corresponds to the transfer of the balance of retained earnings after the mandatory allocations. The remaining balance in the amount of BRL 538,340 (BRL 407,942 in

2021) shall be transferred to the following year, or shall have the destination proposed by the Executive Board, "*ad referendum*" the general meeting.

16 Interest revenue calculated using the actual interest method

	2022	2021
Securities	247,024	93,581
Loans and advances to clients	243,874	202,244
	490,898	295,825

17 Other interest revenue

	2022	2021
Borrowed securities and repo operations	303,554	105,878
	303,554	105,878

18 Interest expense and similar

	2022	2021
Deposits from financial institutions	(8,327)	(415)
Time deposits	(221,436)	(77,345)
Securities borrowed and repo operations	(65,023)	(451,536)
Debt issued and other borrowed funds	(1,496)	6,460
	(296,282)	(522,836)

19 Net revenues of fees and services rendering

	2022	2021
Net revenues of fees and services rendering		
Intermediation in financing	23,035	16,161
Income of rendered guarantees	47,815	28,653
Other fees received	22,194	3,517
	93,044	48,331
Fees expenses		
Fees paid	(3,172)	(2,785)
	(3,172)	(2,785)

20 Provisions (losses) with financial instruments

	2022	2021
Revenue from derivative transactions	9,130,339	6,564,959
Expenses from derivative transactions	(9,485,919)	(6,380,202)
	(355,580)	184,757

21 Exchange rates variations (net)

Exchange rate variations show gains or losses on foreign currency-indexed trades in conversions to the functional currency of the SMBCB.

22 Personnel expenses

	2022	**2021**
Salaries	(63,527)	(53,009)
Social security costs	(23,570)	(19,706)
Benefits	(9,585)	(7,724)
Other expenses on personnel	(354)	(411)
	(97,036)	(80,850)

23 Administrative expenses

	2022	**2021**
Properties, installations and materials	(7,108)	(6,712)
Technology and systems	(25,559)	(22,605)
Communications	(7,802)	(8,665)
Technical reports	(10,527)	(5,445)
Third parties' services	(846)	(721)
Travel and transport	(2,176)	(141)
Advertising and publicity	(146)	(195)
Other administrative expenses	(1,054)	(239)
	(55,218)	(44,723)

24 Taxes expenses

	2022	**2021**
ISS / PIS / COFINS	(19,537)	(14,294)
Other taxes	(1,111)	(351)
	(20,648)	(14,645)

25 Other operational income

	2022	**2021**
Recovery of charges and expenses	1,403	1,281
Assets Monetary variations	-	395
Reversal of operating provision	5,169	7,559
Reversal of contingent liabilities provision	17,856	38,377
Others	265	16
	24,693	47,628

26 Other Operational expenses

	2022	**2021**
Civil, tax and labor claims	(6,251)	(6,183)
Indemnity fines	-	15
Lease expense	-	(197)
Others	(1,336)	(2,359)

	(7,587)	(8,724)

27 Related parties

a. Transactions with parent companies (direct and indirect)

The balances of transactions with related parties with Sumitomo Mitsui Banking Corporation are as follows:

	Assets/ (liabilities)		**Revenue /(expenses)**	
	2022	**2021**	**2022**	**2021**
Cash & Cash equivalent - deposits abroad in foreign currency	68,270	539,570	-	-
Investments in foreign currency abroad (explanatory note 5)	125,241	-	21,535	-
Amounts receivable - commission for business intermediation	6,178	4,393	23,036	9,337
Obligations on loans abroad	(830,006)	(927,194)	20,472	-
Obligations by transfers abroad	(3,308,293)	(2,807,402)	111,051	(318,769)
Total	**(3,938,610)**	**(3,190,634)**	**176,093**	**(309,432)**

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b. Compensation of the key management personnel

All members of the SMBCB's Executive Board were defined as key personnel.

The overall amount of the Officers' compensation is distributed in accordance with the Bylaws of Banco Sumitomo Mitsui Brasileiro S.A.

In the last statutory reform that took place in April 2019, the maximum overall monthly amount of BRL 600 for directors' compensation (earnings) was fixed.

Officers' short-term benefits

'	**2022**	**2021**
Earnings	5,493	4,163
Variable compensation:	3,382	1,751
Contributions to INSS/FGTS	2,443	1,489
Total	**11,318**	**7,403**

Post – Employment benefits

As of December 31, 2022 and 2021, no loans, financing or any other advance to the Executive Board or any of its family members were made by SMBCB.

The members of the Executive Board did not have any equity interest in SMBCB.

28 Sponsored post-employment benefits

SMBCB's actuarial liabilities were calculated in accordance with the model established in the respective plan and represent the amount of commitments assumed and to be assumed.

IAS 19 established fundamental changes in the accounting and disclosure of employee benefits such as the removal of the corridor mechanism in the registration of plan obligations, as well as changes in the criterion for recognizing plan assets (valuations and devaluations). The adoption of this Standard applies to the years beginning on January 1, 2015, and the effects are recorded retrospectively as a change in accounting practices. The adoption of this accounting practice implies, fundamentally, the full recognition in a liability account of actuarial losses (actuarial *deficit*) unrecognized to date, in offsetting entry for equity account.

a. Retirement plan

SMBCB is a sponsor of Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência Privada ("Entity"), incorporated on April 20, 1992, which basic purpose is to grant cash benefits and/or supplementary income to the sponsor's employees and officers, through a "defined benefit" retirement plan. In the plan, participants (employees) are entitled to a benefit on the date of termination of employment, calculated in accordance with the provisions of the regulation which value shall be subject to the salary and length of service of the participant on the date of termination.

As of December 31, 2022, we had no significant variations in the parameters of actuarial updates.

	Retirement plan	
	2022	**2021**
Description		
Present value of actuarial obligations	36,731	37,565
Fair value of the assets of plan	(29,727)	(32,749)
Deficit / (Surplus) for covered plans	7,004	4,816
Adjustments for allowable deferrals		
Net actuarial liability (asset)	7,004	4,816
Actuarial assumptions:		
Nominal discount rate for the actuarial obligation	10.91% p.y.	9.30% p.y.
Estimated rate of nominal wage increase	4.50% p.y.	3.75% p.y.
Estimated rate of nominal benefits increase	5.02% p.y.	4.27% p.y.
Estimated inflation Index	4.50% p.y.	3.75% p.y.
General mortality biometric table	AT-2000 Softened by 10% and segregated by sex	AT-2000 Softened by 10% and segregated by sex
Biometric disability entry table	"Mercer" Table	"Mercer" Table
Expected turnover rate	0.31/ (length of service + 1)	0.31/ (length of service + 1)
Probability of entering retirement	10% on the 1st date of eligibility for early retirement; 3% between the 1st eligibility for early and regular retirement; 100% on the date of eligibility for regular retirement	

Sensibility analysis

The present value of the actuarial obligation is sensitive to variations in the main hypotheses: discount rate, wage growth and life expectancy. The impacts on the present value of the actuarial obligation are shown, considering the basic discount rate adopted for this Actuarial Valuation (10.00% p.a.):

Sensibility analysis

Present value of Obrigations	2022	2021
Discount Rate: 0.25% reduction	756	833
Discount Rate: 0.25% Increase	(728)	(813)

b. Health Care Plan

Until November 2017, the Health Care Plan offered by Banco Sumitomo Mitsui to its employees was a contribution, generating the obligation to extend coverage, upon payment of the respective premiums to retirees and dismissed from the company, under the terms of the current rules. Contributions to the plan were interrupted as of December 2017, but a group of employees remains who are entitled to said extension, and the following actuarial liabilities are presented:

Description	Health Care Plan	
	2022	2021
Net actuarial Liability (Asset)	23,352	13,155
Total	23,352	13,155
Actuarial assumptions/Actuarial hypotheses		
Nominal discount rate for the actuarial obligation	10.96% p.y.	9.38% p.y.
Estimated inflation Index	4.50% p.y.	3.75% p.y.
Biometric Turnover Table	Up to 9 years SVC: 0.5/(Length of Service +1) as of 10 years SVC: 0.075/ (length of service +) 1)	Up to 9 years SVC: 0.5/(Length of Service +1) as of 10 years SVC: 0.075/ (length of service +) 1)
Biometric retirement entry table	55 years	55 years
General mortality biometric table	AT-2000 segregated by sex and reduced by 10%	AT-2000 segregated by sex and reduced by 10%
HCCTR (Health Care Cost Trend Rate)	7.63% p.a. 3.00% p.a. Actual rate	Decresing from 7.90% p.a. to 4.79% p.a.
Correction of Participant Contribution	Inflation (HCCTR)	Inflation (HCCTR)
Plan Cost Correction	Inflation (HCCTR) + Aging Factor	Inflation (HCCTR) + Aging Factor
Percentage of Opting for Permanence in the Plan	Retirement: 100% dismissal: 100%.	Retirement: 100% dismissal: 100%.
Aging Factor	3.00% (per year - age)	3.00% (per year - age)
Family Composition - Assets	90% Married	90% Married
Holder/Spouse Age Difference	4 years	4 years
Retirees Family Composition	Actual family	Actual family

29 Other disclosures

a. Assets pledged as collateral

The amounts of financial assets pledged as collateral for repo operations with other banks or clients and for the guaranteed margin deposits of SMBCB's transactions at B3 S.A. – Brasil. Bolsa. Balcão correspond to:

	2022	2021
Margin for operations of B3 S.A. – Brasil. Bolsa. Balcão	489,726	523,705
Other assets pledged as collateral	76,957	11,566
	566,683	535,271

b. Clients' relevant operations

No revenue from transactions with a single external client or counterparty reached 10% or more of SMBCB's total revenue in 2022 and 2021.

30 Risks Management

SMBCB constantly seeks to evaluate and improve its risk management structure, influencing its culture and way of acting. This practice is based on standardized and objective procedures, methods and techniques to monitor, measure, mitigate and report exposures to risks of any kind in the various activities and processes carried out, products or services offered, in order to support the continuous sustained development of its activities.

For SMBCB, the principles of prudence and ethics are always present in policies, Standards, procedures and goals. Decisions are based on factors combining the return on measured and evaluated risk. It also promotes the acculturation of employees at all hierarchical levels.

The Risk Management Structure of the SMBCB has policies adhering to the best market practices, and is in line with the guidelines defined by the regulatory entity.

(i) Risk management methodologies

SMBCB addresses the management of risks inherent to its activities within a process of continuous improvement, aiming to monitor the evolution of the business and minimize the risks that should compromise the quality of this management.

The risk management methodology is suitable to the profile of SMBCB's activities, and it is also worth noting that the Compliance and Internal Audit structures are important elements in improving the methodology.

The risk management structure allows risks to be effectively identified, measured, mitigated, monitored and reported to the Executive Board.

(ii) Risk Appetite

Risk appetite determines SMBCB's desire to take risks to achieve its goals versus the potential for return. This appetite is influenced by several internal and external factors and determined by the Bank's Executive Board, in line with its corporate strategy.

The risk monitoring process is corporate, and considered since the SMBCB’s budget planning process. Risk appetite is continually reassessed, according to changes in the environment - both internal and market changes.

SMBCB is characterized by its very conservative profile, presenting the commitment of the governance structure in the definition and constant monitoring of the appetite for the adopted risks.

(iii) Market Risk

Market risk is defined as the possibility of losses resulting from fluctuations in the market prices of positions held by SMBCB.

In line with the best corporate governance practices, aiming to preserve and strengthen the management of market and liquidity risks in the SMBCB, as well as to comply with the provisions of the current rules, market risk management involves several areas, which have specific attributions in the process, ensuring an efficient structure in the measurement and control of market risk.

The Executive Board approved the Market Risk Management Policy, which is reviewed at least annually, providing the main action guidelines for acceptance, control and management of market and liquidity risk.

SMBCB's market risk exposure profile is quite conservative, and the guidelines and limits are monitored daily by an independent risk unit.

SMBCB's limit structure is defined by the risk area of its headquarters, considering the entity's performance profile in the country.

Market risk control is carried out by an area independent of the Treasury (business unit) and responsible for producing control reports of established limits, monitoring defined actions regarding positions and supporting the review and approval of products in order to verify adherence to institutional risk policies.

The limits used for Market Risk control are reviewed annually. The following methodologies for measuring market risk and control limits are used: foreign currency (FX) exposure, "*Stop Loss*" (a methodology that aims to review positions if accumulated losses in a given period reach a certain value), and sensitivity to changes in the term structure of interest rates, BPV (a methodology for measuring market risk verifying the change in the fair value of positions after a 0.01% shock - a *basis point* - in interest rates).
In addition, Stress Testing reports and regulatory capital reports (IRRBB – regulatory capital for interest rate in the Banking portfolio, Regulatory Capital for the Trading portfolio) are drafted, in accordance with the requirements of the Central Bank of Brazil (Bacen);

Market risk management monitors the segregation of operations in Trading Portfolio and Banking Portfolio, according to the criteria established by CMN Resolution 4,557 and BACEN Circular 3,354 (local rules that establish requirements to be observed by financial institutions in risk management).

Seeking to classify exposures within the defined limits, Banco Sumitomo Mitsui Brasileiro S.A. hedges exposures in the trading portfolio, arising from transactions with clients, mainly through the use of Derivatives.

(iv) Operational Risk

Operational risk os defined and the possible event of losses from failure, deficiency or inadequacy of internal processes, people and systems or from external events. It also includes the legal risk associated with the inadequacy or deficiency in contracts signed by SMBCB, as well as sanctions due to non-compliance with legal provisions and indemnities for damages to third parties arising from the activities carried out by SMBCB.

a. Business continuity planning.

SMBCB, in order to be prepared to minimize the financial, operational, legal and regulatory impacts caused by the unavailability of physical and logical access, provide its clients with essential products and services, as well as provide the information required by official agencies and representatives abroad, has established a Business Continuity Plan (BCP), with the purpose of establishing and implementing means/mechanisms to protect the physical integrity of people and ensure the continuity of the entity critical business, in the face of events/incidents that should generate interruptions/unavailability, such as, but not limited to: fire, explosions, threat of bombs, strikes, social disturbances, interruption of the supply of electricity and failures in the Entity's critical systems or technology and support infrastructure.

b. Consolidated management of operational risk events

Banco Sumitomo has a database, which main goal is to assist the decision support system by storing different types of operational risk data in a single structure, facilitating any type of analysis (quantitative and/or qualitative) that can be carried out using all available operational risk data. Operational risk events are then reviewed, analyzed and monitored in order to improve operational procedures and develop historical loss data.

The guidelines for the quantification of operational risk impact follow a simple, linear approach to facilitate integration into a single risk measure. In this scenario, the composite of impact versus probability of occurrence versus frequency of occurrence is able to measure the degree of severity of an operational risk event.

The Operational Risk Management unit follows a continuous cycle addressing the presentation of the events that occurred in the SMBCB, reporting the mitigating actions taken, monitoring of these actions and a new analysis to measure the results.

The management reports drafted by the Operational Risk Management unit are reported monthly through the Operational Risk Management Committee.

(v) Credit Risks

a. Introduction to the credit risk processing

Credit Risk is defined as the possibility of losses associated with non-compliance by the borrower or counterparty with their respective obligations under the agreed terms, the devaluation of credit assets, resulting from the deterioration in the borrower's risk rating, the reduction of gains or compensation, the advantages granted in the renegotiation and recovery costs.

Under the terms of the current standard, SMBCB has a single department responsible for managing credit, market and liquidity risks. The structure has a dimension proportional to the risks related to the complexity of the products offered by SMBCB, type of transactions and risk exposure guidelines of SMBCB.

The risk monitoring function is represented by an executive board independent from the business and audit area in the organizational structure of the SMBCB and it is essential to have an independent vision and control of risk.

The SMBCB's Executive Board is responsible for providing the necessary resources for the actual management of risks and for monitoring the activities inherent to this management. The periodic reports, as well as the guidelines adopted by the Credit Risk Management Area are evaluated and approved by the SMBCB's Executive Board.

Maximum exposure to credit risk

	2022	**2021**
Credit risk relating to assets recorded in the balance sheet:		
Securities	1,786,908	1,647,780
Investment in repo operations	-	910,312
Investment in interbank deposits	964,167	783,676
Loans and receivables from clients	3,367,543	3,067,747
	6,118,618	6,409,515
Credit report related to transactions unrecorded in the balance sheet (*off balance*):		
Credit operations contracted to release	-	28,500
Guarantees rendered	3,236,655	2,317,310
	3,236,655	2,345,810
	9,355,273	8,755,325

b. Credit risk cycle

SMBCB has control over the current position and the potential future exposure of transactions where there is counterparty risk. Counterparty credit risk consists of the possibility of a counterparty failure to fulfill its obligations, financial or otherwise, causing losses to SMBCB. All exposure to counterparty risk and performance is analyzed in the credit limit granting process, and part of the general credit limits granted to clients.

c. Measure and measurement tools

c.1 Credit quality ratings (rating tools)

SMBCB has policies and procedures for granting credit approved by a Credit Committee and incorporated into SMBCB's internal control systems. Such policies and procedures determine the need to evaluate customer data to define the client's *obligor grade* (*grading*), considering the following aspects:

Quantitative: the balances of the balance sheets, income statements and cash flows are entered into the GBR system, which is automatically realized. (i) balance sheet analysis, taking into account several parameters, such as evolution of net sales, EBITDA and respective margin, Profitability, evolution of Net Worth and total Assets, Gross Debt to Net Worth and EBITDA ratio and Net Worth to Total Assets ratio, among other parameters, and (ii) attribution of the obligor grade.

Qualitative: general aspects of the client are taken into account, such as market position, company management, reliability of figures, punctuality and delays in payments, credit limits and guarantees, among other factors, through consultations in class associations.

All credit operations, regardless of their value and market segment of the borrower, are analyzed according to the criteria adopted by the SMBCB and classified according to their *facility grade* (product *grading*).

This classification is reviewed and adjusted by the Risk Management Area according to the delays in payments.

The *facility grade* follows the same principle as the *obligor grade* and the value assigned to this *grading* must be equal to the *obligor grade*, when there are no guarantees linked to the loan, or to the *obligor grade,* when the transaction has some kind of guarantee.

Each type of *obligor grade* has a rating from 1 to 18, as shown below:

Obligor grade	Categoria
1	
2	
3	
4	
5	
6	
7	Devedor normal
8	
9	
10	
11	
12	
13	
14	
15	Devedor que requer atenção
16	
17	Devedor potencialmente falido
18	Devedor falido

Caption: normal debtor, debtor requires attention, potentially bankrupt debtor, bankrupt debtor
The categories shown above can be described as follows:

Normal Debtor - debtor who demonstrates good business performance which financial position is considered to be without specific problem;

Debtor Requires Attention - debtor shall be monitored, with special attention, as:

– Debtor that presents problems in its credit transaction, such as reduction, forgiveness or suspension of interest payment;

– Debtor with problematic performance in relation to its credit transaction, such as actual delay in the payment of principal and interest; or

– Debtor with weak or unstable business performance, or problematic financial position.

Potentially Bankrupt Debtor - debtor considered with a high possibility of bankruptcy in the future related to management difficulties and unsatisfactory progress in business improvements (including difficulty in obtaining financial support from financial institutions). Debtors in this category generally have, for example, the following characteristics:

– Negative equity, although still in operation;

– Extremely poor business performance;

–Concern regarding the receipt of principal and interest amounts, therefore, there is a high possibility of losses occurring for SMBCB; or

–High possibility of bankruptcy in the future;

Bankrupt Debtor - the debtor is legally or formally bankrupt.

c.2 Guarantees received (mitigating the maximum exposure to credit risk)

Guarantees are considered as a second source of payment to guarantee credit recovery, and their evaluation is made individually for each client based on strict rules of the Headquarters.

Thus, the definition of credit risk mitigators is made individually, when granting credit, considering the ability to pay through flow and cash analysis, understanding of potential and actual business conditions.

In view of SMBCB's business focus, the guarantees are mostly based on the issuance of letters of guarantee from the parent companies, covering the commercial risk of its subsidiaries in Brazil.

The evaluation of the efficiency of these instruments is carried out from time to time, to ensure their liquidity and sufficiency (margin of coverage).

- **Liquidity**

That is, the ability to convert the guarantee into currency. In this regard, guarantees should be liquid impacting the currency conversion price.

- **Coverage Margin**

It is the percentage ratio between the value of the guarantee and the value of the debt. In addition to the cost of money, the liquidity of the guarantee must be considered, that is, its greater or lesser convertibility.

c.3 Credit risk distribution

SMBCB has its business policy focused on the credit market, meeting the need for branches of Japanese companies in Brazil, large multinationals and large national conglomerates.

d. Liquidity Risk

Liquidity risk covers *funding* risk and product or market risk. *Funding* liquidity risk is the uncertainty that SMBCB Sumitomo should be able to meet its *funding* needs or offset its rate and maturity mismatches. Market liquidity risk is the uncertainty that SMBCB should not be able to liquidate or 0,0 its positions efficiently, i.e. at reasonable prices.

Knowledge and monitoring of this risk is crucial, particularly for SMBCB be able settle transactions in a timely and safe manner.

The global Liquidity Risk Management policy is established by the SMBCB headquarters and approved by the Executive Board, and is supported by three pillars:

Money Gap Management (need for *funding* within a certain period of time);

Establishment of the contingency plan; and

Emergency supplementary resources for liquidity.

This policy aims to ensure the existence of rules, criteria and procedures to ensure to SMBCB the establishment of a supplementary liquidity fund, as well as the existence of a strategy and action plans for situations of liquidity crisis.

The control and monitoring of positions are carried out independently from the management area (Treasury Department). The risk area is responsible for measuring the minimum level of liquidity, reviewing the policy, Standards, criteria and procedures and carrying out studies for the new recommendations.

	December 31, 2022						
	In thousands of reais						
	Overnight and continuous	**Up to 3 months**	**3 up to 12 months**	**Over 12 months**	**3 up to 5 years**	**After 5 years**	**Total**
Assets							
Cash and cash equivalents	111,418	287,186	-	-	-	-	398,604
Derivative financial instruments	-	(16,695)	(14,108)	174,543	-	-	143,740
Securities	-	838,662	114,667	833,579	-	-	1,786,908
Investment in interbank deposits	-	161,945	555,709	408,458	-	-	1,126,112
Credit transactions	-	323,191	2,336,291	708,061	-	-	3,367,543
Total assets	**111,418**	**1,594,289**	**2,992,559**	**2,124,641**	**-**	**-**	**6,822,907**
Liability							
Time Deposits	90,076	584,270	707,650	757,020	-	-	2,139,016
Funding in open market	-	-	31,006	-	-	-	31,006
Security issued – “Letras Financeiras”	-	-	-	100,128	-	-	100,128
Obligations on loans and transfers	-	-	2,585,858	1,557,373	-	-	4,143,231
Total liabilities	**90,076**	**584,270**	**3,324,514**	**2,414,521**	**-**	**-**	**6,143,381**
Difference (assets and liabilities)	21,342	1,010,019	(331,955)	(289,880)	-	-	409,526

	December 31, 2021						
	In thousands of reais						
	Overnight and continuous	**Up to 3 months**	**3 up to 12 months**	**Over 12 months**	**3 up to 5 years**	**After 5 years**	**Total**
Assets							
Cash and cash equivalents	595,296	946,511	-	-	-	-	1,541,807
Securities	-	585,354	405,792	1,187,300	-	-	2,178,446
Investment in repo operations	-	910,312	-	-	-	-	910,312
Investment in interbank deposits	-	36,198	423,377	360,299	-	-	819,874
Credit transactions	-	177,200	2,120,537	770,010	-	-	3,067,747
Total assets	595,296	2,655,575	2,949,706	2,317,609	-	-	8,518,186
Liability							
Derivative financial instruments	-	(17,621)	33,697	21,306	-	-	37,382
Time Deposits	147,287	79,548	893,473	551,487	-	-	1,671,795
Obligations on loans and transfers	-	-	2,275,822	1,457,943	-	-	3,733,765
Total liabilities	147,287	61,927	3,204,199	2,030,736	-	-	5,442,942
Difference (assets and liabilities)	448,009	2,593,648	(253,286)	286,873	-	-	3,075,244

31 Reconciliation between accounting practices adopted in Brazil (BRGAAP) and international accounting standards (IFRS)

a. Reconciliation of differences between BR GAAP and IFRS as of December 31, 2022 and 2021

		2022	2021
Results - BR GAAP		136,780	156,046
Adjustment - Currency exchange	b.1	(1,319)	(563)
Adjustment - expected credit losses	b.2	1,652	2,294
Adjustment - Lease	b.3	873	(28)
Adjustment - Deferred taxes	b.4	(725)	(832)
Results - IFRS		137,261	156,917

Tax Effect	**2022**	**2021**
Adjustments – Net worth	9,441	7,830
Rate - IR and CS	45%.	45%.
2022 Tax Effect – Net worth	**(4,249)**	**(3,524)**
2021 Tax Effect – Net worth	(3,524)	(2,692)
Tax Effect - Result	**(725)**	**(832)**

b. Summary of main differences between BR GAAP and IFRS

b.1 Exchange rate

In BRGAAP, transactions denominated in foreign currencies are converted into the functional currency of the entity (Real) using the "PTAX 800" quotation (average practiced on the day), as determined by the rules of Brazil Central Bank. In accordance with IAS 21, foreign currency transactions must be translated into entity functional currency on balance sheet closing dates from the use of closing rates of purchase (for foreign currency assets) and sale (for foreign currency liabilities).

The difference in the conversion rate of transactions in foreign currency generates an adjustment of accounting criteria.

b.2 Provision for credit losses

In BRGAAP, SMBCB makes a provision for credit losses, based on the premises of CMN Resolution # 2,682.

In IFRS, a provision for expected credit losses is recognized for all financial assets classified in the Amortized Cost and Fair Value categories, according to the methodology described in detail in explanatory note 3(c) and developed to comply with IFRS 9.

The differences between BRGAAP and IFRS standards resulted in different amounts of provision for credit losses and as a result the adjustment was recognized.

b.3 Leasing

On the adoption of IFRS 16 as of January 1, 2019, SMBCB began to record lease agreements in which it is a lessee through the recognition of right-of-use assets under the heading of Tangible Assets and future payment obligations related to contracts under the heading of Other Liabilities (measuring them at present value, discounted using the incremental rate on loan).

The new IFRS accounting practice differs substantially from the accounting practice established in BRGAAP for the processing of these lease contracts, which does not provide for the recognition of assets and liabilities, but only for the recording of rental expenses as payments are due.

b.4 Tax effects of IFRS adjustments.

IAS 12 requires the recording of deferred income tax and social contribution for all taxable or deductible temporary differences, except for deferred taxes arising from the initial recognition of premiums, the initial recognition of an originated liability or an acquired asset that does not qualify as a business combination and does not affect the result on the date of the transaction and does not affect profit (or loss) for tax purposes.

The adjustments of deferred Income tax and Social Contributions calculated on the IFRS adjustments were reflected in reconciliation.