

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

Financial statements as of 31 December 2022.

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Management Report

Shareholders:

In compliance with the legal provisions, we submit for your appreciation the financial statements for the half and year ended December 31, 2022, whose net income earnings in the year ended amounted to R\$ 137,223 (R\$ 156,007 on December 31, 2021), total assets, R\$ 9,533,514 (R\$ 8,545,054 thousand on December 31, 2021) and loans portfolio R\$ 2,965,671 thousand (R\$ 2,532,626 thousand on December 31, 2021).

Dividends:

Corporate legislation and the bylaws state a minimum of 25% of net income for the year shall be distributed to the shareholders in the form of dividends and/or interest on shareholders' equity. On December 31, 2022 it was decided not to form a provision of dividend/interest on shareholders' equity, where the profit for the year was allocated to the statutory reserve for future allocation.

We remain at your disposal should you need any further clarifications, and we inform you that all accounting documents supporting these financial statements are at the Bank's head office.

São Paulo, March 24, 2023.

Summary of the Audit Committee Report

Introduction:

According to the Resolution CMN 4.910 from Central Bank of Brazil, it is for the Audit Committee ('Committee') to ensure the quality and integrity of the Financial Statements of the Banco Sumitomo Mitsui Brasileiro S.A. ('Bank'), for compliance with legal and regulatory requirements, for the performance, independence and quality of the work of the external audit and internal audit, and for the quality and effectiveness of the Bank's internal control and risk management systems. The Committee shall consist of four (4) members, full and independent, elected, having regard to the criteria laid down in the rules of the National Monetary Council (CMN).

The Committee's assessments are based on information received from the Bank's management, external auditors, internal audit, risk management, internal controls and compliance, the Bank's legal advisers and its own analyzes.

KPMG Auditores Independentes Ltda is the independent audit firm contracted to review the Bank's Financial Statements, prepared in accordance with Brazil's accounting practices and in compliance with the standards published by the Central Bank of Brazil.

Internal Audit focuses on issues that represent higher risk potential and the assessment of internal control and risk management systems, providing the Committee with a critical view of the quality of the processes and the monitoring of risks.

Activities carried out during the period:

At a meeting held on 24 March 2023 with our internal and external auditors, the revision work of the financial statements for the year ending 31 December 2022, carried out by the KPMG Auditores Independentes Ltda team was presented. At its conclusion, the approval of the financial statements by our external auditors was recommended and the Audit Committee considered their quality as official disclosure appropriate. We always have the presence of the members of the Audit Committee, the Executive Manager of Accounting and the Executive Manager of Internal Audit.

Risk Management and internal control systems:

In the second half of 2022 the Bank continued to improve and update its rules and procedures and strengthen the corporate governance process. The reports required by the regulators and prepared by the Compliance Division concluded that the Internal Control System of the Banco Sumitomo Mitsui Brasileiro S.A. is adequately structured to ensure effective management of risk and capital, internal controls, operations and systems that generate the financial reports.

Among the points made by the Internal Audit and the reports produced by the external audit and compliance division did not indicate a breach of the domestic laws, regulations and rules that could put at risk the continuity of the operations of Banco Sumitomo Mitsui Brasileiro S.A. The Bank's internal control system has been continuously improved and procedures already implemented, as well as those still in the deployment phase, are compatible with the size and complexity of operations.

External Audit:

The Committee shall maintain, directly and/or indirectly through its Technical Member, a regular channel of communication with the external auditors for a broad discussion of the results of its work and of relevant accounting aspects, so as to enable its members to substantiate their views on the integrity of the Financial Statements.

On the basis of the evaluation carried out and the information provided by KPMG Auditores Independentes Ltda, the Committee has not identified situations which could affect the objectivity and independence of the external audit.

The Committee shall assess the volume and quality of the information provided by the external audit as fully satisfactory and support its view on the integrity of the financial statements.

Internal Audit:

The strategic and tactical planning of Internal Audit and the analysis of the structural, resource, professional development, responsibilities, independence, objectivity, implementation and completion aspects of the work have been examined by the Audit Committee. The outcome of this process did not give the Committee any concerns on the points examined.

The Internal Audit, through its reports, did not bring to the attention of the Committee the existence of residual risks that could affect the degree of soundness and continuity of the Bank's operations.

Financial statements:

The Committee reviewed the procedures involving the preparation of the individual and consolidated balance sheets, explanatory notes and financial reports published together with the individual and consolidated financial statements.

The relevant accounting practices used by the Bank in drawing up the Financial Statements were also examined and found to be in line with Brazilian practices and in compliance with the standards published by the Central Bank of Brazil.

Conclusions:

Given its responsibilities and the natural constraints that arise from the scope of its activities, and on the basis of the activities it has carried out over the period, the Committee concludes that during the six months ending on 31 December 2022:

- internal control systems, compliance policy, and capital and risk management frameworks are appropriate for the proportion and complexity of the Banco Sumitomo Mitsui Brasileiro S.A. and the approved risk appetite, followed by compliance with the rules in force, with evidence of shortcomings;
- the coverage and quality of the Internal Audit work are satisfactory, including with regard to the verification of compliance with legal and regulatory provisions and internal regulations and codes, with the evidence of deficiencies identified and acting with appropriate independence;

- the relevant accounting practices adopted by the Bank are aligned with those adopted in Brazil, including compliance with standards emanating from the National Monetary Council and the Central Bank of Brazil, as well as with the international accounting standards issued by the International Accounting Standards Board (IASB); and
- the information provided by KPMG Auditores Independentes Ltda is suitable, including the verification of compliance with legal and regulatory arrangements and internal regulations and codes, with evidence of the deficiencies identified, in which the Committee supports its recommendation on the accounts, and no situation is identified which could undermine the objectivity and independence of the Independent Auditor.

In the course of the other activities carried out, the Committee did not become aware of the occurrence of fraud or non-compliance with legal and regulatory standards or internal control, accounting and audit errors which could jeopardize the continuity of the Bank.

On the basis of the export, this Committee, basing its judgment on the actions carried out and considering its responsibilities and the natural limitations arising from the scope of its activities, recommends the approval of the audited financial statements of Banco Sumitomo Mitsui Brasileiro S.A., for the year ending 31 December 2022.

São Paulo, March 24, 2023.

Audit Committee.



Independent auditors' report on the financial statements

To the Shareholders of

Banco Sumitomo Mitsui Brasileiro S.A.

São Paulo - São Paulo

Opinion

We have audited the financial statements of Sumitomo Mitsui Brasileiro S.A. (the "Bank"), which comprise the balance sheet as of December 31, 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year and six-month period then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Sumitomo Mitsui Brasileiro S.A. as of December 31, 2022, and of its financial performance and its cash flows for the year and six-month period then ended in accordance with accounting policies adopted in Brazil applicable to the institutions authorized to operate by the Central Bank of Brazil.

Basis for Opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for impairment loss on loans

As mentioned in notes 3g and 9, in order to measure the allowance for impairment loss on loans, loans and foreign exchange transactions are classified according to Management's assessment of risk, according to the Bank's policy that takes into consideration economic conditions, past experience and the specific risks posed by each transaction, debtors and guarantors, in compliance with the parameters set by CMN Resolution No. 2,682/99, which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss). The Bank applies loss percentages set by that Resolution to each risk level to calculate the allowance for impairment loss on loans and, in addition to the parameters established on that Resolution, the Bank recognizes an additional allowance according to internal methodology. Classifying loan transactions into risk levels and measuring the allowance for impairment loss on loans involve assumptions and judgments based on the Bank's internal methodologies. Due to the significance of loan transactions and the uncertainties inherent in estimating the allowance for impairment loss on loans, the complexity of the methods and assumptions used by the Company and the judgment involved in its determination, we considered this to be a key audit matter.

How the matter was addressed in our audit

We evaluated the design and operating effectiveness of key internal controls over the approval, registration and update of loan transactions, and the internal methodologies followed for assessing the risk levels (*ratings*) of clients that support the classification of transactions and the main assumptions used to calculate the allowance for impairment loss on loans. Moreover, we evaluated samples of information that supports the bank's definition and review of its client ratings, such as the credit proposal, financial and master file information and the amounts pledged as formal guarantees, including the methodologies and assumptions used for the provision. We analyzed the mathematical calculation of the allowance, including the evaluation of the Company's compliance with the requirements set by CMN Resolution No. 2,682/99 for calculating the allowance for impairment loss on loans. We also evaluated whether the disclosures made in the financial statements are appropriate in accordance with current standards.

According to the evidence we obtained by applying the procedures described above, we considered that the measurement of the allowance for impairment loss on loans is acceptable in the context of the financial statements for the six-month period and year ended December 31, 2022.

Measurement of the fair value of derivative financial instruments, including the valuation of the hedging frameworks

According to notes 3.f and 7 item 4, the Bank carries out transactions with derivative financial instruments to hedge its operations against market price fluctuations and to mitigate the risks posed by foreign currencies and the interest rates of its assets and liabilities and cash flows. These derivative financial instruments consist of swap, *Non Deliverable Forward* (NDF) and futures transactions. The mark-to-market method of these derivative financial instruments was established according to consistent and verifiable criteria that take into consideration the closing price or adjustment price, if applicable, on the calculation day or, if the price is not available, using pricing models that translate the probable net realizable value, or the price of a similar financial instrument, taking into account at least payment terms and maturities, the currency or index, and the credit risk associated with the counterparty. Moreover, the Bank has futures contracts that were realized to mitigate the effect of exchange rate fluctuations on foreign currency funding and fixed-rate loan transactions in Brazilian reais. These transactions were designated as hedging derivatives and classified as market risk or cash flow *hedge* transactions. Transactions designated for *hedging* are measured at market value. The fair value measurement of both derivatives and hedged items

should meet the criteria set by BACEN Circular Letter No. 3,082/02, which establishes and consolidates criteria for the accounting recognition and valuation of derivative financial instruments, in addition to policies and controls to ensure their effectiveness. Due to the uncertainty about the assumptions and estimates involved in pricing derivative financial instruments and to measure the market value of the *hedged* item, we considered this to be a key audit matter.

How the matter was addressed in our audit

As part of our procedures, we evaluated the design and operating effectiveness of the key internal controls adopted by the Bank to measure the market value of derivative financial instruments, including derivatives for *hedging* purposes, and of *hedged* items. With the help of our experts in financial instruments, we tested the models developed by the Bank's professionals to determine the fair values and the reasonableness of the criteria for setting parameters and information included in the pricing models used, we recalculated the values of transactions and compared the assumptions used to determine fair value with similar market transactions. Moreover, with the help of our financial instrument experts, we obtained an understanding of the hedging strategies adopted by the Bank, including those related to *hedge* accounting to preserve the *spread* on investments, interbank deposits and on-lendings. We evaluated the sufficiency of the documentation prepared by the Bank which supports the designation as *hedge* accounting, specifically the formal designations containing the descriptions of all strategies and methodologies used to measure effectiveness. We also recalculate the prospective and retrospective effectiveness test prepared by the Bank. Moreover, we checked whether the information presented in notes meets all disclosure requirements set forth by current standards.

According to the evidence obtained by applying the procedures summarized above, we considered that the fair value of derivative financial instruments, including derivatives for *hedging* purposes, and *hedged* items, is acceptable in the context of the financial statements taken as a whole for the six-month period and year ended December 31, 2022.

Other information accompanying the financial statements and the independent auditors' report

The Bank's Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 it is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 28, 2023.

KPMG Auditores Independentes Ltda.

CRC 2SP-027685/O-0 'F' SP

Luciana Liberal Sâmia

Accountant CRC 1SP198502/O-8

Banco Sumitomo Mitsui Brasileiro S.A.
Financial statements
December 31, 2022



Banco Sumitomo Mitsui Brasileiro S.A.
Statements of Financial Position
31 December, 2022 and 2021
(In Thousands of Reals)

ASSETS	Note	December 2022	December 2021
Cash equivalents	4	80.261	567.751
FINANCIAL ASSETS		9.301.636	7.809.256
Interbank funds applied	5	3.292.408	1.730.187
Money market		2.041.055	910.312
Interfinancial deposits		1.126.112	819.874
Foreign currency		125.241	1
Securities	6	1.816.302	2.206.441
Own portfolio		1.249.619	1.671.170
Subject to guarantees		566.683	535.271
Derivative financial instruments	7	237.733	65.081
Interbank accounts		404.298	537.987
Deposits at the Central Bank of Brazil - BACEN		2.525	3.015
Interbank on-lending	8	401.872	535.121
Provision for expected credit losses	8	(99)	(149)
Lending		2.067.603	1.685.692
Loans	9	2.071.403	1.688.319
Provision for expected credit losses	9.	(3.800)	(2.627)
Exchange operations		1.483.292	1.583.868
Foreing exchange portfolio	10	1.484.752	1.586.013
Provision for expected credit losses	9.	(1.460)	(2.145)
OTHER ASSETS	12	66.964	38.258
TAX ASSETS	11	78.802	122.391
Current tax assets		21.990	18.184
Tax Credit		56.812	104.207
INVESTMENTS		123	123
FIXED ASSETS IN USE	13a	2.967	3.404
Other fixed assets		16.541	16.288
Accumulated depreciation		(13.574)	(12.884)
INTANGIBLE	13.b	2.761	3.871
Intangible Assets		14.727	14.457
Accumulated depreciation		(11.966)	(10.586)
TOTAL ASSETS		9.533.514	8.545.054

LIABILITIES	Note	December 2022	December 2021
FINANCIAL LIABILITIES		7.140.819	6.269.918
Deposits	14a	2.139.016	1.671.795
Demand deposits		90.076	147.287
Interfinancial deposits		204.208	-
Time deposits		1.844.732	1.524.508
Money market funding	14c	31.006	-
Securities Issued	15	100.128	-
Interbranch accounts		45.733	55.271
Derivative financial instruments	7	94.155	102.928
Obligations on overseas loans	16a	830.006	927.194
Foreing on-lendings	16.b	3.308.293	2.807.402
Foreing exchange portfolio	10	592.482	705.328
OTHER LIABILITIES	17	57.344	118.583
PROVISIONS		64.193	68.684
Tax, civil and labor	18	20.739	32.343
Other	17.b	43.454	36.341
TAX LIABILITIES		156.841	138.040
Current tax liabilities		81.216	61.989
Deferred tax obligations	20c	75.625	76.051
EQUITY		2.114.317	1.949.829
Capital:		1.559.699	1.559.699
Domestic		2	2
Foreing		1.559.697	1.559.697
Profit Reserves		564.865	427.642
Mark-to-market of securities	6.	(902)	(993)
Cash flow hedge		(14.062)	(51.163)
Adjustments to actuarial liabilities - CVM 600		(16.116)	(9.603)
Foreing exchange adjustments to investments		20.833	24.247
TOTAL LIABILITIES		9.533.514	8.545.054

*See the accompanying notes to the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Financial statements
December 31, 2022



Banco Sumitomo Mitsui Brasileiro S.A.

Statements of profit or loss

Years ended 31 December 2022 and 2021

Half ended December 31, 2022

(In thousands of Reais, except the profit per lot of a thousand shares)

	Note	2nd half	December 2022	December 2021
Financial operations revenue		<u>264.588</u>	<u>497.414</u>	<u>720.512</u>
Loans	21st	140.928	243.874	202.244
Securities income	21.b	325.132	554.411	196.939
Income on derivative financial instruments	21.c.	(242.301)	(358.815)	183.992
Foreign exchange funding expenses	21.d	40.829	57.944	137.337
Financial operations expenses		<u>(192.450)</u>	<u>(297.139)</u>	<u>(522.639)</u>
Deposits, money market and interbank funds	21.e	(143.796)	(234.047)	(80.693)
Borrowings and pass-throughs	21.f	(48.654)	(63.092)	(441.946)
Gross income on financial operations		<u>72.138</u>	<u>200.275</u>	<u>197.873</u>
(-) Provision for expected credit risk losses	9.	1.313	(489)	(1.058)
Other operating revenue (expenses)		<u>(30.774)</u>	<u>45.497</u>	<u>38.453</u>
Service fee income	21.g	53.321	93.044	48.331
Personnel expenses	9 p.m.	(49.701)	(92.031)	(77.245)
Other administrative expenses	21.i	(33.117)	(63.032)	(51.599)
Tax expenses	21.j	(10.000)	(20.648)	(14.645)
Other operating revenue / (expenses)	21.k	4.068	116.559	101.417
(Provision for) / Reversal of provision for contingent liabilities	21.l	4.655	11.605	32.194
Operating income		<u>42.677</u>	<u>245.283</u>	<u>235.268</u>
Non-operating result		<u>20</u>	<u>29</u>	<u>16</u>
Income before taxation		<u>42.697</u>	<u>245.312</u>	<u>235.284</u>
Income tax and social contribution	20	<u>(10.890)</u>	<u>(103.084)</u>	<u>(75.672)</u>
Income Tax		(21.561)	(44.252)	(32.037)
Social contribution		(19.242)	(36.964)	(29.952)
Deferred assets		29.913	(21.868)	(13.683)
Statutory profit-sharing		<u>(2.765)</u>	<u>(5.005)</u>	<u>(3.605)</u>
Net income for the period		<u>29.041</u>	<u>137.223</u>	<u>156.007</u>
Number of shares		<u>1.559.699</u>	<u>1.559.699</u>	<u>1.559.699</u>
Net income per lot of a thousand shares - R\$		<u>18,62</u>	<u>87,98</u>	<u>100,02</u>

*See the accompanying notes to the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Financial statements
December 31, 2022



Banco Sumitomo Mitsui Brasileiro S.A.
Statements of Comprehensive Income
 Years ended 31 December 2022 and 2021
 Half ended December 31, 2022
(In Thousands of Reals)

	<u>2nd half</u>	<u>December 2022</u>	<u>December 2021</u>
Net income for the period	29.041	137.223	156.007
Comprehensive income that might not be subsequently reclassified to net income:	<u>92.088</u>	<u>33.778</u>	<u>(47.873)</u>
Available-for-sale financial assets			
Change in fair value	(149)	165	(7.804)
Tax Effect	67	(74)	3.512
Foreing exchange adjustments to overseas investments			
Change in fair value	(353)	(6.207)	6.567
Tax Effect	159	2.793	(2.955)
Cash flow hedges			
Change in fair value	167.935	67.456	(85.805)
Tax Effect	(75.571)	(30.355)	38.612
Comprehensive income that might not be subsequently reclassified to net income:	<u>(6.513)</u>	<u>(6.513)</u>	<u>1.266</u>
Adjustment to actuarial liabilities			
Change in fair value	(11.842)	(11.842)	2.302
Tax Effect	5.329	5.329	(1.036)
Total other comprehensive income for the period	<u>85.575</u>	<u>27.265</u>	<u>(46.607)</u>
Total comprehensive income	<u>114.617</u>	<u>164.488</u>	<u>109.400</u>

*See the accompanying notes to the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Financial statements
December 31, 2022



Banco Sumitomo Mitsui Brasileiro S.A.
Statement of changes in net worth
Years ended 31 December 2022 and 2021
Half ended December 31, 2022
(In Thousands of Reals)

Note	Profit Reserve			Other Comprehensive Income				Retained earnings	Total
	Realized capital	Legal	Statutory	Own	Hedge gains and losses	Adjusting Actuarial Liabilities	Foreing exchange adjustments to overseas investments		
Balances at 31 December, 2020	1.559.699	15.534	256.101	3.299	(3.970)	(10.869)	20.635	-	1.840.429
Mark-to-market of securities and derivatives				(4.292)	(47.193)				(51.485)
Adjustments actuarial liabilities						1.266			1.266
Foreing exchange adjustments to overseas investments Resolution 4.524							3.612		3.612
Net income for the year								156.007	156.007
Legal reserve 19c		7.800						(7.800)	-
Statutory reserve 19d			148.207					(148.207)	-
Balances at 31 December, 2021	1.559.699	23.334	404.308	(993)	(51.163)	(9.603)	24.247	-	1.949.829
Balances at 31 December, 2021	1.559.699	23.334	404.308	(993)	(51.163)	(9.603)	24.247	-	1.949.829
Mark-to-market of securities and derivatives				91	37.101				37.192
Adjustments actuarial liabilities						(6.513)			(6.513)
Foreing exchange adjustments to overseas investments Resolution 4.524							(3.414)		(3.414)
Net income for the year								137.223	137.223
Legal reserve		6.861						(6.861)	-
Statutory reserve			130.362					(130.362)	-
Balances at 31 December, 2022	1.559.699	30.195	534.670	(902)	(14.062)	(16.116)	20.833	-	2.114.317
Balances at 30 June, 2022	1.559.699	28.743	507.081	(820)	(106.426)	(9.603)	21.027	-	1.999.701
Mark-to-market of securities and derivatives				(82)	92.364				92.282
Adjustments actuarial liabilities						(6.513)			(6.513)
Foreing exchange adjustments to overseas investments Resolution 4.524							(194)		(194)
Net income in the half								29.041	29.041
Legal reserve 19c		1.452						(1.452)	-
Statutory reserve 19d			27.589					(27.589)	-
Balances at 31 December, 2022	1.559.699	30.195	534.670	(902)	(14.062)	(16.116)	20.833	-	2.114.317

*See the accompanying notes to the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Financial statements
December 31, 2022



Banco Sumitomo Mitsui Brasileiro S.A.

Statement of Cash Flow

Years ended 31 December 2022 and 2021

Half ended December 31, 2022

(In Thousands of Reais)

	2nd Semester	December/2022	December/2021
Operating activities			
Adjusted net income	5.731	10.677	121.889
Statement of income for the period	29.041	137.223	156.007
Adjustments to net income	(23.310)	(126.546)	(34.118)
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(6.360)	(125.490)	(25.219)
Result in financial assets measured at fair value through OCI	140	(166)	7.804
Adjustment to the provision for credit risk losses	(1.313)	488	1.059
Provision adjustment (reversal) to interbank operations	11	(50)	27
Provision adjustment (reversal) to financial guarantees submitted	2.054	3.727	3.394
Depreciation and amortization	1.014	2.070	2.137
Adjustment to provision for tax risks	1.095	10.690	(2.783)
Adjustment to provision for contingent liabilities	(3.560)	(915)	(29.412)
Deferred Taxes	(29.913)	(21.868)	13.683
Monetary (restatement) / Reversal of judicial deposits	(45)	(223)	(395)
Provisions for / Reversals of personnel bonuses	13.567	6.290	4.557
Other	0	(1.099)	(8.970)
Change in assets and liabilities	86.082	(1.250.786)	(691.652)
(Increase) Decrease in Interbank funds applied	(366.460)	(1.311.234)	(121.491)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(31.234)	334.370	(346.160)
(Increase) Decrease in interbank accounts (asset/liabilities)	(106.845)	124.201	(72.263)
(Increase) Decrease in loans	(27.857)	(383.084)	432.609
(Increase) Decrease in forex trading portfolio	438.180	(11.585)	(596.807)
(Increase) Decrease in securities trading and intermediation (assets/liabilities)	(8.849)	(115.074)	70.929
(Increase) Decrease in other assets	62.270	55.419	(38.706)
Provision for income and social contribution taxes	40.803	19.227	61.989
Income tax and social contribution, paid (Decrease) Increase in other liabilities	(12.308)	(3.202)	(32.573)
(Reduction) Increase In Other Liabilities	98.382	40.176	(49.179)
Net cash provided by or used in operating activities	91.813	(1.240.109)	(569.763)
Investment Activities			
(Acquisition) sale of PP&E intangible assets	640	1.111	(968)
(Acquisition) sale of PP&E in use	231	437	(1.449)
Net cash provided by or used in investment activities	872	1.548	(2.417)
Financing Activities			
Increase (Decrease) in deposits	328.205	467.221	(631.730)
Increase (Reduction) in money market funding	31.006	31.006	0
Increase (Reduction) in securities issued	100.128	100.128	0
Increase (Decrease) in onlending and loan obligations	(381.212)	403.702	368.213
Net cash provided by or used in financing activities	78.127	1.002.057	(263.517)
Increase / (Decrease) in cash and cash equivalents	170.812	(236.504)	(835.697)
Equivalents at beginning of period	70.916	567.751	119.391
Cash equivalents at beginning of period	125.719	36.199	2.230.568
Total cash and cash equivalents at beginning of period	196.635	603.950	2.349.959
Equivalents at end of period	80.261	80.261	567.751
Cash equivalents at end of period	287.186	287.186	946.511
Total cash and cash equivalents at end of period	367.447	367.447	1.514.262
Changes in cash and cash equivalents in the period	170.812	(236.504)	(835.697)

*See the accompanying notes to the financial statements.

Notes to the financial statements

(In Thousands of Reais)

1 Reporting entity

Banco Sumitomo Mitsui Brasileiro S.A. (the "Bank") is a multiple service bank authorized to operate commercial portfolios, including exchange operations and investment portfolios, by National Monetary Council (CMN) Resolution 1.524/88.

On January 18, 2012, the Bank received authorization from the Brazilian Central Bank to open a branch in the Cayman Islands. The documents approving the opening of this branch were issued on January 08, 2013. The Bank effectively initiated its operations at the branch in September 2013. The accounting balances of the foreign branches have been included in the financial statements.

2 Preparation and presentation of the financial statements

The financial statements comply with the regulations issued by the National Monetary Council and Brazilian Central Bank, as per CMN Resolution 4818/2020.

Price assumptions and estimates for purposes of recording in the accounting and determining asset and liability values were used in the preparation of these financial statements. Accordingly, the results recorded upon the actual financial settlement of these assets and liabilities could be different from the estimates.

The accounting pronouncements which have already been approved by the Brazilian Central Bank are:

- Resolution CMN 3.566/08 – Asset impairment (CPC 01)
- Resolution CMN 3.604/08 – Statement of cash flow (CPC 03)
- Resolution CMN 3.823/09 – Provisions, contingent liabilities and contingent assets (CPC 25)
- Resolution CMN 3.973/11 – Subsequent events (CPC 24)
- Resolution CMN 3.989/11 – Share-based payments (CPC 10)
- Resolution CMN No 4.524/16 – Effects of changes in financial statement exchange and translate rates (CPC 02)
- Resolution CMN No 4.534/16 – Intangible Assets (CPC 04)
- Resolution CMN No 4.535/16 – Property, Plant and Equipment (CPC 27)
- Resolution CMN No 4.636/18 – Disclosure of Related-Party Transactions (CPC 05 R1)
- Resolution CMN No 4.818/20 – Earnings per Share (CPC 41)
- Resolution CMN 4.877/20 – Employee benefits (CPC 33 R1)

- Resolution CMN° 4.924/21 – Recognition, measurement, bookkeeping and accounting evidence (CPC 00 R2, CPC 01 R1, CPC 23, CPC 46 and CPC 47)

Implementation plan CMN Resolution 4.966/21:

In accordance with Article 76 of Resolution CMN No 4.966 of 25 November 2021, which sets out the accounting concepts and criteria for financial instruments, aligned with the accounting criteria of the chart of accounts established by the International Standard (IFRS 9) as of 1 January 2025, the Bank has drawn up the plan to implement the new accounting regulation, considering the accounting scenario, industry, market strategy, and risk management framework. The Bank's management believes that changes in business models and the relationship with financial products will have an impact on all internal processes, and that policies, controls and systems need to be reviewed and readapted. We have established a macro implementation schedule that includes activities during the financial years 2023 and 2024, and still depends on complementary standards to be issued by the Central Bank of Brazil. The impacts on the Financial Statements will be measured after the full definition of regulatory regulations.

Basically, the implementation plan covers the following steps: (i) evaluation; (ii) design; (iii) development; (iv) tests and approvals; (v) transition activities and (vi) initial adoption.

Of the main challenges required by the resolution, we highlight: (a) investments for classification; (b) initial recognition and measurement requirements; (c) subsequent measurement; (d) recognition and measurement of foreign exchange products; (e) expected losses and (f) transition strategies.

The Executive Board authorized the issuance of the financial statements as of December 31, 2022 on March 24, 2023.

3 Description of significant accounting policies

The Bank adopts the following key accounting practices in drawing up its financial statements:

a. Functional and presentation currency

The Bank's functional currency is the Brazilian Real.

The operations conducted by the overseas branch (Cayman) are denominated in the functional currency the US dollar. However, for the purpose of presentation and consolidation the Bank, the amount converted to Brazilian Reais at the sale exchange coupon informed by the Brazilian Central Bank.

The effect of exchange variance resulting from the translation of foreign currency transactions and financial statements of overseas investees are recorded in separate accounts in shareholders' equity in accordance with CMN Resolution 4524/16.

b. Statement of profit or loss

Revenues and expenses are recognized on the accrual basis, on a daily pro rata basis for financial income and expenses.

Financial income and expenses are calculated under the exponential method, except those related to factored invoices or foreign transactions, which are calculated under the straight-line method.

Fixed-rate transactions are stated at redemption value and income and expenses for the future period are stated as a reduction in related assets and liabilities. Floating-rate or foreign currency-denominated transactions are inflation adjusted through the reporting date

c. Cash and cash equivalents

Cash and cash equivalents consist of local-currency funds, foreign-currency funds and money market investments, with a liquidity at the maturity date of 3 months or less and which pose a negligible risk of impairment, which the Bank uses to manage its short-term commitments.

d. Interbank funds applied

Interbank funds applied are stated at cost, plus income earned up to the reporting date.

e. Securities

Under BACEN Circular 3068, of November 8, 2001, securities are classified according to Management's intent, into the following categories:

- **Trading securities** - Securities acquired for active and frequent trading, adjusted to market value and charged to the statement of income for the period.
- **Available-for-sale securities** - Securities that are neither classified as marketable or held to maturity, adjusted to market value and charged to the relevant item in the shareholders' equity, net of tax.
- **Held-to-maturity securities** - Securities acquired for which the has the intention and financial ability to hold as part of its portfolio until maturity date. These securities are measured at acquisition cost, plus income earned. Interest income is recognized in profit or loss for the period.

f. Derivative financial instruments

The Bank conducts derivative financial instrument transactions to hedge its operations against variations in market prices and to mitigate currency and interest rate risks posed to its assets and liabilities and cash flows agreed on by contract for proper terms, rates and amounts.

Derivative financial instruments are used as a risk-transfer tool to cover the positions of banking book and trading book portfolios. In addition, highly liquid derivatives traded on the stock exchange are used, within the strict limits and under periodical reviews, with the purpose of managing trading portfolio exposures.

In order to manage the ensuing risks, internal limits to global and portfolio exposures were set. These limits are monitored daily. Considering the possibility of exceeding the limits as a result of unexpected situations, Management established internal policies which entail the immediate definition of conditions for realignment. These risks are

monitored by an area independent from operational areas and reported daily to senior management.

The mark-to-market methodology of the derivative financial instruments was established based on consistent and verifiable criteria that take into account the closing price, or adjustment, when applicable, on the calculation day, or if this does not exist, through pricing models that translate the probable net realization value or the price of a similar financial instrument, taking into account the payment terms and maturity, currency or index and the credit risk associated with the counterparty, at the very least.

Under BACEN Circular 3.082, issued January 31, 2002 and BACEN Circular Letter 3.026, issued July 5, 2002 derivative financial instruments are composed of swap and Non Deliverable Forward ("NDF") transactions and futures, accounted for according to the following criteria:

- Transactions involving futures:

The daily adjustments are recorded in assets and liabilities and appropriated daily as revenue or expenses.

- Swap and Non Deliverable Forwards:

Difference receivable or payable recorded in assets or liabilities, respectively, and recognized as income or expense on a pro rata die basis through the reporting date.

Derivative transactions conducted at the request of clients or on one's own, which meet or do not meet the hedging criteria applied to global exposure to risks and which are not considered as related transactions according to the assumptions disclosed by circular 3150/2002 issued by BACEN (Brazilian Central Bank), are stated at market value, and valuations and devaluations are recognized as follows:

- Derivative financial instruments not classified as hedge should be recorded in the revenue or expense account in the income statement for the period.
- Financial instruments considered as hedging instruments:

- Against market risks: are used to offset the risks arising from exposure to the variation in the market value of the hedged item. Their valuations or devaluations are accounted for as an offsetting entry to revenue or expense accounts in the profit or loss for the period.

- For cash flows: have the purpose of offsetting the changes in estimated future cash flows. Their valuations or devaluations are accounted for as an offsetting entry to a separate item in shareholders' equity.

- On initial designation of the derivative as hedging instrument, the Bank formally documents the relationship between the hedging instruments and the items subject to hedge, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the

hedging relationship, considering traditional calculation methods. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the market value of the respective hedged items during the period for which the hedged risk is attributable, and whether the actual results of each hedge are within a range from 80% to 125%.

g. Loans, foreign exchange and provision for credit risk losses

Loans and forex operations are classified according to the Management's assessment of risk, in accordance with the Bank's policy taking into account economic conditions, past experience and the specific risks of each operation, its debtors and guarantors, according to the parameters established by the CMN Resolution 2682/99, procedure which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss). In addition to the parameters established in said Resolution, the Bank also makes an additional provision based on an internal methodology prepared by its parent company.

The Bank has established policies and procedures for granting credit, approved by the Credit Committee and incorporated into the Bank's internal control systems. These policies and procedures determine the need for evaluation of customer data to define the "Obligor Grade" - "grading" of the client, considering qualitative and quantitative aspects.

Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when actually received.

Loans classified as level "H" (100% of allowance) remain in this classification for six months, whereupon they are written off against the existing provision and controlled for five years in memorandum accounts, no longer appearing in the statement of financial position.

Renegotiated loans are held at the level they were classified in or higher. Renegotiations of loans which had already been written off against the provision and were held in memorandum accounts are classified as level H and any gains deriving from the renegotiation shall only be recognized as revenue when effectively received. When there is significant amortization of the transaction, or when new significant factors justify a change in the level of risk, the transaction may be reclassified to the lower-risk category.

The Bank records provision for guarantees provided and guarantee operations which used these policies as a criteria, whilst observing at least, the assumptions established in CMN Resolution 2682/99, taking into account the economic situation, past experience and specific risks posed by each operation and the debtors, as mentioned above.

h. Other assets

Other current and long-term assets are stated at cost plus, when applicable, income and monetary variations earned, less allowance for losses at realization value adjustments.

i. Property, plant and equipment

Property and equipment are stated at acquisition cost, less accumulated depreciation, calculated through the period reporting date. Depreciation is calculated under the

straight-line method at annual rates which reflect the estimated useful lives of the assets. The main annual depreciation rates are 20% for vehicles and data processing equipment, and 10% for other assets.

In compliance with Resolution 4535 of the National Monetary Council (CMN), of November 24, 2016, new property, plant and equipment will be recognized at cost, which comprises the acquisition or construction price in cash, plus any import taxes and non-recoverable taxes on the purchase, other directly attributable costs required to bring the asset to its operating location and condition, and an initial estimate of the costs of dismantling and removing the asset and restoring the site in which it is located. Furthermore, depreciation will correspond to the depreciable amount divided by the asset's useful life, calculated on a straight-line basis as of the moment the asset is available for use and recognized monthly as a contra entry to the specific operating expense account. Useful life is the period during which the Bank expects to use the asset.

j. Intangible asset

Intangible assets consist of expenses incurred with the acquisition and development of the systems, which are amortized on a straight line basis at an annual rate of 20% and leasehold improvements are stated at the cost of acquisition or formation, less accumulated amortization calculated up to the period-end date, amortized over the lease term.

In compliance with Resolution 4534 of the National Monetary Council (CMN), of November 24, 2016, new intangible assets will be recognized at cost, which comprises the acquisition price or the development cost in cash, plus any import taxes and non-recoverable taxes, and other directly attributable costs, required for the preparation of the asset for the proposed purpose. Amortization will be recognized monthly over the estimated useful life of the asset, as a contra entry to the specific operating expense account. Useful life is the period during which the Bank expects to use the asset. Intangible assets characterized as having an indefinite useful life are not amortizable.

k. Impairment of non-monetary assets

Pursuant to CMN Resolution 3,566, approving the adoption of Technical Pronouncement CPC 01, which provides for the procedures applicable to the recognition, measurement and disclosure of losses in relation to the recoverable value of an asset (impairment), establishing the following criteria:

An impairment loss is recognized if the carrying value of an asset or its cash generating unit exceeds its recoverable value. A cash generating unit is the smallest identifiable group of assets that generate cash flows with substantial independence from other assets and groups. Impairment losses are recognized in the statement of income for the period in which they were observed. Non-financial assets, except tax credits, are reviewed at least annually to check for any signs of impairment.

l. Monetary restatement of rights and liabilities

Receivables and payables legally or contractually subject to exchange coupon or index variations are adjusted for inflation through the date of the statement of financial position. Offsetting entries for these monetary restatements are recognized directly in the profit or loss for the period.

m. Deposits

Deposits are stated at the enforceable amounts and consists of charges incurred up to the reporting date, recognized on a pro rata dia basis.

n. Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities and of legal obligations (tax and social security) are performed in accordance with criteria set by the National Monetary Council (CMN) Resolution 3823/09, which approved CPC 25 issued by the Accounting Pronouncements Committee (CPC). The criteria applied by the Management for the measurement and disclosure of contingent assets and liabilities are:

- **Contingent assets** - Are only recognized in the financial statements when evidence exists that the decision will be favorable.
- **Contingent liabilities** – Are recognized in the financial statements when a present obligation exists as a result of a past event, and according to the legal advisors' and the Management's opinion it is probable that an outflow of economic benefits will be required to settle the obligation and whenever the amounts involved can be reliably estimated.

Provisions for labor, civil and tax contingencies are recognized according to Management decisions based on legal opinions, given the chance of defeat in the case.

- **Legal obligations - Tax and social security** - Consist of legal claims, whereby the legality and constitutionality of some taxes and contributions have been challenged. The amounts disputed are fully recorded in the financial statements and corrected in accordance with the legislation in force

Contingent liabilities are disclosed in notes to the financial statements, unless the likelihood of any disbursement to settle them is remote.

Court deposits are held in an asset account, and corrected based on their bank statements, without deducting them from provisions for contingent liabilities and legal obligations, in compliance with the BACEN rules.

o. Income tax and social contribution

The provision for income and social contribution taxes is calculated according to the rate of 15% plus a surtax of 10% on taxable income in excess of R\$ 240 thousand for the year, adjusted by additions and deductions established by law.

Under Law 14.446/2022, the social contribution determined on income adjusted increased to 21% until December 31, 2022. From this date the rate will return to 20% according to Law 7.689/1988.

Tax credits are recognized according to the provisions included in Resolution 4.842 of June 30, 2020, issued by the National Monetary Council. Under those resolutions, in order to recognize and keep in the accounting tax credits arising from income and social contribution tax losses and from temporary differences, the entity must fulfill all of the following conditions:

Report a history of taxable income or revenues for income and social contribution tax purposes in at least three of the last five fiscal years, including the current year;

Future taxable income is expected to be generated for income and social contribution tax purposes, as the case may be, in subsequent periods, according to technical studies which allow the realization of tax credit over a maximum period of ten years.

Tax credits on temporary differences were calculated at the rates of 25% for income tax and 20% for social contribution. We took into account for its constitution the period foreseen for its realization, therefore, the social contribution for the year 2023 and onwards was used.

p. Employee Benefit Plan

The post-employment benefit plan comprises the commitment made by the Bank to supplement the benefits of pension plan system.

Defined Benefit Plan

For this plan modality, Sponsor's obligation is to provide employee benefits, assuming the potential actuarial risk that benefits will cost more than expected.

CVM Resolution No. 695 of December 13, 2012 approved CPC Technical Pronouncement No. 33 (R1) which addresses the matter of employee benefits, in accordance with the amendments to the International Accounting Standard IAS 19. CPC Technical Pronouncement CPC 33 (R1) established essential changes in the accounting for and disclosure of employee benefits such as the removal of the corridor mechanism for recognizing the plan's liabilities, and changes in the criterion for recognizing the plans' assets (appreciations and devaluations). The adoption of the aforementioned Pronouncement applies to years started as from January 01, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices.

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

On December 25, 2015 the Central Bank issued CMN Resolution 4.877/ 2020 stating that financial institutions should comply with CPC Technical Pronouncement 33 (R1) from January 01, 2016.

The Bank has adopted the assumptions and effects of CPC 33 (R1) since 2013.

q. Accounting estimates

The preparation of individual and consolidated financial statements in accordance with accounting practices adopted in Brazil that apply to financial institutions licensed to operate by BACEN requires that Management use its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the provision for credit risk losses, deferred income tax assets, provision for contingencies and valuation of derivative financial instruments and hedging structure. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. Estimates and assumptions are reviewed at least quarterly.

r. Nonrecurrent income

Nonrecurrent income embraces revenue and expenses from administrative acts and facts that are unusual or unlikely to occur in consecutive years.

4 Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows are broken down as follows:

	December/2022	December/2021
Cash equivalents	80,261	567,751
(*)Interfinacial deposits	287,186	36,199
Interfinacial deposits	161,945	36,198
Foreign currency investments	125,241	1
Total cash and cash equivalents	367,447	603,950

(*) Denote operations with an original term lower than 90 days with an insignificant risk of fair value impairment.

5 Interbank funds applied

Money market, as of December 31, 2021 and December 31, 2022, is composed as follows:

	December/2022			
	Up to 3 months	3 to 12 months	Over 12 months	Total
Money market	-	-	2,041,055	2,041,055
Own Funds	-	-	2,041,055	2,041,055
National Treasury Bills	-	-	2,041,055	2,041,055
Financial Treasury Bills	-	-	-	-
(*) Interfinacial deposits	161,945	555,709	408,458	1,126,112
Not Related	161,945	555,716	408,235	1,125,896
Hedge Object Mark-to-Market	-	(7)	223	216
Foreign currency	125,241,	,-,	,-,	125,241,
Total	287,186,	555,709,	2,449,513	3,292,408,

	December/2021			
	Up to 3 months	3 to 12 months	Over 12 months	Total
Money market	-	-	910,312	910,312
Own Funds	-	-	910,312	910,312
National Treasury Bills	-	-	580,198	580,198
Financial Treasury Bills	-	-	330,114	330,114
(*) Interfinacial deposits	36,198	423,377	360,299	819,874
Not Related	36,198	423,377	360,299	819,874

Foreign currency	1	-	-	1
Total	<u>36,199</u>	<u>423,377</u>	<u>1,270,611</u>	<u>1,730,187</u>

6 Securities

It is not the Bank's strategy to acquire securities for the purpose of actively and frequently trading them. The amount presented in multi-market fund shares consists of the Bank's investments in the exclusive investment fund SMBCB Onshore Fundo de Investimento Multimercado Investimento no Exterior ("SMBCB Onshore"). See below further information about the portfolio of securities as of December 31, 2022 and December 31, 2021:

	December/2022		December/2021	
	Market Value	Curve Value	Market Value	Curve Value
Marketable securities				
Multimarket fund shares - SMBCB Onshore Fundo de Investimento Multimercado Investimento no Exterior Longo Prazo	245,740	245,740	219,642	219,642
Total - Trading securities	245,740	245,740	219,642	219,642
(*) Available-for-sale securities				
Own portfolio				
Financial Treasury Bills	508,910	508,785	921,163	921,010
Debentures	494,632	495,971	530,065	496,077
Equity fund shares - FIP Brazil Sustainability	337	641	300	641
	1,003,879	1,005,397	1,451,528	1,417,728
Linked to repurchase commitments				
Linked to the provision of guarantees				
Financial Treasury Bills	566,683	566,804	535,271	536,286
	566,683	566,804	535,271	536,286
Total - Available for sale	1,570,562	1,572,201	1,986,799	1,954,014
Grand Total	1,816,302	1,817,941	2,206,441	2,173,656

(*) Securities classified as available for sale have their adjustment to market value recorded in equity account, net of tax.

The market value of securities is calculated according to market price quotations or quotations from market agents and pricing models developed by the management, which use rate interpolation mathematical models for intermediate terms.

The market value of marketable securities is calculated in the following manner:

- **Securities bearing interest at SELIC (Central Bank overnight rate) and DI (Interbank Deposit) rates** - The market value is calculated by applying the SELIC rate accrued over the period to the issue price per unit, considering the market premium or discount. The premium or discount is obtained daily according to the expectations of ANBIMA - Brazilian Financial and Capital Markets Association for each maturity on the day before the calculation.

- **Securities bearing interest at fixed** - The market value is obtained by applying a discount rate to the future flow of payments on the security. The rate is calculated according to the fixed-rate curve of B3 S.A. - Brasil, Bolsa, Balcão and the counterparty's risk is factored in for private securities.
- **Investment fund quotas** - The investment fund is valued according to the last value of the quota disclosed as of the fund's reporting date by the manager.
- **Debentures** - The market values obtained from the curve using the credit spread obtained by internal methodologies that use the issue's internal rating.

Government securities are book-entry and registered with the Special System for Settlement and Custody - SELIC).

The fund shares and debentures are registered and held in custody at B3 S.A. - Brasil, Bolsa, Balcão in the stock exchange and over-the-counter sections.

7 Derivative financial instruments

Derivative financial instruments consist of Swap and Non Deliverable Forwards - NDF and futures which are held in custody at B3 S.A. – Brasil, Bolsa, Balcão in the stock and over-the-counter markets.

See below the derivative financial instruments explained above recorded in equity and offsetting accounts as of December 31, 2022 and December 31, 2021:

December/2022			
LONG POSITION	Cost Value	Market Value	Referential value of the contract
SWAP			
Fixed rate x CDI	21	36	19,000
Fixed rate x USD	27,959	23,819	452,2008
CDI x USD	81,272	199,002	1,639,250
	109,252	222,857	10,12,458
NDF			
Fixed rate x USD	17,230	7,829	174,110
USD x Fixed rate	2,310	8,006	31,179
	19,540	15,835	205,289
Credit value adjustment (CVA)			
CVA	-	(959)	-
	-	(959)	-
Total	128,792	237,733	2,315,747
December/2021			
	Cost Value	Market Value	Referential value of the contract
SWAP			
Fixed rate x CDI	4,798	2,268	83,800
Fixed rate x USD	3,356	(796)	141,317
CDI x USD	7,933	11,536	518,575
	16,087	13,008	743,692
NDF			
Fixed rate x USD	10,131	8,369	144,567

USD x Fixed rate	30,552	40,848	158,606
Fixed rate x Euro	11	10	59
Fixed rate x Yen	2,792	2,935	1,885,697
	43,486	52,162	2,188,929

Credit value adjustment (CVA)

CVA	-	(89)	-
	-	(89)	-
Total	59,573	65,081	2,932,621

December/2022

POSITION	Cost Value	Market Value	Referential value of the contract
SWAP			
Fixed rate x CDI	3,579	11,091	534,649
Fixed rate x USD	2,207	2,583	18,616
CDI x USD	54,369	12,712	1,430,158
	60,155	26,386	1,983,423
NDF			
Fixed rate x USD	2,2008	10,493	71,856
USD x Fixed rate	67,706	53,621	29,104
Fixed rate x Euro	82	273	1,679
Fixed rate x Yen	1,431	3,382	2,013,186
	71,427	67,769	2,385,825
Total	131,582	94,155	4,369,248

December/2021

	Cost Value	Market Value	Referential value of the contract
SWAP			
CDI x Fixed rate	313	321	499
Fixed rate x USD	27,095	42,798	544,457
CDI x USD	37,766	24,193	830,000
	65,174	67,312	1,374,956
NDF			
Fixed rate x USD	28,554	29,263	68,291
USD x Fixed rate	16,070	6,353	131,200
	44,624	35,616	199,491
Total	109,798	102,928	1,574,447

1- Aging list

December/2022

	Up to 3 months	From 3 months up to 12 months	Over 12 months	Total
SWAP				
Fixed rate x CDI	2,200	16,800	534,649	553,649
Fixed rate x USD	70,257	241,567	159,000	470,824
CDI x USD	72,000	40,000	2,957,408	3,069,408
	144,457	298,367	3,651,057	4,093,881
NDF				
Fixed rate x USD	180,291	65,675	-	245,966
USD x Fixed rate	77,722	212,640	39,921	330,283
Euro	1,022	657	-	1,679
Fixed rate x Yen	713,186	1,300,000	-	2,013,186

	972,221	1,578,972	39,921	2,591,114
Total	1,116,678	1,877,339	3,690,978	6,684,995

December/2021				
	Up to 3 months	From 3 months up to 12 months	Over 12 months	Total
SWAP				
CDI x Fixed rate	178	322	-	500
Fixed rate x CDI	7,200	76,600	-	83,800
Fixed rate x USD	41,416	420,653	223,705	685,774
CDI x USD	72,000	308,325	968,249	1,348,574
	120,794	805,900	1,191,954	2,118,648
NDF				
Fixed rate x USD	130,907	81,951	-	212,858
USD x Fixed rate	80,583	163,039	46,184	289,806
Euro	59	-	-	59
Fixed rate x Yen	875,697	1,010,000	-	1,885,697
	1,087,246	1,254,990	46,184	2,388,420
Total	1,208,040	2,060,890	1,238,138	4,507,068

2- Aging list by trading location

December/2022			
	Stock market	Over the counter	Nominal value
Swaps	-	4,093,881	4,093,881
NDF	-	2,591,114	2,591,114
Total	-	6,684,995	6,684,995

December/2021			
	Stock market	Over the counter	Nominal value
Swaps	499	18/2/149	2,118,648
NDF	-	2,388,420	2,388,420
Total	499	4,506,569	4,507,068

3- Comparison between cost and market value

Daily adjustments to future market transactions, as well as the result of SWAP and NDF contracts, are recorded in revenue or expense when earned and represent their current market value.

Future B3 S.A. - Brasil, Bolsa, Balcão

December/2022				
Reference value (carrying)				
	Up to 3 months	3 to 12 months	Over 12 months	Total
FUTURES - Reference value				
Purchase				
Currency coupon	499,377	1,281,991	4,645,364	6,435,732
Foreign Currency	461,650	-	-	461,650
Interest Rate	74,109	433,929	48,505	556,543
	1,035,136	1,715,920	4,702,869	7,453,925
Sale				
Exchange Coupon	470,242	381,937	731,986	1,584,165

Interest Rate	92,672	367,399	1.09.2006	1,559,277
	562,914	749,336	1,831,192	3,143,442
Total	1,598,050	2,465,256	6,534,061	10,597,367

December/2021				
Reference value (carrying)				
	Up to 3 months	From 3 months up to 12 months	Over 12 months	Total
FUTURES - Reference value				
Purchase				
Currency coupon	576,182	935,553	2,227,757	3,739,492
Foreign Currency	322,972	-	-	322,972
Interest Rate	222,772	266,029	106,482	595,283
	1,121,926	1,201,582	2,334,239	4,657,747
Sale				
Currency Coupon	-	27,799	18,897	46,696
Foreign Currency	696,167	-	-	696,167
Interest Rate	-	606,259	148,823	755,082
	696,167	634,058	167,720	1,497,945
Total	1,818,093	1,835,640	2,501,959	6,155,692

The market value of derivative financial instruments is determined by discounting the future values at present value according to the interest rate curves obtained by employing the market method, which is mostly based on data disclosed by B3 S.A - Brasil, Bolsa, Balcao.

The adjustment at market value determined in derivative financial instruments for the year ended December 31, 2022 was R\$ 26,472 (R\$ 10,746 as at December 31, 2021), and was recognized in income accounts.

Profit or loss from derivative financial instruments for the halves ended December 31, 2022 and 2021 are directly influenced by market interest rates prevailing at the time of the transaction, and by the Dollar rate variation. They are presented below:

Derivative financial instruments	Result		
	2nd Sem. 2022	December/2022	December/2021
Swap	214,853	530,199	(61,530)
NDF	(4,304)	(5,774)	175,084
Future	(452,850)	(883,240)	70,438
Total	(242,301)	(358,815)	183,992

4- Hedge accounting

On 31 December 2022 and 31 December 2021, the Bank only had transactions with derivative financial instruments to mitigate the effect of exchange coupon fluctuations on foreign currency funding and loan transactions in Brazilian real. These operations were allocated as accounting hedges and segregated into:

- **Market Risk Hedge** - are used to offset the risks arising from exposure to the variation in the market value of the hedged item. Their valuations or devaluations are accounted for as an offsetting entry to revenue or expense accounts in the profit or loss for the period.
- **Cash Flow Hedge** - have the purpose of offsetting the changes in estimated future cash flows. Their valuations or devaluations are accounted for as an offsetting entry to a separate item in equity, less tax effects. the portion identified as having no effect should be reflected in profit or loss. The respective hedged items are marked to market at the reporting date.

Foreign currency futures contracts, called hedging instruments, were valued at market value, in accordance with the Circular Letter No. 3,082/02.

4.1 Market value assessment of derivative financial instruments by maturity and indexer - Market Risk Hedge

		Maturity Market Value			
Description	Indexer	1 year	1 - 3 years	3 - 5 years	Total
Future	Currency	(104,916)	(346,632)	-	(451,548)
	Coupon				
Total		(104,916)	(346,632)	-	(451,548)

	December/2022	December/2021
Hedge Items		
Assets		
Interfinancial deposits		
Value updated by agreed conditions	258,891	-
Adjustment value	(200)	-
Market value	259,106	-
Working Capital		
Value updated by agreed conditions	154,2008	-
Adjustment value	222	-
Market value	153,986	-
Export Credit Notes		
Value updated by agreed conditions	52,150	-
Adjustment value	(26)	-
Market value	52,176	-
Liabilities		
Pass-through transactions		
Amount restated by terms agreed	-	(157,715)
Value of the adjustment (note 15b)	-	1,099
Market value	-	(158,814)
Total Market value Hedge object	465,268	(158,814)
Hedge instruments		
Assets		
Future	-	476,967
Liabilities		

Future	(451,548)	-
Total Market value Hedge instrument	<u>(451,548)</u>	<u>476,967</u>

4.2 Market value assessment of derivative financial instruments by maturity and indexer - Cash Flow Hedge

Description	Indexer	Maturity Market Value			Total
		1 year	1 - 3 years	3 - 5 years	
Future	Currency Coupon	1,287,292	1,228,242	149,499	2,665,033
Total		1,287,292	1,228,242	149,499	2,665,033

	<u>December/2022</u>	<u>December/2021</u>
Hedge Items		
Liabilities		
Pass-through transactions		
Amount restated by agreed conditions	(2,721,989)	(2,048,602)
Hedge instruments		
Assets		
Future	2,665,033	1,626,210
Cash flow hedge reserve	(14,062)	(51,163)

The value of R\$ (14,062) on December 31, 2022 and R\$ (51,163) on December 31, 2021 in the Cash Flow Hedge Reserve will be recognized as the result by the maturity of the hedge object.

8 Interbank accounts

They refer to repass loan operations from abroad, to the Financial Institution in the country and abroad (branch in Cayman). The amounts provisioned are based on the assumptions of Resolution CMN 2,682/99 and total the amount of R\$99 (R\$149 as of December 31, 2021):

	December/2022		
	Interfinancial on-lendings	Provision	Net
Maturity:			
Up to 30 days	25,117	10	25,107
31 to 60 days	23,712	9	23,703
61 to 90 days	20,894	8	20,886
91 to 180 days	83,474	17	83,457
181 to 360 days	89,637	23	89,614
Over 360 days	159,038	32	159,006
Total	401,872	99	401,773

	December/2021		
	Interfinancial on-lendings	Provision	Net
Maturity:			
Up to 30 days	777	-	777

31 to 60 days	22,917	9	22,908
61 to 90 days	22,447	9	22,438
91 to 180 days	200,876	47	200,829
181 to 360 days	56,357	23	56,334
Over 360 days	231,747	61	231,686
Total	535,121	149	534,972

9 Loans

As of December 31, 2022 and December 31, 2021, information on the loan portfolio is summarized as follows:

a. By operation

	December/2022	December/2021
Resolution 3.844 (formerly Resolution 63)	175,355	184,951
Compror	-	6
Working capital	1,560,691	1,324,904
Export Credit Notes - NCE	335,357	178,458
Total loans	2,071,403	1,688,319
Advance on foreign exchange contracts (Note 10)	881,985	841,446
Income receivable from advances (Note 10)	12,283	2,861
Total loan portfolio	2,965,671	2,532,626
Financial Guarantees Submitted	3,236,655	2,317,309
Total with Financial Guarantees Provided	6,202,326	4,849,935

b. By maturity

	December/2022	December/2021
Outstanding (days):		
Up to 30 days	298,074	176,423
31 to 60 days	547,804	62,821
61 to 90 days	171,082	506,563
91 to 180 days	412,841	575,010
181 to 360 days	986,847	673,546
Over 360 days	549,023	538,263
Total	2,965,671	2,532,626

The loans operations of the 20 largest debtors at December 31, 2022 represent 90.20% of the credit portfolio (89.49% at December 31, 2021), in the amount of R\$ 2,675,076 (R\$ 2,266,559 in 31 December 2021).

c. By risk rating

Risk rating	%	December/2022				
		Total operations	% of portfolio	Regular provision	Additional provision	Total provision
AA	-	2,604,977	87.8	-	3,159	3,159
A	0.50	342,883	11.6	1,714	138	1,852
B	1.00	16,488	0.6	165	33	198
C	3.00	1,323	0.0	40	11	51
Total		2,965,671	100	1,919	3,341	5,260

Risk rating	% provision 2,682	December/2021				
		Total operations	% of portfolio	Regular provision	Additional provision	Total provision
AA	-	2,005,644	79.2	-	1,963	1,963
A	0.50	512,251	20.2	2,561	51	2,612
B	1.00	13,911	1	139	26	165
C	3.00	820	0	25	7	32
Total		2,532,626	100	2,725	2,047	4,772

d. By business sector

	December/2022	December/2021
Private sector		
Industry	1,283,941	1,091,165
Trade	810,917	844,697
Other services	572,886	337,774
Public		
Federal	297,927	258,990
Total	2,965,671	2,532,626

e. Changes in provision for expected credit risk losses

	December/2022	December/2021
Opening balance	4,772	3,713
Reversal of provision	(1,375)	(1,985)
Marking of provision	1,863	3,044
Closing balance	5,260	4,772

On 31 December 2022 and 31 December 2021, there were no operations recovered, renegotiated or operations written-off as losses.

f. Guarantees provided

The Bank recorded an allowance for credit risk losses for these guarantees in accordance with CMN Resolution 4512/16 and Circular 3782/16 (note 17b). The provisioned-for amounts are based on Resolution 2.682 and amount to R\$ 12,602 in the year ending December 31, 2022 (R\$ 8,874 as at December 31, 2021):

	December/2022		December/2021	
	Guarantees Provided	Provision	Guarantees Provided	Provision
Indexed to International Trading of Goods	15,473	-	6,261	(25)
Indexed to Bids, Auctions, Provision of Services or Delivery of Works	22,499	(73)	22,763	-
Indexed to the Provision of Goods	126,384	(156)	147,617	(203)
Linked to the distribution of securities – Public Offering	593,432	(2,967)	248,598	(1,243)
Endorsement or guarantee in judicial	561,103	(1,158)	587,014	(1,182)
Other Bank guarantee	921,379	(3,273)	810,287	(3,364)
Other Financial Guarantees Submitted	996,385	(4,975)	494,769	(2,857)
Total	3,236,655	(12,602)	2,317,309	(8,874)

10 Foreign exchange portfolio

Exchange operations are recorded in statement of financial position accounts, as follows:

	December/2022	December/2021
Assets		
Unsettled purchased exchange	1,202,277	1,062,047
Receivables on exchange sale	270,328	528,600
Advances received in local currency	(137)	(7,495)
Income receivable from advances awarded (note 9a)	12,283	2,861
Total	1,484,752	1,586,013
Liabilities		
Unsettled sold exchange	272,292	532,340
Obligations on exchange purchases	1,202,175	1,014,434
Advance on foreign exchange contracts (explanatory note 9a)	(881,985)	(841,446)
Total	592,482	705,328

11 Tax Assets

They are represented by the following values:

	December/2022	December/2021
Tax credit — temporary differences (MTM)	32,828	78,257
Tax credit – provisions for temporary differences	23,985	25,951
Prepaid income tax and social contributions	21,266	17,817
Other tax advances	723	366
Total	78,802	122,391

12 Other assets

They are represented by the following values:

	December/2022	December/2021
Due in connection with securities dealing	52,461	15,281
Incoming receivable	3,108	1,636
Prepaid expenses	2,644	1,022
Collateral deposit receivables (note 17)	1,160	14,887
Others	7,591	5,432
Total	66 964	38 258

13 PP&E in use and Intangible assets

On 31 December 2022 and 2021, it is represented as follows:

a. Fixed assets

Description	Annual depreciation rate %	December/2022			December/2021
		Cost	Accumulated depreciation	Net Value	Net Value
Facilities	10	4,394	(4,039)	355	655
Data processing system	20	8,561	(6,333)	2,228	2,180
Furniture and equipment	10	1,660	(1,413)	247	336
Communication system	10	363	(246)	117	154
Security system	10	302	(298)	4	6

Transport system	20	1,261	(1,245)	16	73
Total		16,541	(13,574)	2,967	3,404

b. Intangible

Description	Annual depreciation rate %	December/2022			December/2021
		Cost	Accumulated depreciation	Net Value	Net Value
Software	20	10,763	(8,309)	2,454	3,821
Right of use	20	3,964	(3,657)	307	50
Total		14,727	(11,966)	2,761	3,871

14 Deposits

a. Deposits

	December/2022	December/2021
Demand deposits	90,076	147,287
Time deposits	1,844,732	1,524,508
Interfinancial deposits	204.2008	-
	2,139,016	1,671,795

b. Breakdown by maturity

	December/2022				
	No maturity	Up to 3 months	3 to 12 months	Over 12 months	Total
Demand deposits	90,076	-	-	-	90,076
Term deposits	-	380,062	707,650	757,020	1,844,732
Interfinancial deposits	-	204.2008	-	-	204.2008
	90,076	584,270	707,650	757,020	2,139,016

	December/2021				
	No maturity	Up to 3 months	3 to 12 months	Over 12 months	Total
Spot deposits	147,287	-	-	-	147,287
Term deposits	-	257,038	715,983	551,487	1,524,508
Interfinancial deposits	-	-	-	-	-
	147,287	257,038	715,983	551,487	1,671,795

c. Money market funding

	December/2022	December/2021
Third-party portfolio		
National treasury bills	31,006	-
	31,006	-

15 Acceptance and securities issued

Composition of Financial Letters issued on 31 December 2022:

	Value Issued	Collection year	Year on	December/2022	December/2021
Financial Letters	100,000	2022	2025	100,128	-

Total	100,128	-
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16 Borrowings and pass-throughs

Foreign funding is basically performed through the use of credit lines granted by the shareholder Sumitomo Mitsui Banking Corporation, as follows:

a. Obligations on overseas loans

The balance at December 31, 2022 of US\$ 159,093 (US\$ 166,167 on December 31, 2021) is made up of financing for exports and imports, with maturities of until August 31, 2023, subject to interest rates of up to 5.54% a.a. plus exchange coupon changes for these transactions. The balance at December 31, 2022 is R\$830,006 (R\$927,194 as at December 31, 2021).

b. Foreign on-lendings

Foreign on-lendings, on December 31, 2022, correspond to US\$ 634,125 (US\$502,930 as at December 31, 2021). Such bonds, converted at the official purchase rate at the end of the period, are governed by Resolution BCB No 278 and are subject to interest rates ranging from 0,47 % a.m. up to 5,77 % a.s., plus exchange coupon changes, with maturities up to 04 January 2027. The balance at 31 December 2022 is R\$3,308,293 (R\$2,807,402 as at 31 December 2021):

	December/2022		
	Up to 12 months	Over 12 months	Total
Obligations on overseas loans	830,006	-	830,006
Foreign on-lendings	1,750,920	1,557,373	3,308,293
Total	2,580,926	1,557,373	4,138,299

	December/2021		
	Up to 12 months	Over 12 months	Total
Obligations on overseas loans	927,194	-	927,194
Foreign on-lendings	1,349,459	1,457,943	2,807,402
Total	2,276,653	1,457,943	3,734,596

(*) The figures presented consider the adjustment to the market for hedge accounting transactions of R\$ 0 (R\$ 1,099 as at December 31, 2021), as explained in explanatory note 7, item 4.

17 Other liabilities and provisions

a. Other Liabilities

Description	December/22	December/21
Actuarial liabilities	30,357	17,971
Due in connection with securities dealing	9,471	87,365
Corporate and Statutory	8,350	5,767
Payroll taxes and contributions	2,569	2,172

Deferred Income	2,387	1,539
Withholding Income Tax - IRRF on fixed income transactions	833	378
Services Tax - ISS	748	437
Contribution to Social Security Funding - COFINS	729	1,026
Collection of federal taxes	517	974
Government Severance Indemnity Fund for Employees - FGTS	467	-
Contribution to the Credit Guarantee Fund — FGC	408	354
Others	366	207
Social Integration Program	118	196
Taxes and contributions — third party services	24	17
Total	57,344	118,583
(*) Rolling liabilities	57,344	118,583

(*) The Bank considers all obligations as current liabilities, as there is no date determined to deliver the obligations, which could occur in a period of either less than or more than one year.

b. Provisions

	December/2022			December/2021		
	Current	Non-current	Total	Current	Non-current	Total
Provision for tax, civil and labor risk (note 17)	20,738	-	20,738	32,343	-	32,343
Provision for personnel expenses	27,703	-	27,703	22,916	-	22,916
Provision for general expenses	3,149	-	3,149	4,551	-	4,551
Financial guarantees provided (note 9)	4,160	8,442	12,602	6,706	2,168	8,874
Total	55,750	8,442	64,192	6,516	2,168	68,684

18 Provisions for tax, civil and labor risks

The Bank is involved in tax, civil and labor proceedings. The provision amounts and related court deposits are as follows:

Description	Provision		Judicial deposits	
	December/2022	December/2021	December/2022	December/2021
Provision for tax risks:				
ISS - RJ (a)	-	-	-	4,043
ISS - SP (b)	-	15	-	54
Legal obligations:				
Desmutualization CETIP (c)	109	103	-	-
PIS constitutional amendment (d)	-	1,007	-	-
Social contribution on Net Income - CSL (e)	-	9 674	-	9 674
Total	109	10 799	-	13 771
Provision for risks:				
Civil (f)	14 311	12 403	-	-
Labor (g)	6 319	9 141	1 160	1 116
Total	20,630	21,544	1 160	1 116

Total provisions and court deposits	<u>20 739</u>	<u>32 343</u>	<u>1 160</u>	<u>14 887</u>
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(a) (a) The Bank were involved in tax proceeding related to Service Tax (ISS), in Rio de Janeiro. The Bank had a final deciosion in the process, and therefore the value brought to court has been lifted. On December 31, 2022, the amount is R\$0 (R\$4,043 in 2021).

(b) The Bank had two court cases relating to Services Tax - São Paulo, in which it discussed the exchange services in the period 2001-2003 and guarantees provided in the year 2004, one of which was successful and the other was unsuccessful. In 2021, based on the opinion of the Bank's legal advisers, the value of one of the cases was provisioned, and in the year 2022 the municipal government of São Paulo was successful in this process, the provision of this process was reversed and represented an amount of R\$ 15 in 2021. Just as the judicial deposit requested for the process to be carried out in the judicial sphere was also lifted, on the part of the Municipality of São Paulo, and represented in 2021 the amount of R\$ 54.

(c) The Bank has accounted for the amount referring to the portion of the ongoing process that it considers as a probable loss on the demutualization of Cetip's shares, and the amount for 31 December 2022 is R\$ 109 (2021 R\$ 103).

(d) Refers to the proceeding concerning the previous BIP EC 10/96, in which the unconstitutionality of the tax was discussed. The provision was reversed in the course of the proceedings as a result of the closure of the administrative procedure and the future practical success in the judicial process. In 2021, only the amount relating to lawyers' fees in connection with legal proceedings, which were paid and reversed in November 2022, was transferred.

(e) The Bank questioned the increase in rates from 18% to 30% for 1996 and the determination of the basis for calculating the social contribution. For the purpose of suspending the chargeability of the tax credit, the judicial deposit of the value discussed was carried out. According to the opinion of the legal advisers, the chance of loss related to this judicial discussion was possible. Thus, by decision of the management, a provision was made for the differential to be reduced by the lowest on the basis of the materials under examination, the amount of which was updated on 31 December 2021 was R\$9,674. In 2022, the procedure was finalized favorably for the bank, so that the judicial deposit was lifted and the existing provision was also reversed.

(f) The provision refers primarily to inflationary purges on time deposits where there is a likelihood of financial disbursement. The amount updated on December 31, 2022 is R\$14,310 (R\$12,403 in 2021).

(g) The provision refers to actions brought by ex-employees and outsourced personnel claiming labor rights that they are owed. The shares are controlled individually and the provisions are made on the basis of a decision previously laid down by the Board or at first instance in a labor force. The management, which is based on the opinion of its legal advisers, believes that the amounts currently provided are adequate. The amount updated on December 31, 2022 is R\$6,319 (R\$9,141 in 2021).

There is also in relation to judicial proceedings, a Security Warrant introduced by the Bank, which deals with the basis for calculating INSS (parafiscal contributions collected

on behalf of third parties), for this process there is no accounting record as the right of society, since according to the opinion of our legal advisers the chance of a gain is possible.

Changes in provisions and legal obligations

	2022			
	Tax	Labor	Civil	Total
Balance at 31 December 2021	10,799	9,141	12,403	32,343
Making of provision	-	2,281	-	2,281
Monetary restatement	97	1,861	1,907	3,865
Operating reversals	(10,787)	(6,091)	-	(16,878)
Write-offs due to payment	-	(872)	-	(872)
Balance at 31 December 2022	109	6,320	14,310	20,739

	2021			
	Tax	Labor	Civil	Total
Balance at 31 December 2020	13,582	11,857	39,099	64,538
Making of Provision	8	1,372	-	1,380
Monetary restatement	403	1,529	2,871	4,803
Operating reversals	(3,193)	(5,240)	(29,567)	(38,000)
Write-offs due to payment	-	(378)	-	(378)
Balance at 31 December 2021	10,799	9,141	12,403	32,343

19 Equity

a. Share capital

The share capital as at December 31, 2022 is represented by common shares, worth R\$ 1.00 each, thus distributed:

	December/2022	December/2021
	Number of shares (thousand)	Number of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan)	1,559,697	1,559,697
Shareholders domiciled in Brazil	2	2
Total	1,559,699	1,559,699

b. Dividends

Corporate legislation and the bylaws state a minimum of 25% of net income for the year shall be distributed to the shareholders in the form of dividends and/or interest on shareholders' equity. On December 31, 2022 it was decided not to form a provision of dividend/interest on shareholders' equity, where the profit for the year was allocated to the statutory reserve for future allocation.

c. Legal reserve

The legal reserve was recorded as established by Corporate Law, and may be used for offsetting losses or increasing the Company's share capital.

d. Statutory reserve

The statutory reserve corresponds to the transfer of the balance of retained earnings, subsequent to the mandatory distributions. The remaining balance of R\$ 534,670 (R\$ 404,308 on December 31, 2021) will be transferred to the following year, or will be allocated as proposed by the Executive Board, and approved at the general meeting.

20 Income tax and social contribution

- a. As at 31 December 2022 and 2021, the income tax and social contribution expenditure was thus established:

	December/2022		December/2021	
	Income tax	Social contribution	Income tax	Social contribution
Income before taxes on income less profit sharing	484,214	484,214	231,679	231,679
Reversal of provisions for contingent liabilities	(17,856)	(17,856)	(29,567)	(29,567)
Provision for contingent liabilities	6,260	6,260	11,922	11,922
Allowance for doubtful accounts	1,848	1,848	3,037	3,037
Temporary provisions	8,572	8,572	(5,343)	(5,343)
Market value adjustment of derivative financial instruments	(135,003)	(135,003)	(16,657)	(16,657)
Adjust to market value of hedge accounting	(12,404)	(12,404)	(17,484)	(17,484)
Non-deductible expenses	2,880	1,257	8,369	945
BM&F	(160,646)	(160,646)	(48,181)	(48,181)
Other additions/exclusions	(223)	(223)	(395)	(395)
Offsetting of tax loss carry forwards	-	-	(9,035)	(1,648)
Taxable profit	177,643	176,020	128,345	128,309
Income tax - 15 % (Note 3)	26,646	-	19,252	-
Income tax surcharge - 10% (Note 3)	17,740	-	12,810	-
Empresa Cidadã Law	(135)	-	(25)	-
CSLL Adjustment – Proportional rate	-	-	-	(2,125)
Social contribution - 21% (for 2022) 20% and 25% (for 2021) (Note 3)	-	36,964	-	32,077
Total	44,252	36,964	32,037	29,952

b. Tax credits

Deferred tax credits on temporary provisions, based on the technical study drawn up, will be realizable within 10 years. The figures are set out in the following explanatory notes:

c. Breakdown of deferred tax liability

Breakdown of tax liability	December/22	December/21
Temporary adjustment B3	1,760	55 527
Swap market marking	67 525	7 339
NDF Market Marking	1,940	7 957
Adjusting available-for-sale securities	654	850
Actuarial adjustment plan	557	312
Hedge accounting		176
	3,063	
Bottom quota market marking	126	3 890
Total	75 625	76,051

1. Breakdown of the tax credit assets at 31 December 2022

Composition of the tax asset	December/22	December/21
Temporary adjustments other provisions	15,853	14,890
Hedge accounting	14,567	42,037
Health plan actuarial adjustment	10,485	5,896
Temporary adjustments on PCLD	8,079	6,201
Actuarial adjustment pension plan	3,128	2,143
Mark-to-market of NDF	1,760	-
Adjustment to Available-for-Sale Securities	1,392	1,662
Mark-to-market of SWAP	1,344	9,687
Mark-to-market hedged item	117	495
Temporary adjustments on judicial provisions	49	4,860
Temporary adjustment B3	38	16,336
Total	56,812	104,207

2. Project realization of tax credits as of 31 December 2022

Financial year	Deferred Income Tax	Deferred Social Contributions	Total
2023	20,453	14,247	34,700
2024	5,332	4,265	9,597
2025	3,414	2,731	6,145
2026	1,653	1,323	2,976
From 2027	1,886	1,507	3,394
Total	32,728	24,074	56,812

3. Change in tax credit

The realization of tax credits is being performed in accordance with the estimated amounts in the corresponding study and its assumptions.

	Balance in Dec/2021	Achievements/Realization/Provisions	Balance in Dec/2022
Temporary adjustments on judicial provisions	4,860	(4,811)	49
Temporary adjustments on allowance for credit losses	6,201	1,878	8,079
Temporary adjustments other provisions	14,890	963	15,853
Mark-to-market hedged item	495	(377)	117
Mark-to-market SWAP	9,687	(8,344)	1,344
Mark-to-market NDF	-	1,760	1,760

Adjustment to Available-for-Sale Securities	1,662	(270)	1,392
Actuarial adjustment health care plan	5,896	4,589	10,485
Actuarial adjustment pension plan	2,143	985	3,128
Hedge accounting adjustment	42,037	(27,470)	14,567
Temporary adjustment B3	16,336	(16,298)	38
Total	104,207	103,156	56,812

Change in result from deferred tax assets:

	December/2022	December/2021
Temporary adjustment B3	37,468	(21,681)
Mark-to-market of swap	(68,529)	6,314
Mark-to-market of NDF	7,778	(13,810)
Mark-to-market of fund shares	3,890	(3,832)
Temporary adjustments on PCLD	1,878	6,201
Other temporary adjustments in allowance for credit losses	963	14,890
Adjustment to CDI Hedge	(97)	-
Mark-to-market hedge funding	(407)	(4,036)
Temporary adjustments on judicial provisions	(4,811)	4,860
Realization of tax loss - Income Tax	-	(2,259)
Realization of negative base - CSLL	-	(330)
	(21,867)	(13,683)

4. Present value of tax credit

Financial year	Deferred Income Tax	Contribution deferred social	Total
2023	18,061	12,580	30,641
2024	4,202	3,362	7,564
2025	2,393	1,914	4,307
2026	1,029	823	1,852
From 2027	916	733	1,649
Total	26,601	19,412	46,013

d. Other tax credits

There are also unactivated tax credits on provisions for civil contingencies of the amount of R\$ 6,440, which were not constituted due to the uncertainty of their realization in a period of less than 10 years.

21 Statement of profit or loss

a. Loans

	2nd Sem. 2022	December/2022	December/2021
Loan income	135,315	234,095	140,483
Income from financing and onlendings	5,809	9,975	61,761
Hedge Adjustment - Loans and Funding	(196)	(196)	-
Total	140,928	243,874	202,244

b. Securities income

	2nd Sem. 2022	December/2022	December/2021
Interbank funding	200,638	303,554	105,880
Securities income	124,494	250,857	91,059
Total	325,132	554,411	196,939

c. Income on financial derivatives

	2nd Sem. 2022	December/2022	December/2021
Revenue from SWAP, Future and NDF operations	5,078,154	9,130,339	6,565,857
Expenses on SWAP, Future and NDF operations	(5,320,455)	(9,489,154)	(6,381,865)
Total	242,301	(358,815)	183,992

d. Foreign exchange funding expenses

	2nd Sem. 2022	December/2022	December/2021
Revenue from exchange operations	85,068	107,068	170,018
Exchange operation's expenses	(44,239)	(49,124)	(32,681)
Total	40,829	57,944	137,337

e. Deposits, money market and interbank funds

	2nd Sem. 2022	December/2022	December/2021
Expenses on time deposits	(133,765)	(221,436)	(77,345)
Expenses on interbank deposits	(7,512)	(8,327)	(415)
Expenses incurred on securities held under Repurchase agreements	(1,061)	(1,719)	(423)
Expenses on contributions to the Credit Guarantee Fund	(1,329)	(2,437)	(2,510)
Expenses for raising funds from accepting and issuing securities	(128)	(128)	-
Total	(143,796)	(234,047)	(80,693)

f. Borrowings and pass-throughs

	2nd Sem. 2022	December/2022	December/2021
Expenses on foreign loans and pass-throughs	(48,654)	(64,161)	(450,916)
Rediscount expenses	-	(30)	-
Hedge Adjustment - Pass-throughs and loans	-	1,099	8,970
TOTAL	(48,654)	(63,092)	(441,946)

g. Service fee income

	2nd Sem. 2022	December/2022	December/2021
Income from fees and services	13,224	22,194	3,518
Income from business	12,606	23,035	16,160

Intermediation Income from guarantees granted	27,491	47,815	28,653
Total	53,321	93,044	48,331

h. Personnel expenses

	2nd Sem. 2022	December/2022	December/2021
Proceeds	(31,252)	(53,029)	(45,240)
Payroll taxes	(10,359)	(23,570)	(19,706)
Benefits	(4,933)	(9,585)	(7,724)
Management fees	(2,941)	(5,493)	(4,164)
Training	(200)	(354)	(411)
Total	(49,701)	(92,031)	(77,245)

i. Other administrative expenses

	2nd Sem. 2022	December/2022	December/2021
Data processing expenses	(14,601)	(25,559)	(22,363)
Expenses on outsourced technical services	(4,598)	(10,527)	(5,445)
Communication expenses	(3,969)	(7,802)	(8,665)
Rental expenses	(2,810)	(5,833)	(5,835)
Financial system service expenses	(1,697)	(3,172)	(2,785)
Travel expenses	(1,387)	(2014)	(309)
Amortization and depreciation	(1,2009)	(2,265)	(2,137)
Asset maintenance and upkeep expenses	(287)	(654)	(578)
Security and surveillance services	(128)	(200)	(152)
Transport expenses	(86)	(162)	(141)
Material expenses	(141)	(296)	(62)
Water, energy and gas expenses	(168)	(325)	(237)
Expenses on outsourced services	(310)	(631)	(569)
Advertising and marketing expenses	(12)	(146)	(195)
Insurance costs	(755)	(1,006)	(443)
Promotion and public relations	(49)	(83)	(20)
Charitable contributions	-	(3)	(46)
Other administrative expenses	(910)	(2,339)	(1,617)
Total	(33,117)	(63,032)	(51,599)

j. Tax expenses

	2nd Sem. 2022	December/2022	December/2021
COFINS	(6,118)	(12,723)	(10,169)
ISS	(2,727)	(4,747)	(2,473)
PIS	(994)	(2,067)	(1,652)
Others	(161)	(1,111)	(351)
Total	(10,000)	(20,648)	(14,645)

k. Other operating revenue / (expenses)

	2nd Sem. 2022	December/2022	December/2021
Reversal of operating provisions	5,051	8,896	7,559
Reversal of provisions for guarantees provided	(2,054)	(3,727)	(3,394)
Exchange variance	1,088	11,086	98,218

Recovery of charges and expenses	712	1,403	1,281
Restatement of judicial deposits	45	223	395
Indemnification fines	-	13	15
Other expenses	(774)	(1,335)	(2,657)
Total	4,068	116,559	101,417

I. (Provision for) / Reversal of provision for contingent liabilities

	2nd Sem. 2022	December/2022	December/2021
Reversal of operating provisions —contingent liabilities	6,051	17,856	38,375
Restatement of contingent liabilities	(1,396)	(3,969)	(4,803)
Expense of provisions for contingent liabilities	-	(2,282)	(1,378)
Total	4,655	11,605	32,194

22 Related-party transactions and balances

a. Transactions with parent companies (direct and indirect)

Balances for transactions with parties related to Sumitomo Mitsui Banking Corporation are as follows:

	Assets / (liabilities)		Revenue / (expense)	
	December/2022	December/2021	December/2022	December/2021
Cash and cash equivalents - foreign currency deposits	68,270	539,570	-	-
Investments in foreign currency abroad (note 5)	125,241	-	22,766	-
Amounts receivable - sales commission	6,178	4,393	23,036	9,337
Obligations on overseas loans	(830.006)	(927.1994)	4,298	-
Foreign on-lendings	(3,308,293)	(2,807,402)	11.051	(318,769)
Total	(3,938,610)	(3,190,634)	161,151	(309,432)

b. Compensation of key management personnel

Pursuant to Resolution 4818/20 and Technical Pronouncement CPC 05 — Disclosure of Related Parties, all management members have been defined as key personnel of the entity.

The global compensation is paid to executive officers in conformity with the by-laws of Banco Sumitomo Mitsui Brasileiro S.A.

In the most recent statutory reform occurred in April 2019, the maximum global monthly compensation of the executive officers was maintained at R\$ 600 (salaries of executives officers).

Short-term benefits for executive officers

	December/2022	December/2021
Proceeds	5,493	4,163
Variable remuneration	3,382	1,751
Contributions to INSS (Social Security Contribution) /FGTS (Severance Pay Fund)	2,443	1,489

Total	11,318	7 403
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Post-employment benefits

In accordance with the pension fund regulations, executive officers may opt to participate in the supplementary defined-benefit pension plan, fully sponsored by Banco Sumitomo Mitsui Brasileiro S.A., under the same conditions of the other employees of the Bank (note 22).

The Bank does not award long-term benefits or share-based compensation to its key Management personnel.

c. Other information

Resolution 4693/18 states that financial institutions can carry out loan operations with related parties providing they meet the conditions established in the items, below:

- Except for the cases established in the legislation or specific regulations, related-party loans can only be performed on an arm's-length basis, including in respect of limits, interest rates, grace period, terms, security required and risk rating criteria in order to make the provision for probable losses and write-offs as loss, without additional or special benefits in comparison to loans awarded to clients with similar profiles of the respective institutions.
- The balances of direct or indirect loan operations with related parties should not exceed 10% (ten percent) of the equity adjusted by accumulated revenue and expenses less interests held in institutions authorized to operate by the Brazilian Central Bank and overseas financial institutions, subject to the following maximum individual limits:
 1. 1% (one percent) for transactions with individuals; and
 2. 5% (five percent) for transactions with companies.

Directors or officers meeting at least the following conditions in both parties are considered independent:

I - does not have a qualified interest as either controlling shareholder, member of the control group or the group with a qualified interest, nor are they a spouse, companion or relative, blood or otherwise, to the second degree of them;

II - not related via a shareholders agreement; and

III - is not or has not been in the last three years:

- a) a director or member of statutory boards or contractual boards, including at related companies;
- b) employee, including at related companies;
- c) spouse, companion or relative, blood or otherwise, to the second degree of the parties mentioned in sections "a" and "b"; and
- d) recipient of compensation except that for their work as an independent director or on account of any equity interests.

As of December 31, 2022 the Bank had not granted: loans, financing or any other advance to its executive officers or to any member of their families.

Management members did not hold any interest in the capital of the Bank.

23 Post-employment benefits sponsored by the Bank

The Bank's actuarial liabilities were determined in accordance with the model established in the respective plan and represent the amount of commitments made and to be made.

The actuarial calculation is restated annually at December 31.

CVM Resolution 695 of December 13, 2015, approved CPC Technical Pronouncement 33 (R1) which addresses the matter of employee benefits, in accordance with the International Accounting Standard IAS 19. CPC Technical Pronouncement CPC 33 established essential changes in the accounting for and disclosure of employee benefits such as the removal of the corridor mechanism for recognizing the plan's liabilities, and changes in the criterion for recognizing the plans' assets (appreciations and devaluations). The adoption of the aforementioned Pronouncement applies to years started as from January 01, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices. Adopting this practice will basically lead to the full recognition as liabilities of actuarial losses (actuarial deficit) not recognized to date as an offsetting entry to an equity account.

a. Retirement Plan

The Bank sponsors Banco Sumitomo Mitsui Brasileiro Sociedade de Previdencia Privada ("Entity"), established on April 20, 1992 and primarily engaged in granting lump sum benefits and/or supplemental income to the Bank's employees and directors by means of a defined benefit plan. Participants (employees) are entitled to a benefit upon termination of the employment relationship, calculated according to regulatory provisions, whose amount will depend on the participant's salary and length of service at termination date.

As of December 31, 2022, there were no significant changes in the current restatement parameters.

Description	Retirement Plan	
	December/2022	December/2021
Present value of actuarial obligations	36,731	37,565
Fair value of plan's assets	(29,727)	(32,749)
Deficit/ (Surplus) for covered plans	7,004	4,816
Ajustments for permitted deferrals		
Net actuarial liability/(asset)	7,004	4,816
Actuarial assumptions:		
Nominal discount rate for actuarial obligation	10.91% a.s.	9.30% a.s.

Estimated nominal salary increase	4.50% a.s.	3.75% a.s.
Estimated rate of nominal benefit increase	5.02% a.s.	4.27% a.s.
Estimated inflation rate	4.50% a.s.	3.75% a.s.
Biometric table of general mortality	AT-2000 10% smoothly and segregated by sex	AT-2000 10% smoothly and segregated by sex
Biometric table for classification as disabled	Mercer tablet	Mercer tablet
Expected turnover rate	0,31/ (service time+1) 10% on the first date of eligibility for early retirement;	0,31/ (service time+1) 10% on the first date of eligibility for early retirement;
Chance of entering retirement	3% between first eligibility for early and normal retirement; 100% on the date of eligibility to the normal retirement.	

Sensitivity Analysis

The present value of the actuarial obligation is sensitive to changes in the main hypotheses: discount rate, wage growth and life expectancy. The impacts on the present value of the actual obligation are stated including the basic discount rate adopted for this Actuarial Appraisal:

Present Value of the obligations	Sensitivity Analysis	
	December/2022	December/2021
Discount Rate: 0.25% decrease	756	833
Discount Rate: 0.25% increase	(728)	(813)

b. Health Care Plan

The health care plan offered by Banco Sumitomo Mitsui to its employees was contribution-based until November 2017, generating the obligation to extend the coverage in exchange for payment of the respective premiums to former employees and retired employees of the company, in accordance with Art. 31 and 31 of Law 9656/98. Contributions of the plan were interrupted in December 2017, although there remains a group of employees who are entitled to this coverage, presenting the following actuarial liability:

Description	Health Plan	
	December/2022	December/2021
Net actuarial liability/(asset)	23,352	13,155
Total	23,352	13,155
Actuarial assumptions/Actuarial hypotheses		
Nominal discount rate for actuarial obligation	10.96% a.s.	9.38% a.s.
Estimated inflation rate	4.50% a.s.	3.75% a.s.
Biometric Turnover Rate	Until 9 years SVC: 0.5/(Service Time +1)	Until 9 years SVC: 0.5/(Service Time +1)
	From 10 years SVC: 0.075/(Service Time) +1	From 10 years SVC: 0.075/(Service Time) +1
Biometric retirement entry table	55 years	55 years
Biometric table of general mortality	AT-2000 segregated by gender and 10% reduced	AT-2000 segregated by gender and 10% reduced

Health Care Cost Trend Rate (HCCTR)	7.63% a.s. 3.00% a.s. actual rate	Decreasing from 7.90% a.m. to 4.79% a.m.
Restatement of the Participant's Contribution	Inflation (HCCTR)	Inflation (HCCTR)
Restatement of the plan's cost	Inflation (HCCTR) + Aging Factor	Inflation (HCCTR) + Aging Factor
Percentage of people opting to remain in the plan	Retirement: 100%	Retirement: 100%
Aging Factor	Shutdown: 100%	Shutdown: 100%
Family members - Active	3.00% (per year - age)	3.00% (per year - age)
Age difference between holder and spouse	90% Married	90% Married
Family members - Retired	4 years	4 years
	Real Family	Real Family

24 Operational, market, credit, and capital management risk management framework

Operational risk

Operational risk is defined as the risk of loss arising from deficiencies, failures or inadequacy of internal processes, human conduct or systems or that arising from external causes. This definition includes the legal risk.

The Operational Risk Management framework is considered a strategic and competitive factor for Banco Sumitomo Mitsui Brasileiro S.A. and is defined in the Bank's Operational Risk Management Policy established and approved by the Bank's Executive Board at least annually, pursuant to CMN Resolution 4557/17. It is an important tool for the effective management of the Bank's economic and regulatory capital. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Operational Risk Management practice of Banco Sumitomo Mitsui Brasileiro S.A. adopts a management method shared with the Bank's business areas, therefore leading to a clear view of the respective tactical and strategic roles and responsibilities of the business and Operational Risk Management departments, allowing the coordination and cooperation of all Bank's employees to reduce operational losses and duplicate activities.

Under this management method, the Operational Risk Management department is in charge of:

- i. Establishing the structure, policies and tools for managing operational risks;
- ii. Preparing periodical reports;
- iii. Coordinating the operational risk management committees set up by the Bank;
- iv. Consolidating and monitoring the losses incurred by the Bank.

Management, aligned with its Corporate Governance Policy, recognizes, participates in and shares responsibility for continuous improvements in this structure, to ensure compliance with the established objectives and goals and security and quality for the Bank's clients, shareholders and related parties.

Banco Sumitomo Mitsui Brasileiro S.A. adopted the Basic Indicator Approach, "BIA", to calculate the capital requirement for Operational Risks.

Information related to the Bank's Operational Risk Management framework, and Management's responsibility for published information, are included in the publicly disclosed report available at www.smbcgroup.com.br (unaudited).

Market and Liquidity Risk

Market risk is the possibility of losses being incurred due to variations in prices, indexes and rates from mismatches of terms, currencies and indexes for asset and liability portfolios. Banco Sumitomo Mitsui Brasileiro S.A. adopts a highly conservative policy and exposure to market risk factors.

Liquidity Risk is the possibility that the Bank is unable to meet its expected and unexpected obligations, whether current or future, including those resulting from guarantees, without affecting its daily transactions and without sustaining significant losses; and the possibility of the Bank being unable to trade a position at market price, due to its high size in relation to the volume which is usually traded or due to some market discontinuity.

The Market and Liquidity Risk Management structure is a specific unit of the Bank, independent from the business and audit areas, and reports directly to the Bank's Executive Board. It is responsible for managing market, liquidity and credit risks, and ensuring prudent practices and effective techniques of risk control. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Market and Liquidity Risk Management policy is based on the daily control of the Bank's market risk positions, on the control of limits for positions, divided into limits for exposure to interest rate and exposure to exchange coupon, as well as Limits/Guidelines for "Stop Loss". In addition, the Risk Management Department also monitors the market risk using the Value at Risk (VAR) methodology and stress tests).

The Liquidity Risk Management policy is guided by the daily control of Money Gap (the need for funding within a certain period of time), liquidity indicators and additional emergency resources for liquidity. In addition, stress test reports are produced and regulatory information, Liquidity Statement, according to the requirements of the Central Bank of Brazil (Bacen).

The Market and Liquidity Risk Management framework was implemented in accordance with the requirements of CMN Resolution 4557/17 and is approved and reviewed at least annually by the Bank's management. In order to ensure the implementation of the guidelines and policies in force, Banco Sumitomo Mitsui Brasileiro S.A. has a Committee of Assets and Liabilities (ALCO), which usually meets once a month with the of Management members, and extraordinarily whenever necessary. The purposes of said Committee are, among others, to decide on the market and liquidity risk management policy, asset and liability management policy, to ensure compliance with the limits/guidelines for market and liquidity risk, to ensure that the Bank keeps proper and

sufficient liquidity levels and to check procedures in the treatment of new products and their risk management structure.

Information related to the Bank's Market and Liquidity Risk Management framework is included in the publicly-disclosed report available at www.smbcgroup.com.br (unaudited). The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Credit risk

Credit risk is defined as the possibility of the occurrence of losses related to non-compliance by the borrower or counterpart with their respective obligations under the terms agreed on, the devaluation of credit assets, deriving from deterioration in the risk rating of the borrower, a decrease in gains or remunerations, the advantages granted in renegotiation and recovery costs.

Credit risk is strongly related to other types of risk, such as market and liquidity risks. These types of risks derive, many times, from the Credit Risk and may occur concurrently.

The Credit Risk Management structure was implemented in accordance with the requirements of CMN Resolution 4557/17 and is approved and reviewed at least annually by the Bank's Management. The Credit Risk Management structure is a specific unit of the Bank, independent from the business and audit areas, and reports directly to the Bank's Executive Board. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Bank's Credit Risk Management structure is implemented to maintain the policies, procedures and systems for monitoring and controlling credit risk according to prevailing laws, therefore ensuring that the credit risk is identified, measured, monitored, controlled and reported to Management, so as to allow a proper treatment of risk as one of the factors of growth and profitability.

The Credit Risk Management framework has policies and strategies which are clearly defined and duly documented and reviewed, establishing operational limits, risk mitigation mechanisms and procedures to keep exposure to credit risk at levels considered acceptable by the Bank's Management.

Information related to the Bank's Credit Risk Management framework, and Management's responsibility for published information, are included in the publicly disclosed report available at www.smbcgroup.com.br (unaudited).

Capital Management

Capital management is defined as a continuous process of monitoring and controlling the capital held by the Bank; assessing capital needs to face the risks the entity is subject to; and planning goals and capital needs, considering the Bank's strategic purposes.

The capital management framework was implemented in accordance with the requirements of CMN Resolution 4557/17 and is approved and reviewed at least annually

by the Bank's Management. The capital management framework is under the responsibility of the Risk Management Department, independent from the business and audit areas. The size of the framework is proportional to the risks related to the complexity of the products offered by the Bank, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements. The capital management framework aims to identify and assess all the entity's significant risks according to policies and strategies, in order to keep the level of capital compatible with incurred risks.

The main source of information to calculate the regulatory capital is the document CADOC 2061 — DLO Operational Limits Statements, submitted monthly to BACEN, which details all the components of the Regulatory Equity, which is the basis for complying with the minimum regulatory capital required by Basel III pronouncements.

In order to determine the minimum required capital the total RWA is calculated by summing the assets weighted by credit, market, and operational risks:

$$> \text{RWA} = \text{RWAcpad} + \text{RWAm pad} + \text{RWAopad}$$

The RWA consists of the sum of these duly weighted assets.

Capital Adequacy Ratio

The Bank falls within the National Monetary Council (CMN) Resolution 2.099/94, as amended by the CMN Resolutions 4193/13 and 4192/13, which presents the Equity index in relation to the Weighted Assets, as follows:

	December/2022	December/2021
Credit Risk (RWAcpad)	8,455,765	7,058,609
Market Risk (RWAm pad)	1,006,166	649,402
Operational Risk (RWAopad)	591,696	383,746
Risk-weighted assets (RWAs)	10,053,628	8,091,757
Reference Assets Levels I and II (PR)	2,114,506	1.994.214
Required reference equity (RWA 8%)	804,290	647,341
Margin on the Required Reference Heritage	1,310,215	1,346,873
Basel Index (IB) - PR/RWA	21.03%	24.65%

If the bank needs additional capital, the contingency plan is to raise capital through a capital injection by the parent SMBC Tokyo.

Any relevant incident or problem shall be addressed immediately to the Bank's governance committee, which is the group designated to centralize decisions and definitions of measures to remedy any capital adequacy problems.

Any material incident or problem should be immediately forwarded to the Bank's governance committee which is the group tasked with centralizing decisions and determining measures to address any capital adequacy issues.

In order to adopt a prospective approach and foresee the need for capital, the Bank has set up a New Product and Service Committee, with the permanent participation of the Risk Management Department, where the product and/or service is analyzed before being implemented on the Bank.

The Bank does not follow an Internal Capital Adequacy Assessment Process (ICAAP), pursuant to article 6 of CMN Resolution 4557/2017.

The Risk Management Department tracks portfolio's performance daily and if there are any differences, communicates them immediately to Senior Management so that capital adequacy is adequately addressed.

If the scenarios change materially, the finance division will convene the IRM (Integrated Risk Management) and instruct it to carry out stress tests under extreme market and economic conditions.

Information related to the Bank's Capital Management framework is included in the publicly-disclosed report available at www.smbcgroup.com.br (unaudited). The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Fair Value Measurement

The fair values of financial assets and liabilities are determined based on market prices or prices quoted by market agents for the financial instruments traded on active markets. For other financial instruments, the fair value is determined by valuation methods. Evaluation methods include net present value methods, discounted cash flow methods, comparison with similar instruments for which there are observable prices in the market and valuation models. The Bank uses widely recognized valuation models in most of its products to determine the fair value of financial instruments, relying on observable data in the market.

- **Level 1** - Securities acquired for active and frequent trading, marked-to-market, with high liquidity, and prices available in the market. This category includes available-for-sale securities and stock futures.

- **Level 2** - When the pricing information is not available for an active market, but is priced by using prices quoted for similar instruments or by pricing techniques using observable data in the market. This category included swaps, NDFs and Debentures, in which the methodology used is the mark to model, where inputs are collected from the market.

- **Level 3** - Pricing assets where the data is not available in the market pricing assets where the data is not available in the market. In accordance with the best market practices, the fair value of certain products such as Financial Bills is calculated by the Credit Spread to incorporate the issuer's credit risk into the asset's price.

25 Recurrent and non-recurrent results

To classify results between recurrent and nonrecurrent, Banco Sumitomo classifies as recurrent results obtained from its regular and everyday activities, such as revenue and expenses related to loans (investments) and funding (borrowing), services and other expenses related to maintaining the Bank's activities.

Nonrecurrent income embraces revenue and expenses from administrative acts and facts that are unusual or unlikely to occur in consecutive years.

Regarding the impact of the current Social Contribution on the bank's results due to the increase in the rate from 20% to 21% that occurred as from August 2022, we have to have the tax expense value if the rate were to apply for this period of December 31, 2022, would be a higher expense of R\$ 886 (R\$ 0 in 2022).