

# **BANCO SUMITOMO MITSUI BRASILEIRO S.A. – Prudential Conglomerate**

Financial statements as of December 31, 2021.

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## **Management Report**

Dear Shareholders,

In compliance with the provisions of the law, we submit for your appreciation the financial statements for the half and year ended December 31, 2021, whose net income earnings in the year ended amounted to R\$ 156,046 thousand (R\$ 45,458 thousand as of December 31, 2020), total assets R\$ 8,544,670 thousand (R\$ 8,519,888 thousand as of December 31, 2020) and the loans portfolio R\$ 2,532,626 thousand (R\$ 2,415,392 thousand of December 31, 2020).

### **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, 2021 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 23, 2022.



KPMG Auditores Independentes Ltda.

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# Independent auditors' report on the consolidated financial statements

To the Shareholders and the Board of Directors of Banco Sumitomo Mitsui  
Brasileiro S.A.

*São Paulo – SP*

## Opinion

We have audited the financial statements consolidated of the Prudential Conglomerate of Banco Sumitomo Mitsui Brasileiro S.A. ("Bank"), which comprise the statement of financial position consolidated as of December 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the half and year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information. These special purpose financial statements were prepared in accordance with the specific procedures established by Resolution No. 4280, of October 31, 2013, of the National Monetary Council (CMN) and complementary regulations of the Central Bank of Brazil (BACEN), described in the explanatory note No. 2.

In our opinion, the aforementioned financial statements consolidated of the Prudential Conglomerate give a true and fair view of the financial position consolidated of the Prudential Conglomerate of Banco Sumitomo Mitsui Brasileiro S.A. as of December 31, 2021, and the consolidated performance of its operations and cash flows for the half and year then ended, in conformity with the provisions for the preparation of financial statements of the Prudential Conglomerate provided for in Resolution No. 4.280 of the National Monetary Council, and complementary regulations of the Central Bank of Brazil, for the preparation of these special purpose consolidated financial statements, as described in the explanatory note No. 2 to said statements.

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Bank and entities included in the Prudential Conglomerate in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brazil, 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 audit opinion.

## Emphasis – Basis for preparing the consolidated financial statements of the Prudential Conglomerate

We draw attention to Note 2, which discloses that the consolidated financial statements of the Prudential Conglomerate were prepared by the Bank's management to comply with the requirements of Resolution 4.280, of the National Monetary Council, and complementary regulations of the Central Bank of Brazil. As a result, our report on these consolidated financial statements was prepared solely to comply with these specific requirements and, therefore, may not serve for other purposes. Our opinion contains no modification related to this matter.

## Another Subjects

The Bank prepared a set of individual financial statements for general purposes for the semester and year ended December 31, 2021, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, on which we issue a report of unmodified audit, on March 30, 2022.

## Other information accompanying the financial statements and auditor's report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the consolidated 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 a material misstatement of this Management Report, then we are required to report that fact. We have nothing to report in this regard.

## Management and governance responsibilities for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of Prudential Conglomerate in accordance with Resolution 4.280, of the CMN, and complementary regulations of the Bacen, whose main criteria and accounting practices are described in Note 2, 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 the consolidated financial statements of Prudential Conglomerate that are free from material misstatement, whether due to fraud or error.

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

Those responsible for the governance of the Bank and the entities included in the Prudential Conglomerate and the Bank's management are those responsible for supervising the process of preparing the consolidated financial statements of the Prudential Conglomerate.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Prudential Conglomerate, prepared by the Administration in accordance with the requirements of CMN Resolution No. 4.280, and complementary Bacen regulations 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 is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs 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 of Prudential Conglomerate.

As part of an audit in accordance with Brazilian auditing standards and ISAs, taking into account NBC TA 800 (Special Conditions - Audit of Financial Statements according to Conceptual Accounting Frameworks for Special Purposes), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements of Prudential Conglomerate, 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 internal controls of the Bank and entities included in the Prudential Conglomerate and its subsidiaries.
- 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 and entities included in the Prudential Conglomerate and its subsidiary'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 consolidated financial statements of Prudential Conglomerate 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 and entities included in the Prudential Conglomerate and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements of Prudential Conglomerate represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the consolidated financial statements of Prudential Conglomerate. We are responsible for the direction, supervision and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with management 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.

São Paulo, March 30, 2022.

KPMG Auditores Independentes Ltda  
CRC 2SP014428/O-6

Luciana Liberal Sâmia  
Accountant CRC 1SP198502/O-8

**Banco Sumitomo Mitsui Brasileiro S.A.**  
**Statements of Financial Position**  
December 31, 2021 and 2020  
(In thousands of Reais)

ASSETS	Note	December 2021	December 2020
Cash equivalents	4	595,963	119,449
<b>FINANCIAL ASSETS</b>		<b>7,780,660</b>	<b>8,322,681</b>
Interbank funds applied	5	1,730,187	2,892,753
Money market		910,312	2,142,099
Interfinancial deposits		819,874	714,074
Foreign currency		1	36,580
Securities	6	2,177,845	1,846,372
Own portfolio		1,642,574	1,400,912
Subject to guarantees		535,271	445,460
Derivative financial instruments	7	65,081	126,411
Interbank accounts		537,987	437,969
Deposits at the Brazilian Central Bank—BACEN		3,015	2,647
Interbank on-lending	8	535,121	435,444
Provision for expected credit risk losses	8	(149)	(122)
Lending		1,685,692	2,117,517
Loans	9.a	1,688,319	2,120,928
Provision for expected credit risk losses	9.e	(2,627)	(3,411)
Exchange operations		1,583,868	901,659
Foreign exchange portfolio	10	1,586,013	901,961
Provision for expected credit risk losses	9.e	(2,145)	(302)
<b>OTHER ASSETS</b>	12	<b>38,258</b>	<b>31,401</b>
<b>TAX ASSETS</b>	11	<b>122,391</b>	<b>39,239</b>
Current tax assets		18,184	13,937
Tax credit		104,207	25,302
<b>INVESTMENTS</b>		<b>123</b>	<b>123</b>
<b>FIXED ASSETS IN USE</b>	13.a	<b>3,404</b>	<b>2,809</b>
Other fixed assets		16,288	14,839
Accumulated depreciation		(12,884)	(12,030)
<b>INTANGIBLE ASSETS</b>	13.b	<b>3,871</b>	<b>4,186</b>
Intangible assets		14,457	13,489
Accumulated amortization		(10,586)	(9,303)
<b>TOTAL ASSETS</b>		<b>8,544,670</b>	<b>8,519,888</b>

LIABILITIES	Note	December 2021	December 2020
<b>FINANCIAL LIABILITIES</b>		<b>6,269,918</b>	<b>6,492,146</b>
Deposits	14	1,671,795	2,303,525
Call deposits		147,287	119,296
Time deposits		1,524,508	2,184,229
Interbranch accounts		55,271	27,489
Derivative financial instruments	7	102,463	167,696
Obligations on overseas loans	15.a	927,194	662,209
Foreign on-lendings	15.b	2,807,402	2,713,144
Foreign exchange portfolio	10	705,328	618,083
<b>OTHER LIABILITIES</b>	15.a	<b>118,625</b>	<b>39,387</b>
<b>PROVISIONS</b>	16.b	<b>68,684</b>	<b>94,759</b>
Tax, civil and labor		32,343	64,538
Other		36,341	30,221
<b>TAX LIABILITIES</b>		<b>138,040</b>	<b>53,167</b>
Current tax liabilities	19.a	61,989	28,815
Deferred tax obligations	19.c	76,051	24,352
<b>EQUITY</b>		<b>1,949,868</b>	<b>1,840,429</b>
Capital:		1,559,699	1,559,699
Domestic		2	2
Foreign		1,559,696	1,559,697
Profit reserves		427,681	271,635
Mark-to-market of securities	6.a	(993)	3,299
Cash flow hedge		(51,163)	(3,970)
Adjustments to Actuarial Liabilities- CVM 600		(9,603)	(10,869)
Foreign exchange adjustments to investments		24,247	20,635
<b>TOTAL LIABILITIES</b>		<b>8,544,670</b>	<b>8,519,888</b>

\*See the accompanying notes to the financial statements.

**Banco Sumitomo Mitsui Brasileiro S.A.**
**Statements of profit or loss**

Years ended December 31, 2021 and 2020 and

Half ended December 31, 2021

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

	Note	2 <sup>nd</sup> half	December 2021	December 2020
<b>Financial operations revenue</b>		683,288	721,040	933,197
Loans	20.a	159,324	202,244	177,066
Securities income	20.b	140,334	199,459	197,955
Income on derivative financial instruments	20.c	228,281	184,757	218,141
Foreign exchange funding expenses	20.d	155,349	134,580	340,035
<b>Financial operations expenses</b>		(479,748)	(522,639)	(862,130)
Deposits, money market and interbank funds	20.e	(53,098)	(80,693)	(50,399)
Borrowings and pass-throughs	20.f	(426,650)	(441,946)	(811,731)
<b>Gross income on financial operations</b>		203,540	198,401	71,067
<b>(-) Provision for expected credit risk losses</b>	9.e	1,944	(1,059)	(675)
<b>Other operating revenue (expense)</b>		(16,835)	37,965	27,535
Service fee income	20.g	27,928	48,331	44,416
Personnel expenses	20.h	(41,169)	(77,245)	(66,583)
Other administrative expenses	20.i	(26,287)	(52,188)	(44,881)
Tax expenses	20.j	(8,159)	(14,645)	(11,439)
Other operating revenue / (expenses)	20.k	(59)	101,518	114,481
(Provision for) / Reversal of provision for contingent liabilities	20.l	30,911	32,194	(8,459)
<b>Operating income</b>		188,649	235,307	97,927
<b>Nonoperating income</b>	20.m	6	16	56
<b>Income before taxation</b>		188,655	235,323	97,983
<b>Income tax and social contribution</b>	19	(75,782)	(75,672)	(50,102)
Income tax		(22,031)	(32,037)	(16,934)
Social contribution		(21,450)	(29,952)	(13,176)
Deferred assets		(32,301)	(13,683)	(19,992)
<b>Statutory profit-sharing</b>		(2,380)	(3,605)	(2,423)
<b>Net income for the period</b>		110,493	156,046	45,458
<b>Number of shares</b>		1,559,699	1,559,699	1,559,699
<b>Net income per lot of a thousand shares - R\$</b>		70.84	100.05	29.15

\*See the accompanying notes to the financial statements.

**Banco Sumitomo Mitsui Brasileiro S.A.**

**Statements of Comprehensive Income**

Years ended December 31, 2021 and 2020 and

Half ended December 31, 2021

(In thousands of Reais)

	<u>2<sup>nd</sup> half</u>	<u>December 2021</u>	<u>December 2020</u>
<b>Net income for the period</b>	110,493	156,046	45,458
<b>Comprehensive income that might not be subsequently reclassified to net income:</b>	<u>(37,394)</u>	<u>(47,873)</u>	<u>8,112</u>
<b>Available-for-sale financial assets</b>			
Change in fair value	(753)	(7,804)	6,022
Tax effect	339	3,512	(2,710)
<b>Foreign exchange adjustments to overseas investments</b>			
Change in fair value	9,980	6,567	19,636
Tax Effect	(4,491)	(2,955)	(8,836)
<b>Cash flow hedge</b>			
Change in fair value	(77,216)	(85,805)	(10,909)
Tax effect	34,747	38,612	4,909
<b>Comprehensive income that might not be subsequently reclassified to net income:</b>	<u>1,266</u>	<u>1,266</u>	<u>1,263</u>
<b>Adjustment to actuarial liabilities</b>			
Change in fair value	2,302	2,302	2,296
Tax effect	(1,036)	(1,036)	(1,033)
<b>Total other comprehensive income for the period</b>	<u>(36,128)</u>	<u>(46,607)</u>	<u>9,375</u>
<b>Total comprehensive income</b>	<u>74,365</u>	<u>109,439</u>	<u>54,833</u>

\*See the accompanying notes to the financial statements.

**Banco Sumitomo Mitsui Brasileiro S.A.**
**Statement of changes in equity**

Years ended December 31, 2021 and 2020 and

Half ended December 31, 2021

(In thousands of Reais)

	Note	Profit reserve			Other Comprehensive Income					Total
		Realized capital	Legal	Statutory	Own	Hedge gains and losses	Adjustment actuarial liabilities	Foreign exchange adjustments to overseas investments	Retained earnings	
Balances at December 31, 2019		<u>1,559,699</u>	- <u>13,260</u>	<u>212,917</u>	<u>(13)</u>	<u>2,030</u>	<u>(12,132)</u>	<u>9,835</u>	<u>-</u>	<u>1,785,596</u>
Mark-to-market of securities and derivatives					3,312	(6,000)				(2,688)
Adjustment actuarial liabilities							1,263			1,263
Foreign exchange adjustments to overseas investments Resolution 4524							-	10,800		10,800
Net income for the year									45,458	45,458
Legal reserve	18.c		2,274						(2,274)	-
Statutory reserve	18.d			43,184					(43,184)	-
Balances at December 31, 2020		<u>1,559,699</u>	- <u>15,534</u>	<u>256,101</u>	<u>3,299</u>	<u>(3,970)</u>	<u>(10,869)</u>	<u>20,635</u>	<u>-</u>	<u>1,840,429</u>
										-
Balances at December 31, 2020		<u>1,559,699</u>	<u>15,534</u>	<u>256,101</u>	<u>3,299</u>	<u>(3,970)</u>	<u>(10,869)</u>	<u>20,635</u>	<u>-</u>	<u>1,840,429</u>
Mark-to-market of securities and derivatives					(4,292)	(47,193)				(51,485)
Adjustment actuarial liabilities							1,266			1,266
Foreign exchange adjustments to overseas investments Resolution 4524							-	3,612		3,612
Net income for the year									156,046	156,046
Legal reserve	18.c		7,802						(7,802)	-
Statutory reserve	18.d			148,244					(148,244)	-
Balances at December 31, 2021		<u>1,559,699</u>	<u>23,336</u>	<u>404,345</u>	<u>(993)</u>	<u>(51,163)</u>	<u>(9,603)</u>	<u>24,247</u>	<u>-</u>	<u>1,949,868</u>
		-	-		-	-	-	-		-
Balances at June 30, 2021		<u>1,559,699</u>	<u>17,808</u>	<u>299,380</u>	<u>(579)</u>	<u>(8,694)</u>	<u>(10,869)</u>	<u>18,758</u>	<u>-</u>	<u>1,875,503</u>
Mark-to-market of securities and derivatives					(414)	(42,469)				(42,883)
Adjustment actuarial liabilities							1,266			1,266
Foreign exchange adjustments to overseas investments Resolution 4524							-	5,489		5,489
Net income in the half									110,493	110,493
Legal reserve	18.c		5,528						(5,528)	-
Statutory reserve	18.d			104,965					(104,965)	-
Balances at December 31, 2021		<u>1,559,699</u>	<u>23,336</u>	<u>404,345</u>	<u>(993)</u>	<u>(51,163)</u>	<u>(9,603)</u>	<u>24,247</u>	<u>-</u>	<u>1,949,868</u>

\*See the accompanying notes to the financial statements.

**Banco Sumitomo Mitsui Brasileiro S.A.**  
**Statement of Cash Flow**

Years ended December 31, 2021 and 2020 and

Half ended December 31, 2021

(In thousands of Reais)

	2 <sup>nd</sup> half	December 2021	December 2020
<b>Operating activities</b>			
Adjusted net income	109,951	130,442	84,011
Statement of income for the period	110,493	156,046	45,458
Adjustments to net income	(542)	(25,604)	38,553
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(10,954)	(16,705)	7,415
Result in financial assets measured at fair value through OCI	843	7,804	(611)
Adjustment to the provision for credit risk losses	(1,943)	1,059	675
Provision adjustment (reversal) to interbank operations	28	27	74
Provision adjustment (reversal) to financial guarantees submitted	2,415	3,394	709
Depreciation and amortization	1,026	2,137	2,585
Adjustment to provision for tax risks	340	(2,783)	66
Adjustment to provision for contingent liabilities	(31,250)	(29,412)	7,616
Deferred Taxes	32,301	13,683	12,318
Monetary (restatement) / Reversal of judicial deposits	(219)	(395)	(337)
Provisions for / Reversals of personnel bonuses	10,927	4,557	386
Other	(4,056)	(8,970)	7,657
<b>Change in assets and liabilities</b>	<b>126,125</b>	<b>(51,705)</b>	<b>(706,891)</b>
(Increase) Decrease in Interbank funds applied	272,395	498,855	(99,030)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(509,815)	(326,475)	489,607
(Increase) Decrease in interbank accounts (asset/liabilities)	(111,592)	(72,263)	(231,671)
(Increase) Decrease in loans	352,464	432,609	(1,088,225)
(Increase) Decrease in forex trading portfolio	80,651	(596,807)	210,947
(Increase) Decrease in securities trading and intermediation (assets/liabilities)	80,459	70,929	1,423
(Increase) Decrease in other assets	(34,139)	(38,790)	1,682
(Reduction) Increase in current tax liabilities	43,481	61,989	30,110
Income tax and social contribution, paid	(9,648)	(32,573)	(25,635)
(Decrease) Increase in other liabilities	(38,131)	(49,179)	3,901
<b>Net cash provided by or used in operating activities</b>	<b>236,076</b>	<b>78,737</b>	<b>(622,880)</b>
<b>Investment activities</b>			
(Acquisition) sale of PP&E intangible assets	0	(968)	(1,229)
(Acquisition) sale of PP&E in use	(173)	(1,449)	(995)
<b>Net cash provided by or used in investment activities</b>	<b>(173)</b>	<b>(2,417)</b>	<b>(2,224)</b>
<b>Financing activities</b>			
Increase (Decrease) in deposits	(541,454)	(631,730)	79,722
Increase (Decrease) in onlending and loan obligations	629,766	368,213	954,828
<b>Net cash provided by or used in financing activities</b>	<b>88,312</b>	<b>(263,517)</b>	<b>1,034,550</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>324,215</b>	<b>(187,197)</b>	<b>409,446</b>
Equivalents at beginning of period	271,748	119,449	45,607
Cash equivalents at beginning of period	1,566,857	2,230,568	1,894,964
Total cash and cash equivalents at beginning of period	1,838,605	2,350,017	1,940,571
Equivalents at end of period	595,963	595,963	119,449
Cash equivalents at end of period	1,566,857	1,566,857	2,230,568
Total cash and cash equivalents at end of period	2,162,820	2,162,820	2,350,017
<b>Changes in cash and cash equivalents in the period</b>	<b>324,215</b>	<b>(187,197)</b>	<b>409,446</b>

\*See the accompanying notes to the financial statements.

## **Notes to the consolidated financial statements**

***(In thousands of Reais)***

### **1 Reporting entity**

These consolidated financial statements of the Prudential Conglomerate ("Conglomerate") aim to meet the requirements of the Central Bank of Brazil ("BACEN") disclosed through Resolution No. 4,820, of 12/31/2013.

Our Prudential Conglomerate is composed of Banco Sumitomo Mitsui Brasileiro S/A ("Bank") and the investment funds SMBCB Onshore Fundo de Investimento Multimercado no Exterior Longo Term ("Onshore Fund") and SMBCB Offshore I ("Offshore Fund").

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. The Bank is a wholly owned subsidiary of our parent company, SMBC Tokyo – Japan.

The SMBCB Onshore Fundo de Investimento Multimercado no Exterior Long Term ("Onshore Fund") and the SMBCB Offshore I ("Offshore Fund") are proprietary and exclusive investment funds of the Bank and aim to invest their resources in assets of different natures, risks and characteristics, without the commitment of concentration in any asset or risk factor in particular, being able to carry out, directly or indirectly, investments in financial assets abroad, with the objective of investing in different markets, and using instruments traded in the derivatives market both for with the objective of protecting the portfolio ("hedge") and increasing the Onshore Fund's exposure to any risk factors, in order to provide the Bank with a form of investment in fixed income assets and derivative financial instruments.

### **2 Presentation and preparation of the consolidated financial statements**

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

The consolidated financial statements of the Prudential Conglomerate are specifically intended to meet the requirements of the CMN and Bacen and are not to be confused with the Consolidated Financial Statements for general purposes. The consolidation and/or combination of entities listed in CMN Resolution No. 4,280/2013 is based on specific concepts of consolidation and/or combination determined by CMN and Bacen, which are not necessarily the same established by corporate law.

The accounting practices adopted for the accounting of operations and for the preparation of the financial statements emanate from the Brazilian Corporation Law, amendment No. 11.11.941/08, associated with the rules and instructions of the Central Bank of Brazil - BACEN, embodied in the Accounting Plan of the Institutions of the National Financial System – COSIF, highlighting the provisions relating to the Prudential Conglomerate.

Price assumptions and estimates for purposes of recording in the accounting and determining asset and liability values were used in the preparation of these consolidated 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:

- CMN Resolution 3566/08 – Asset Impairment (CPC 01)
- CMN Resolution 3604/08 – Statement of Cash Flow (CPC 03)
- CMN Resolution 3823/09 – Provisions, contingent liabilities and contingent assets (CPC 25)
- CMN Resolution 3973/11 – Subsequent Events (CPC 24)
- CMN Resolution 3989/11 - Share-based payments (CPC 10)
- CMN Resolution 4007/11 – Accounting Policies, Changes in Estimation and Correction of Errors (CPC 23)
- CMN Resolution 4144/12 – Basic conceptual pronouncement (R1)
- BCB Resolution 4877/20 – Employee benefits (CPC 33 R1)
- CMN Resolution 4524/16 – Effects of the changes in financial statement exchange and translation rates (CPC 02)
- CMN Resolution 4534/16 – Intangible Assets (CPC 04)
- CMN Resolution 4535/16 – Property, Plant and Equipment (CPC 27)
- CMN Resolution 4636/18 – Disclosure of Related-Party Transactions (CPC 05 R1)
- CMN Resolution 4748/19 – Fair value measurement (CPC 46)
- BCB Resolution 4818/20 – Earnings per Share (CPC 41)

### **Consolidation**

As determined in article 1, of CMN Resolution No. 4820, as the accounting terms of the Conglomerate disclosed in the country cover the construction of entities located abroad over which it has direct or indirect control.

The Conglomerate is composed of Banco Sumitomo Mitsui Brasileiro S.A and the funds SMBCB Onshore Fundo de Investimento Multimercado Investimento no Exterior (“SMBCB Onshore”), in which the Bank is the exclusive shareholder, and SMBCB Offshore I (“Fund Offshore”), in which SMBCB Onshore is an exclusive shareholder.

Balances of equity and income accounts and amounts of transactions between

consolidated companies are eliminated. For consolidation purposes, the securities and investments belonging to the SMBCB Onshore fund's portfolio are classified by type of operation and were distributed by type of paper, in the same categories in which they were originally allocated.

## **Changes to the presentation of the consolidated financial statements**

On 01/01/2021, CMN Resolution 4720/2019 and supplementary regulations amended the general criteria for preparing and publishing financial statements hitherto in force. Based on this Resolution and Bacen Circular 3959/2019, the Conglomerate made changes to the presentation of its consolidated financial statements to comply with this Circular, including:

### **Statement of Financial Position**

Presentation of asset and liability accounts exclusively in terms of liquidity and enforceability. The break down into current and non-current is being disclosed in the respective notes;

Adoption of new nomenclatures and groups of equity items, such as: cash and cash equivalents, financial assets, provision for credit risk, financial liabilities, tax assets and tax liabilities and provisions.

### **Statement of Profit or Loss**

Use of new financial intermediation income and expense nomenclatures in line with the groups presented in the statement of financial position;

Emphasized presentation of provisions for credit risk and provisions for tax, civil and labor risks;

### **Statement of Comprehensive Income**

The statement of comprehensive income embraces net income and other comprehensive income for the year, segregated into items that will or will not be reclassified to profit and loss in subsequent periods. Other comprehensive income are revenue and expense items recognized directly in equity. The statement of comprehensive income for the halves ended December 31, 2021 and 2020 are being presented in these financial statements.

### **Notes**

Adjusting the presentation structure of the notes to reflect new terms and the grouping of equity and income items.

### **Other information**

The Conglomerate did not exercise the option provided by CMN Resolution 4818/2020 to disclose annual consolidated financial statements along with selected notes.

### **3 Description of significant accounting policies**

The Conglomerate adopts the following significant accounting practices in the preparation of its consolidated financial statements:

#### **a. Functional and presentation currency**

The Prudential Conglomerate 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 Prudential Conglomerate, the amount converted to Brazilian Reais at the sale exchange rate 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 Conglomerate 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 year.
- **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 Management 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 year.

**f. Derivative financial instruments**

The Conglomerate 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 30, 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 year.
- 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 year.
  - 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 Conglomerate 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 Conglomerate'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 Conglomerate has established policies and procedures for granting credit, approved by the Credit Committee and incorporated into the Conglomerate'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 Prudential Conglomerate 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 year 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 assets**

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 year-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 rate 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 year.

**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 consolidated financial statements when evidence exists that the decision will be favorable.
- **Contingent liabilities** - Are recognized in the consolidated 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 consolidated 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. The social contribution calculated on adjusted income in accordance with the legislation in force is 20% until December 31, 2021, from that date onwards the rate becomes 25% until December 31, 2021.

Under Law 14183/2021, the social contribution determined on income adjusted increased to 25% until December 31, 2021. From this date the rate will return to 20%.

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. This happens since, although the CSLL rate in force for current tax is 25% as of December 31, 2021, tax credits are recognized at the rate estimated for their realization, which in this case will be from 2022 onwards.

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**p. Employee benefit plan**

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

**Defined Benefit Plan**

With respect to this type of plan, the obligation of the Sponsor is to provide the benefits agreed on to the employees, undertaking the potential actuarial risk that the benefits may cost more than the original amount forecast.

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 BCB Resolution 4.877/ 2020 stating that financial institutions should comply with CPC Technical Pronouncement 33 (R1) from January 01, 2016.

The Conglomerate 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, 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:

	<b>December 2021</b>	<b>December 2020</b>
<b>Cash equivalents</b>	<b>595,963</b>	<b>119,449</b>
<b>(*) Interfinancial deposits</b>	<b>36,199</b>	<b>2,230,568</b>
Money market	-	2,142,099
Interfinancial deposits	36,198	51,889
Foreign-currency investments	1	36,580
<b>Total cash and cash equivalents</b>	<b>632,162</b>	<b>2,350,017</b>

(\*) 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, 2020, is composed as follows:

December 2021				
	≤ 3 months	3–12 months	>12 months	Total
<b>Money market</b>	-	-	<b>910,312</b>	<b>910,312</b>
<b>Own funds</b>	-	-	<b>910,312</b>	<b>910,312</b>
National Treasury Bills	-	-	580,198	580,198
Financial Treasury Bills	-	-	330,114	330,114
<b>Interfinancial deposits</b>	<b>36,198</b>	<b>423,377</b>	<b>360,299</b>	<b>819,874</b>
Not Related	36,198	423,377	360,299	819,874
<b>Foreign currency</b>	<b>1</b>	-	-	<b>1</b>
<b>Total</b>	<b>36,199</b>	<b>423,377</b>	<b>1,270,611</b>	<b>1,730,187</b>

  

December 2020				
	≤ 3 months	3–12 months	>12 months	Total
<b>Money market</b>	<b>2,142,099</b>	-	-	<b>2,142,099</b>
<b>Own funds</b>	<b>2,142,099</b>	-	-	<b>2,142,099</b>
National Treasury Bills	1,492,051	-	-	1,492,051
Financial Treasury Bills	650,048	-	-	650,048
<b>Interfinancial deposits</b>	<b>51,889</b>	<b>420,325</b>	<b>241,860</b>	<b>714,074</b>
Not Related	51,889	420,325	241,860	714,074
<b>Foreign currency</b>	<b>36,580</b>	-	-	<b>36,580</b>
<b>Total</b>	<b>2,230,568</b>	<b>420,325</b>	<b>241,860</b>	<b>2,892,753</b>

## 6 Securities

It is not the Conglomerate's strategy to acquire securities for the purpose of actively and frequently trading them. See below further information about the portfolio of securities as of December 31, 2021 and December 31, 2020:

	December 2021		December 2020	
	Market value	Cost value	Market value	Cost value
<b>(*) Available-for-sale securities</b>				
Proprietary portfolio:				
Financial Treasury Bills	1,112,209	921,010	1,236,518	1,240,183
National Treasury Notes - Series F	-	-	52	52
Debentures	530,065	529,606	163,704	153,659
Equity fund shares - FIP Brazil Sustainability	300	641	638	641
	<b>1,642,574</b>	<b>1,451,257</b>	<b>1,499,912</b>	<b>1,293,535</b>
<b>Subject to guarantees</b>				
Financial Treasury Bills	535,271	536,286	445,460	445,784
	<b>535,271</b>	<b>536,286</b>	<b>445,460</b>	<b>445,784</b>
<b>Grand total</b>	<b>2,177,845</b>	<b>1,987,543</b>	<b>1,846,372</b>	<b>1,840,319</b>

(\*) Securities classified as available for sale have their adjustment to market value recorded in equity account, net of tax, of R\$ (993) on December 31, 2021 (R\$ 3,299 on December 31, 2020).

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 rates** - 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 BM&FBOVESPA 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, 2021 and December 31, 2020:

<b>December 2021</b>			
<b>LONG POSITION</b>	<b>Cost value</b>	<b>Market value</b>	<b>Referential value of the contract</b>
<b>SWAP</b>			
Fixed rate vs. CDI	4,799	2,268	83,800
Fixed rate vs. USD	3,356	(796)	141,317
CDI x USD	7,933	11,535	518,575
	<b>16,088</b>	<b>13,007</b>	<b>743,692</b>
<b>NDF</b>			
Fixed rate vs. USD	10,131	8,369	144,567
USD vs. Fixed rate	30,552	40,849	158,606
Fixed rate vs. Euro	11	10	59
Fixed rate vs. Yen	2,792	2,935	1,885,697
	<b>43,486</b>	<b>52,163</b>	<b>2,188,929</b>
<b>Credit value adjustment (CVA)</b>			
CVA	-	(89)	-
	-	<b>(89)</b>	-
<b>Total</b>	<b>59,574</b>	<b>65,081</b>	<b>2,932,621</b>
<b>December 2020</b>			
	<b>Cost value</b>	<b>Market value</b>	<b>Referential value of the contract</b>
<b>SWAP</b>			
Fixed rate vs. CDI	9,441	13,961	191,200
Fixed rate vs. USD	15,727	18,119	355,116
	<b>25,168</b>	<b>32,080</b>	<b>546,316</b>
<b>NDF</b>			
Fixed rate vs. USD	12,140	12,604	70,810
USD vs. Fixed rate	83,316	75,658	294,451
Fixed rate vs. Euro	991	1,239	3,366
Fixed rate vs. Yen	4,375	4,678	1,836,695
Euro vs. Fixed rate	579	290	3,500
	<b>101,401</b>	<b>94,469</b>	<b>2,208,822</b>
<b>Credit value adjustment (CVA)</b>			
CVA	-	(138)	-
	-	<b>(138)</b>	-
<b>Total</b>	<b>126,569</b>	<b>126,411</b>	<b>2,755,138</b>

<b>December 2021</b>			
<b>SHORT POSITION</b>	<b>Cost value</b>	<b>Market value</b>	<b>Referential value of the contract</b>
<b>SWAP</b>			

**Banco Sumitomo Mitsui Brasileiro S.A. Prudential Conglomerate**

Financial statements

December 31, 2021

CDI vs. Fixed rate	313	321	499
Fixed rate vs. USD	27,095	42,798	544,457
CDI x USD	37,766	24,193	830,000
	<b>65,174</b>	<b>67,312</b>	<b>1,374,956</b>

**NDF**

Fixed rate vs. USD	28,554	29,263	68,291
USD vs. Fixed rate	16,070	5,888	131,200
	<b>44,624</b>	<b>35,151</b>	<b>199,491</b>

<b>Total</b>	<b>109,798</b>	<b>102,463</b>	<b>1,574,447</b>
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**December 2020**

	<b>Cost value</b>	<b>Market value</b>	<b>Referential value of the contract</b>
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**SWAP**

CDI vs. Fixed rate	570	776	1,319
Fixed rate vs. USD	5,197	4,541	82,232
CDI x USD	6,163	4,713	431,160
	<b>11,930</b>	<b>10,030</b>	<b>514,711</b>

**NDF**

Fixed rate vs. USD	26,859	29,974	74,375
USD vs. Fixed rate	124,074	132,136	443,001
Fixed rate vs. Euro	78	(106)	3,714
Fixed rate vs. Yen	584	662	542,731
	<b>151,595</b>	<b>162,666</b>	<b>1,063,821</b>

<b>Total</b>	<b>163,525</b>	<b>172,696</b>	<b>1,578,532</b>
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**1- Aging list**

**December 2021**

	<b>≤ 3 months</b>	<b>3-12 months</b>	<b>&gt;12 months</b>	<b>Total</b>
<b>SWAP transactions</b>				
CDI vs. Fixed rate	177	323	-	500
Fixed rate vs. CDI	7,200	76,600	-	83,800
Fixed rate vs. USD	41,416	420,653	223,705	685,774
CDI x USD	72,000	308,325	968,249	1,348,574
	<b>120,793</b>	<b>805,901</b>	<b>1,191,954</b>	<b>2,118,648</b>
<b>NDF transactions</b>				
Fixed rate vs. USD	130,907	81,951	-	212,858
USD vs. Fixed rate	80,583	163,039	46,184	289,806
Fixed rate vs. Euro	59	-	-	59
Fixed rate vs. Yen	875,697	1,010,000	-	1,885,697
	<b>1,087,246</b>	<b>1,254,990</b>	<b>46,184</b>	<b>2,388,420</b>
<b>Total</b>	<b>1,208,039</b>	<b>2,060,891</b>	<b>1,238,138</b>	<b>4,507,068</b>

**December 2020**

	<b>≤ 3 months</b>	<b>3-12 months</b>	<b>&gt;12 months</b>	<b>Total</b>
<b>SWAP transactions</b>				
CDI vs. Fixed rate	223	597	499	1,319
Fixed rate vs. CDI	107,400	-	78,200	185,600
Fixed rate vs. USD	302,234	109,869	28,745	440,848
CDI x USD	206,160	225,000	-	431,160

LIBOR vs. USD	-	-	2,100	2,100
	<b>616,017</b>	<b>335,466</b>	<b>109,544</b>	<b>1,061,027</b>
<b>NDF transactions</b>				
Fixed rate vs. USD	113,640	16,366	15,179	145,185
USD vs. Fixed rate	317,608	397,408	22,436	737,452
Fixed rate vs. Euro	6,180	900	-	7,080
Fixed rate vs. Yen	969,299	1,410,127	-	2,379,426
Euro vs. Fixed rate	3,500	-	-	3,500
	<b>1,410,227</b>	<b>1,824,801</b>	<b>37,615</b>	<b>3,272,643</b>
<b>Total</b>	<b>2,026,244</b>	<b>2,160,267</b>	<b>147,159</b>	<b>4,333,670</b>

## 2- Aging list by trading location

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

  

December 2020			
	Stock market	Over the counter	Nominal amount
Swaps	1,319	1,059,708	1,061,027
NDF	-	3,272,643	3,272,643
<b>Total</b>	<b>1,319</b>	<b>4,332,351</b>	<b>4,333,670</b>

## 3- Comparison between cost and market value

The daily adjustments of transactions conducted in the futures market and the income from swap and NDF contracts are recorded as revenue or expenses, when incurred, and denote their restated market value.

### Futures - B3 S.A - Brasil, Bolsa, Balcão

December 2021				
Reference (carrying) value				Total
≤ 3 months	3–12 months	>12 months		
<b>FUTURES -</b>				
<b>Reference value</b>				
<b>Purchase</b>				
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
	<b>1,121,926</b>	<b>1,201,582</b>	<b>2,334,239</b>	<b>4,657,747</b>
<b>Sale</b>				
Currency coupon	-	27,799	18,897	46,696
Foreign currency	696,167	-	-	696,167
Interest rate	-	606,259	148,823	755,082
	<b>696,167</b>	<b>634,058</b>	<b>167,720</b>	<b>1,497,945</b>
<b>Total</b>	<b>1,818,093</b>	<b>1,835,640</b>	<b>2,501,959</b>	<b>6,155,692</b>

December 2020			
Reference (carrying) value			
≤ 3	3–12	>12	Total

	months	months	months	
<b>FUTURES -</b>				
<b>Reference value</b>				
<b>Purchase</b>				
Currency coupon	-	280,988	1,718,009	1,998,997
Foreign currency	617,773	-	-	617,773
Interest rate	720,449	2,207,957	138,815	3,067,221
	<b>1,338,222</b>	<b>2,488,945</b>	<b>1,856,824</b>	<b>5,683,991</b>
<b>Sale</b>				
Currency coupon	811,842	1,730,661	-	2,542,503
Interest rate	-	39,588	451,020	490,608
	<b>811,842</b>	<b>1,770,249</b>	<b>451,020</b>	<b>3,033,111</b>
<b>Total</b>	<b>2,150,064</b>	<b>4,259,194</b>	<b>2,307,844</b>	<b>8,717,102</b>

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, Balcão.

The adjustment at market value determined in derivative financial instruments for the year ended December 31, 2021 totaled R\$ 10,746 (R\$ 9,511 as of December 31, 2020), and was recognized in income accounts.

Profit or loss from derivative financial instruments for the year ended December 31, 2021 and 2020 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		
	2H21	December 2021	December 2020
Swap	(90,032)	(61,530)	(39,800)
"NDF"	126,242	175,084	401,588
Futures	194,256	70,437	(143,647)
<b>Total</b>	<b>230,466</b>	<b>183,991</b>	<b>218,141</b>

#### 4- Hedge accounting

As of December 31, 2021 and December 31, 2020, the Bank only had transactions with derivative financial instruments to mitigate the effect of exchange rate fluctuations on foreign currency funding and loan transactions in Brazilian real. These operations were allocated as accounting hedges and segregated into:

- **Market risk hedges** – 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 hedges** – 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 BACEN Circular Letter No. 3,082/02.

#### **4.1 Market value of derivative financial instruments by maturity range and index - Market risk hedge**

		Maturity – Market value			
Description	Index	≤ 1 year	1–3 years	3–5 years	Total
Futures	Currency coupon	476,967	-	-	476,967
<b>Total</b>		<b>476,967</b>	<b>-</b>	<b>-</b>	<b>476,967</b>

  

	December 2021	December 2020
<b>Hedged items</b>		
<b>Liabilities</b>		
Pass-through transactions		
Amount restated by terms agreed	(157,715)	(428,271)
Value of the adjustment (note 15b)	1,099	10,069
Market value	(158,814)	(438,340)
<b>Total market value subject to hedge</b>	<b>(158,814)</b>	<b>(438,340)</b>
<b>Hedging instruments</b>		
<b>Assets</b>		
Futures	476,967	438,763
<b>Total market value Hedge instrument</b>	<b>476,967</b>	<b>438,763</b>

#### **4.2 Market value of derivative financial instruments by maturity range and index - Cash flow hedge**

		Maturity – Market value			
Description	Index	≤ 1 year	1–3 years	3–5 years	Total
Futures	Currency coupon	934,258	342,630	349,322	1,626,210
<b>Total</b>		<b>934,258</b>	<b>342,630</b>	<b>349,322</b>	<b>1,626,210</b>

  

	December 2021	December 2020
<b>Hedged items</b>		
<b>Liabilities</b>		
Pass-through transactions		
Amount restated by terms agreed	(2,048,602)	(1,330,702)
<b>Hedging instruments</b>		
<b>Assets</b>		
Futures	1,626,210	1,346,502
Cash flow hedge reserve	(51,163)	(3,970)

The amount of R\$ (51,163) as of December 31, 2021 and R\$ (3,970) in 2020 in the Cash Flow Hedge Reserve will be recognized in profit and loss over the hedge term.

## 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 for are based on CMN Resolution 2.682/99 and amount to R\$ 149 (R\$ 122 as of December 31, 2020):

	December 2021			December 2020
	Interbank on-lending	Provision	Net balance	Net balance
<b>Outstanding (days):</b>				
up to 30	777	-	777	688
31–60	22,917	9	22,908	60
61–90	22,447	9	22,438	153,547
91–180	200,876	47	200,829	-
181–360	56,357	23	56,334	-
>360	231,747	61	231,686	281,027
<b>Total</b>	<b>535,121</b>	<b>149</b>	<b>534,972</b>	<b>435,322</b>

## 9 Loans

As of December 31, 2021 and December 31, 2020, information on the loan portfolio is summarized as follows:

### a. By operation

	December 2021	December 2020
Resolution 3844 (formerly Resolution 63)	184,951	328,540
Compror	6	12,002
Working capital	1,324,904	1,518,848
Export Credit Notes - NCE	178,458	261,538
<b>Total loans</b>	<b>1,688,319</b>	<b>2,120,928</b>
Advance on foreign exchange contracts (Note 10)	841,446	292,337
Income receivable from advances (Note 10)	2,861	2,127
<b>Total loan portfolio</b>	<b>2,532,626</b>	<b>2,415,392</b>
Financial Guarantees Submitted	2,317,310	2,258,264
<b>Total with Financial Guarantees Submitted</b>	<b>4,849,936</b>	<b>4,673,656</b>

### b. By maturity

	December 2021	December 2020
<b>Outstanding (days):</b>		
up to 30	176,423	289,683
31–60	62,821	81,108
61–90	506,563	189,474
91–180	575,010	282,856
181–360	673,546	724,182
>360	538,263	848,089
<b>Total</b>	<b>2,532,626</b>	<b>2,415,392</b>

Loans of the 20 largest debtors as of December 31, 2021 account for 89.49% of the loan portfolio (65.32% as of December 31, 2020) in the amount of R\$ 2,266,559 (R\$ 1,577,704 as of December 31, 2020).

**c. By risk rating**

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
<b>Total</b>		<b>2,532,626</b>	<b>100</b>	<b>2,725</b>	<b>2,047</b>	<b>4,772</b>

Risk rating	% provision 2,682	December 2020				
		Total operations	% of portfolio	Regular provision	Additional provision	Total provision
AA	-	2,408,207	99.7	-	3,665	3,665
A	0.50	7,185	0.3	36	12	48
<b>Total</b>		<b>2,415,392</b>	<b>100</b>	<b>36</b>	<b>3,677</b>	<b>3,713</b>

**d. By business sector**

	December 2021	December 2020
<b>Private sector</b>		
Industry	1,091,164	1,332,075
Trade	844,697	421,601
Other services	337,775	398,043
<b>Public sector</b>		
Federal	258,990	263,673
<b>Total</b>	<b>2,532,626</b>	<b>2,415,392</b>

**e. Changes in provision for expected credit risk losses**

	2H21	December 2021	December 2020
Opening balance	6,717	3,713	3,038
Reversal of provision	(1,951)	(1,985)	(1,734)
Making of provision	6	3,044	2,409
<b>Closing balance</b>	<b>4,772</b>	<b>4,772</b>	<b>3,713</b>

As of December 31, 2021 and December 31, 2020, there were no operations recovered, renegotiated or operations written-off as losses.

**f. Financial guarantees provided**

The Conglomerate recorded an allowance for credit risk losses for these guarantees in accordance with CMN Resolution 4512/16 and Circular 3782/16. The provisioned-for amounts are based on Resolution 2.682 and amount to R\$ 8,874 in the year ended December 31, 2021 (R\$ 5,480 as of December 31, 2020):

	<b>December 2021</b>		<b>December 2020</b>	
	<b>Guarantees provided</b>	<b>Provision</b>	<b>Guarantees provided</b>	<b>Provision</b>
Indexed to International Trading of Goods	6,261	(25)	5,001	(16)
Indexed to Auctions, Bids, Provision of Services or Delivery of Works	22,763	-	13,369	(1)
Indexed to the Provision of Goods	147,617	(203)	231,842	(209)
Linked to the distribution of securities – Public Offering	248,598	(1,243)	-	-
Endorsement or guarantee in judicial and administrative tax proceedings	587,014	(1,182)	573,260	(1,397)
Other bank guarantee	810,287	(3,364)	472,075	(1,571)
Other financial guarantees submitted	494,769	(2,857)	962,717	(2,286)
<b>Total</b>	<b>2,317,309</b>	<b>(8,874)</b>	<b>2,258,264</b>	<b>(5,480)</b>

**10 Foreign exchange portfolio**

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

	<b>December 2021</b>	<b>December 2020</b>
<b>Assets</b>		
Unsettled purchased exchange	1,062,047	595,903
Receivables on exchange sale	528,600	306,999
Advances received in local currency	(7,495)	(3,068)
Income receivable from advances awarded (note 9a)	2,861	2,127
<b>Total</b>	<b>1,586,013</b>	<b>901,961</b>
<b>Liabilities</b>		
Unsettled sold exchange	532,340	298,037
Obligations on exchange purchase	1,014,434	612,383
Advance on foreign exchange contracts (Note 9a)	(841,446)	(292,337)
<b>Total</b>	<b>705,328</b>	<b>618,083</b>

**11 Tax assets**

Other receivables – other consist of the following amounts:

	<b>December 2021</b>	<b>December 2020</b>
Tax credit – Negative basis of income tax and social contribution	-	2,589
Tax credit – temporary differences (MTM)	78,257	22,513
Tax credit – provisions for temporary differences	25,951	-
Prepaid income tax and social contributions	17,817	13,937
Other tax advances	366	200
<b>Total</b>	<b>122,391</b>	<b>39,239</b>

**12 Other assets**

Other receivables – other consist of the following amounts:

	December 2021	December 2020
Inventory material	83	72
Prepaid expenses	1,022	1,230
Collateral deposit receivables (note 17)	14,887	15,894
Income receivable	1,636	3,320
Due in connection with securities dealing	15,281	7,629
Other	5,349	3,256
<b>Total</b>	<b>38,258</b>	<b>31,401</b>

### 13 PP&E in use and Intangible assets

As of December 31, 2021 and December 31, 2020 property, plant and equipment are represented as follows:

#### a. Fixed assets in use

Description	Annual depreciation rate %	December 2021			December 2020
		Cost	Accumulated depreciation	Net value	Net value
Facilities	10	4,395	(3,740)	655	949
Data processing system	20	8,298	(6,118)	2,180	1,101
Furniture and equipment	10	1,663	(1,327)	336	430
Communications system	10	369	(215)	154	192
Security system	10	302	(296)	6	6
Transportation system	20	1,261	(1,188)	73	131
<b>Total</b>		<b>16,288</b>	<b>(12,884)</b>	<b>3,404</b>	<b>2,809</b>

#### b. Intangible assets

Description	Annual depreciation rate %	December 2021			December 2020
		Cost	Accumulated depreciation	Net value	Net value
Software	20	13,825	(10,004)	3,821	2,977
Right of use	20	632	(582)	50	1,209
<b>Total</b>		<b>14,457</b>	<b>(10,586)</b>	<b>3,871</b>	<b>4,186</b>

### 14 Deposits

Breakdown by maturity as of December 31, 2021 and December 31, 2020:

Description	Call deposits		Time deposits	
	December 2021	December 2020	December 2021	December 2020
No maturity (days):	147,287	119,296	-	-
up to 30	-	-	79,548	132,840
31-60	-	-	58,879	212,006
61-90	-	-	118,611	171,889
91-180	-	-	291,928	484,354
181-360	-	-	424,055	489,660
>360	-	-	551,487	693,480
<b>Total</b>	<b>147,287</b>	<b>119,296</b>	<b>1,524,508</b>	<b>2,184,229</b>

## 15 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

As of December 31, 2021 the balance of USD 166,167 (USD 127,443 as of December 31, 2020) basically consists of import and export financing agreements which mature up to July 22, 2022 and are subject to interest rates of up to 0.57% p.a., plus exchange variance for these transactions. The balance as of December 31, 2021 is R\$ 927,194 (R\$ 662,209 as of December 31, 2020):

### b. Foreign on-lendings

Foreign on-lendings as of December 31, 2021, correspond to USD 502,930 (USD 519,394 as of December 31, 2020). These obligations, translated at the official period-end buying rate, are governed by CMN Resolution No. 3,844/00 and are subject to interest rates that range from 0.00% to 2.80% p.a., plus changes in foreign exchange rates, and mature by January 02, 2026. The balance as of December 31, 2021 is R\$ 2,807,402 (R\$ 2,713,144 as of December 31, 2020):

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

  

	December 2020		
	≤ 12 months	>12 months	Total
Obligations on overseas loans	662,209	-	662,209
Foreign on-lendings	942,649	1,770,495	2,713,144
<b>Total</b>	<b>1,604,858</b>	<b>1,770,495</b>	<b>3,375,353</b>

(\*) The figures presented include the mark-to-market adjustment for hedge accounting operations in the amount of R\$ 1,099 (R\$ 10,069 as of December 31, 2020), as per note 7, item 4.

## 16 Other liabilities and provisions

### a. Other liabilities

Description	December 2021	December 2020
Collection of federal taxes	974	392
Contribution to the Credit Guarantee Fund - FGC	354	483
Contribution for Social Security Funding - COFINS	1,026	580
Government Severance Indemnity Fund for Employees - FGTS	-	331

Withholding income tax - IRRF on fixed-income transactions	378	192
Services tax - ISS	437	363
Taxes and contributions on outsourced services	17	18
Payroll taxes and contributions	2,172	1,810
Due in connection with securities dealing	87,365	8,784
Actuarial liabilities	17,971	19,845
Contribution to Social Integration Program	196	94
Deferred income	1,539	2,779
Corporate and Statutory	5,767	3,374
Other	207	216
<b>Total</b>	<b>118,583</b>	<b>39,261</b>
(*) Current liabilities	118,583	39,261

(\*) 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 2021			December 2020		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Provision for tax, civil and labor risks (note 17)	32,343	-	32,343	64,538	-	64,538
Provision for personnel expenses	22,916	-	22,916	20,157	-	20,157
Provision for general expenses	4,551	-	4,551	4,584	-	4,584
Financial guarantees provided (Note 9.f)	6,706	2,168	8,874	2,598	2,882	5,480
<b>Total</b>	<b>66,516</b>	<b>2,168</b>	<b>68,684</b>	<b>91,877</b>	<b>2,882</b>	<b>94,759</b>

## 17 Provisions for tax, civil and labor risks

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

Description	Provision		Judicial deposits	
	December 2021	December 2020	December 2021	December 2020
Provision for tax risks:				
ISS - RJ (a)	-	-	4,043	3,931
ISS - SP (b)	15	-	54	612
Legal obligations:				
Demutualization Cetip (h)	103	101	-	-
PIS offsetting (c)	-	3,189	-	-
PIS constitutional amendment (d)	1,007	774	-	-

Social Contribution on Net Income - CSLL (e)	9,674	9,518	9,674	9,518
<b>Total</b>	<b>10,799</b>	<b>13,582</b>	<b>13,771</b>	<b>14,060</b>
Provision for risks:				
Civil (f)	12,403	39,099	-	-
Labor (g)	9,141	11,857	1,116	1,834
<b>Total</b>	<b>21,544</b>	<b>50,956</b>	<b>1,116</b>	<b>1,834</b>
<b>Total provisions and court deposits</b>	<b>32,343</b>	<b>64,538</b>	<b>14,887</b>	<b>15,894</b>

(a) The Bank is involved in tax proceeding related to Service Tax (ISS), in Rio de Janeiro, levied on commissions received from loans and on lending borrowings, and also revenues recorded in the "Apportionment of internal income" account. The Conglomerate received a final decision in the lawsuit. The calculation of the judicial deposit amount is awaited, whose restated amount as of December 31, 2021 is R\$ 4,043 (R\$ 3,931 as of December 31, 2020).

(b) The judicial deposits are for proceedings filed in connection with the service tax charged by the city of São Paulo. The lawsuit basically refers to exchange operations in the period 2001 to 2003 and guarantees provided in 2004. The Conglomerate was successful in a still existing lawsuit and received an unfavorable decision in another case. Provision was made for loss of lawsuit fees of R\$ 15 in 2021. The deposit to proceed with the litigation in court totals R\$ 54 (R\$ 612 as of December 31, 2020). The Conglomerate obtained favorable final and unappealable decisions, for which it recovered the judicial deposits in this period.

(c) The provision consists of the offsetting of PIS credits claimed in courts due to the disallowance by the Brazilian Federal Revenue Department of the credits offset and not approved. The provisions embrace the period between September 2002 and October 2005 of this tax. On December 31, 2021 the provision was reversed, given the final decision in favor of the Bank (R\$ 3,189 as of December 31, 2020).

(d) This denotes a lawsuit challenging the constitutionality of PIS prior to Constitutional Amendment EC 17/97. The provision was reversed in the course of the proceeding due to the shelving of the administrative proceeding and future practical success in the legal proceeding. In 2021 only provisions remained for the attorney's fees in connection with the lawsuit relating to the legal proceeding, which will be restated and paid when the case ends, amounting to a restated R\$ 1,007 as of December 31, 2021 (R\$ 774 as of December 31, 2020).

(e) The Bank questions the increase in the rates from 18% to 31% for the year of 1996 and the determination of the social contribution calculation base. For the purpose of staying the tax credit the judicial deposit was made for the disputed amount. According to the opinion of the legal advisors the chances of loss related to this litigation were possible.

According to the opinion of the legal advisors, the chance of loss related to this legal dispute was possible. By management decision a provision was therefore made for the difference underpaid as a result of the matters under scrutiny, which as of December 31,

2021 amounts to a restated R\$ 9,674 (R\$ 9,518 as of December 31, 2020). The case under scrutiny yielded a favorable decision for the bank, and the bank will reverse the provision as soon as permission is granted to release the judicial deposit.

(f) The provision has been accrued basically for lawsuits related to the elimination of inflation effects on time deposits. In September 2021, a review of the procedural economic values was made, based on the opinion of external experts, where Management decided to reverse the amount of R\$ 29,567 recorded. The review of the calculation did not change the estimate used by Management and does not represent, at any time, adjustments of possible errors in past estimates.

The restated amount as of December 31, 2021 is R\$ 12,403 (R\$ 39,099 as of December 31, 2020).

(g) The provision refers to lawsuits filed by former employees and service providers claiming labor rights they understand are due. Lawsuits are individually controlled and the provision is recognized based on the decision made previously by the Executive Board or by according to lower labor court decisions. Management, based on the opinion of its legal advisors, understands that the amounts currently accrued are adequate. The restated amount as of December 31, 2021 is R\$ 9,141 (R\$ 11,857 as of December 31, 2020).

(h) The bank recorded the amount of the proceeding in progress rated as a probable defeat regarding the demutualization of CETIP shares, in the amount of R\$ 103 as of December 31, 2021 (R\$ 101 as of December 31, 2020).

### Changes in provisions and legal obligations

	2021			
	Tax	Labor	Civil	Total
<b>Balance at 12/31/2020</b>	<b>13,582</b>	<b>11,857</b>	<b>39,099</b>	<b>64,538</b>
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)
<b>Balance at December 31, 2021</b>	<b>10,799</b>	<b>9,141</b>	<b>12,403</b>	<b>32,343</b>

	2020			
	Tax	Labor	Civil	Total
<b>Balance at December 31, 2019</b>	<b>13,515</b>	<b>7,986</b>	<b>35,355</b>	<b>56,856</b>
Making of provision	860	4,980	-	5,839
Monetary restatement	144	965	3,744	4,853
Operating reversals	(160)	(798)	-	(958)
Write-offs due to payment	(777)	(1,276)	-	(2,053)
<b>Balance at 12/31/2020</b>	<b>13,582</b>	<b>11,857</b>	<b>39,099</b>	<b>64,538</b>

## 18 Equity

### a. Share capital

The share capital as of December 31, 2021 consists of common shares, with a par value of R\$ 1.00 each, distributed as follows:

	<u>December 2021</u>	<u>December 2020</u>
	Number of shares (thousand)	Number of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan)	1,559,697	1,559,697
Shareholders domiciled in Brazil	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>1,559,699</u></b>	<b><u>1,559,699</u></b>

### 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, 2021 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\$ 404,345 (R\$ 256,101 as of December 31, 2020) will be transferred to the following year, or will be allocated as proposed by the Executive Board, and approved at the general meeting.

## 19 Income tax and social contribution

a. As of December 31, 2021 and December 31, 2020, income tax and social contribution expenses were calculated as follows:

	<u>December 2021</u>		<u>December 2020</u>	
	Income tax	Social contribution	Income tax	Social contribution
Income before taxes on income less profit sharing	231,679	231,679	95,560	95,560
Reversal of provision for contingent liabilities	(29,567)	(29,567)	-	-
Provision for contingent liabilities	11,922	11,922	6,473	6,473
Allowance for doubtful accounts	3,037	3,037	2,357	2,357
Temporary provisions	(5,343)	(5,343)	6,167	6,167

Market value adjustment of derivative financial instruments	(16,657)	(16,657)	616	616
Adjustment to market value of hedge accounting operations	(17,484)	(17,484)	6,660	6,660
Non-deductible expenses	8,369	945	3,345	922
BM&F transactions	(48,181)	(48,181)	(25,776)	(25,776)
Other additions/(exclusions)	(395)	(395)	(315)	(315)
Offsetting of tax loss carry forwards	(9,035)	(1,648)	(28,526)	(27,800)
<b>Taxable income</b>	<b>128,345</b>	<b>128,309</b>	<b>66,562</b>	<b>64,866</b>
Income tax - 15% (note 3.o)	19,252	-	9,984	-
Income tax surcharge - 10% (note 3.o)	12,810	-	6,632	-
Empresa Cidadã Law	(25)	-	(399)	-
Rouanet Law	-	-	(84)	-
CSLL adjustment – proportional rate	-	(2,125)	-	(291)
Social contribution - 25% (note 3.o)	-	32,077	-	12,973
<b>Total</b>	<b>32,037</b>	<b>29,952</b>	<b>16,133</b>	<b>12,682</b>

#### **b. Tax credits**

The tax credits from tax loss carryforwards and negative basis of social contribution previously existing, considering the taxable basis as of December 31, 2021, were fully consumed (R\$ 2,259 and R\$ 331 in 2020, respectively).

Tax credits on temporary differences on provisions were recorded in 2021 at rates in force for the date these adjustments are expected to be realized.

### **1. Breakdown of tax credit assets as of December 31, 2021**

<b>Breakdown of tax credit</b>	<b>December 2021</b>	<b>December 2020</b>
Tax Loss	-	2,259
Negative basis of social contribution	-	330
Temporary adjustments on judicial provisions	4,860	-
Temporary adjustments on PCLD	6,201	-
Temporary adjustments other provisions	14,890	-
Mark-to-market hedged item	495	4,531
Mark-to-market of swap	9,687	-
Mark-to-market of NDF	-	5,852
Adjustment to available-for-sale securities	1,662	-
Actuarial adjustment health care plan	5,896	6,267
Actuarial adjustment pension plan	2,143	2,616
Hedge accounting adjustment	42,037	3,247
Temporary adjustment B3	16,336	-
<b>Total</b>	<b>104,207</b>	<b>25,102</b>

### **2. Project realization of tax credits as of December 31, 2021**

<b>Year</b>	<b>Deferred income tax</b>	<b>Deferred social contributions</b>	<b>Total</b>
2022	34,690	26,472	61,162

2023	7,437	5,997	<b>13,434</b>
2024	8,341	6,728	<b>15,069</b>
2025	5,626	4,537	<b>10,163</b>
>2026	2,429	1,590	<b>4,379</b>
<b>Total</b>	<b>58,523</b>	<b>45,684</b>	<b>104,207</b>

### 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.

	<b>Balance in December 2020</b>	<b>Realizations/ Provisions</b>	<b>Balance in December 2021</b>
Tax Loss	2,259	(2,259)	-
Negative Base - CSLL	330	(330)	-
Temporary adjustments on judicial provisions	-	4,860	4,860
Temporary adjustments on allowance for credit losses	-	6,201	6,201
Temporary adjustments other provisions	-	14,890	14,890
Mark-to-market hedge funding	4,531	(4,036)	495
Mark-to-market of swap	-	9,687	9,687
Mark-to-market of NDF	5,852	(5,852)	-
Adjustment to available-for-sale securities	-	1,662	1,662
Actuarial adjustment health care plan	6,267	(371)	5,896
Actuarial adjustment pension plan	2,616	(473)	2,143
Hedge accounting adjustment	3,247	38,790	42,037
Temporary adjustment B3	-	16,336	16,336
<b>Total</b>	<b>25,102</b>	<b>79,105</b>	<b>104,207</b>

#### Change in result from deferred tax assets:

	<b>December 2021</b>	<b>December 2020</b>
Realization of tax loss - Income Tax	(2,259)	(7,132)
Realization of negative base - CSLL	(331)	(5,435)
Temporary adjustments on judicial provisions	4,860	-
Temporary adjustments on PCLD	6,201	-
Other temporary adjustments in allowance for credit losses	14,890	-
Mark-to-market hedge funding	(4,036)	2,697
Mark-to-market of swap	6,314	(454)
Mark-to-market of NDF	(13,810)	1,631
CDI hedge adjustment	-	358
Temporary adjustment B3	(21,681)	(11,599)
Mark-to-market of fund shares	(3,832)	(57)
<b>Total</b>	<b>(13,683)</b>	<b>(19,992)</b>

### 4. Present value of tax credit

<b>Year</b>	<b>Deferred income tax</b>	<b>Deferred social contributions</b>	<b>Total</b>
2022	31,041	23,687	<b>54,728</b>
2023	6,049	4,877	<b>10,926</b>
2024	6,170	4,976	<b>11,146</b>
2025	3,773	3,043	<b>6,816</b>

>2026	1,295	1,033	<b>2,328</b>
<b>Total</b>	<b>48,328</b>	<b>37,616</b>	<b>85,944</b>

**c. Other receivables**

The Bank also has deferred tax liabilities in the amount of R\$ 76,051, which is related to adjustments to market value of transactions with securities classified as available for sale, as provided for by BACEN Circular 3068, and at market value of derivative instruments in accordance with Circular Letter 3082.

The rules for recognizing the effects of actuarial liabilities related to the defined benefit retirement plan and post-employment benefits referring to the Medical Assistance Plan, in which the Bank is a sponsor (according to CVM 600 and 695/2015), are also being considered.

There are also tax credits not recognized as assets on provisions for civil contingencies in the amount of R\$ 5,581, which were not recorded due to uncertainties with respect to their realization in a time frame shorter than 10 years.

## 20 Statement of profit or loss

**a. Loans**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Loan income	103,208	140,483	94,533
Income from financing and onlendings	56,116	61,761	82,533
<b>Total</b>	<b>159,324</b>	<b>202,244</b>	<b>177,066</b>

**b. Securities income**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Interbank funding	69,991	105,878	73,285
Securities income	70,343	93,581	124,670
<b>Total</b>	<b>140,334</b>	<b>199,459</b>	<b>197,955</b>

**c. Income on financial derivatives**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Revenue from swap, NDFs and futures operations	3,256,274	6,564,959	8,508,268
Expenses on swap, NDFs and futures operations	(3,027,992)	(6,380,202)	(8,290,127)
<b>Total</b>	<b>228,281</b>	<b>184,757</b>	<b>218,141</b>

**d. Foreign exchange funding expenses**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Revenue from exchange operations	160,383	171,346	365,331
Exchange operations' expenses	(5,034)	(36,766)	(25,296)
<b>Total</b>	<b>155,349</b>	<b>134,580</b>	<b>340,035</b>

**e. Deposits, money market and interbank funds**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Time deposit expenses	(51,576)	(77,345.10)	(46,918)
Interbank deposit expenses	(136)	(414.80)	(826)
Expenses incurred on securities held under repurchase agreements	(270)	(423.17)	(318)
Expenses on contributions to the Credit Guarantee Fund	(1,117)	(2,509.59)	(2,337)
<b>Total</b>	<b>(53,098)</b>	<b>(80,693)</b>	<b>(50,399)</b>

**f. Borrowings and pass-throughs**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Expenses on foreign loans and pass-throughs	(430,706)	(450,916)	(813,428)
Hedging Adjustment - Pass-throughs and loans	4,056	8,970	1,697
<b>Total</b>	<b>(426,650)</b>	<b>(441,946)</b>	<b>(811,731)</b>

**g. Service fee income**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Income from fees and services	3,219	3,518	13,247
Income from business intermediation	9,337	16,160	11,077
Income from guarantees granted	15,372	28,653	20,092
<b>Total</b>	<b>27,928</b>	<b>48,331</b>	<b>44,416</b>

**h. Personnel expenses**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Proceeds	(25,896)	(45,240)	(40,582)
Payroll taxes	(8,743)	(19,706)	(14,549)
Benefits	(3,843)	(7,724)	(7,470)
Management fees	(2,394)	(4,164)	(3,723)
Training	(293)	(411)	(259)
<b>Total</b>	<b>(41,169)</b>	<b>(77,245)</b>	<b>(66,583)</b>

**i. Other administrative expenses**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Rental expenses	(3,101)	(5,835)	(5,206)
Data processing expenses	(11,382)	(22,363)	(16,921)
Expenses on outsourced technical services	(2,275)	(5,445)	(5,265)
Communication expenses	(4,517)	(8,665)	(7,369)
Financial system service expenses	(1,480)	(2,785)	(2,976)
Asset maintenance and upkeep expenses	(305)	(578)	(563)
Security and surveillance services	(76)	(152)	(521)

Transportation expenses	(78)	(141)	(117)
Material expenses	(33)	(62)	(166)
Water, energy and gas expenses	(97)	(237)	(239)
Expenses on outsourced services	(296)	(569)	(505)
Advertising and marketing expenses	(21)	(195)	(168)
Insurance costs	(182)	(443)	(238)
Promotion and public relations	(16)	(20)	(53)
Charitable contributions	(33)	(46)	(18)
Amortization and depreciation	(1,029)	(2,137)	(2,585)
Other administrative expenses	(1,366)	(2,515)	(1,971)
<b>Total</b>	<b>(26,287)</b>	<b>(52,188)</b>	<b>(44,881)</b>

**j. Tax expenses**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
COFINS	(5,707)	(10,169)	(7,773)
ISS	(1,426)	(2,473)	(2,256)
PIS	(927)	(1,652)	(1,264)
Other	(99)	(351)	(146)
<b>Total</b>	<b>(8,159)</b>	<b>(14,645)</b>	<b>(11,440)</b>

**k. Other operating revenue / (expenses)**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Reversal of provisions for guarantees provided	(2,415)	(3,394)	(709)
Reversal of operating provisions	3,804	7,559	2,148
Indemnification fines	14	15	297
Restatement of judicial deposits	219	395	314
Recovery of charges and expenses	617	1,281	2,943
Exchange variance	-	98,218	109,108
Other expenses	(2,298)	(2,556)	(320)
<b>Total</b>	<b>(59)</b>	<b>101,518</b>	<b>114,481</b>

**l. (Provision for) / Reversal of provision for contingent liabilities**

	<b>2H21</b>	<b>December 2021</b>	<b>December 2020</b>
Expense of provisions for contingent liabilities	(1,372)	(1,380)	(5,426)
Reversal of operating provisions – contingent liabilities	33,418	38,377	2,235
Restatement of contingent liabilities	(1,135)	(4,803)	(5,268)
<b>Total</b>	<b>30,911</b>	<b>32,194</b>	<b>(8,459)</b>

**m. Nonoperating income**

	2H21	December 2021	December 2020
Other nonoperating income	6	16	56
<b>Total</b>	<b>6</b>	<b>16</b>	<b>56</b>

## 21 Related-party transactions and balances

### a. Transactions with parent companies (direct and indirect)

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

	Assets / (liabilities)		Revenue / (expense)	
	December 2021	December 2020	December 2021	December 2020
Cash and cash equivalents – foreign currency deposits	539,570	44,149	-	-
Investments in foreign currency abroad (note 5)	-	36,580	(3,527)-	75,354
Amounts receivable - sales commission	4,393	2,819	9,337	11,076
Obligations on overseas loans	(927,194)	(662,209)	-	(253,267)
Foreign on-lendings	(2,807,402)	(2,713,144)	(318,769)	(404,769)
<b>Total</b>	<b>(3,190,634)</b>	<b>(3,291,805)</b>	<b>(312,959)</b>	<b>(571,606)</b>

### 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 2021	December 2020
Proceeds	4,163	3,723
Variable remuneration	1,751	2,013
Contributions to INSS (Social Security Contribution) /FGTS (Severance Pay Fund)	1,489	582
<b>Total</b>	<b>7,403</b>	<b>6,318</b>

#### 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 Conglomerate (note 22).

The Conglomerate 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, 2021 the Conglomerate 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 Conglomerate.

## **22 Post-employment benefits sponsored by the Bank**

The Conglomerate'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 Conglomerate sponsors Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência 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, 2021, there were no significant changes in the current restatement parameters.

<b>Description</b>	<b>Retirement Plan</b>	
	<b>December 2021</b>	<b>December 2020</b>
Present value of actuarial obligations	37,565	42,920
Fair value of the plan's assets	(32,749)	(37,054)
Deficit/(Surplus) for covered plans	4,816	5,866
Adjustments for permitted deferrals		
Net actuarial liability/(asset)	4,816	5,866
Actuarial assumptions:		
Nominal discount rate for the actuarial obligation	9.30% p.a.	6.54% p.a.

Estimated rate of nominal salary increase	3.75% p.a.	6.35% p.a.
Estimated nominal benefit increase	4.27% p.a.	4.28% p.a.
Estimated inflation rate	3.75% p.a.	3.25% p.a.
Biometric table of general mortality	AT-2000 smoothed by 10% and separated per gender	AT-2000 smoothed by 10% and separated per gender
Biometric table for classification as disabled	"Mercer" table	"Mercer" table
Expected turnover rate	0.31/ (length of service +1) 10% on the 1 <sup>st</sup> date of eligibility to early retirement	0.31/ (length of service +1)
Chance of entering retirement	3% between the 1 <sup>st</sup> eligibility to earlier and normal retirement 100% on the date of eligibility to 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 (10.00% p.a.):

Present value of the Obligations	Sensitivity Analysis	
	December 2021	December 2020
Discount rate: 0.25% decrease	833	1,107
Discount rate: 0.25% increase	(813)	(1,076)

#### 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 care plan	
	December 2021	December 2020
Net actuarial liability/(asset)	13,155	13,979
Total	13,155	13,979
<b>Actuarial assumptions/actuarial hypotheses</b>		
Nominal discount rate for the actuarial obligation	9.38% p.a.	7.17% p.a.
Estimated inflation rate	3.75% p.a.	3.25% p.a.
Biometric Turnover Rate	Up to 9 years SVC:	0.15/ (length of service) +1
	0.5/(length of service +1)	
	From 10 years SVC:	
	0.075/(length of service) +1)	
Biometric retirement entry table	55 years	55 years

Biometric table of general mortality	AT-2000 segregated by sex and deducted by 10%	AT-2000 segregated by sex and deducted by 10%
HCCTR (Health Care Cost Trend Rate)	Falling 7.90–4.79% p.a.	Falling 7.90–4.28% p.a.
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	Severance: 100%	Severance: 100%
Family members - Active	3.00% (p.a. - age)	3.00% (p.a. - age)
Age difference between holder and spouse	90% married	90% married
Family members - Retired	4 years	4 years
	Real family	Real family

## 23 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 Prudential Conglomerate's Executive Board at least annually, pursuant to CMN Resolution 4557/17. It is an important tool for the effective management of the Conglomerate'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 Conglomerate and the companies whose accounts are included in the consolidated financial statements.

The Operational Risk Management practice of the Prudential Conglomerate adopts a management method shared with the Conglomerate'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. Conducting periodical tests which are independent from identified control risks;
- iii. Preparing periodical reports;
- iv. Coordinating the operational risk management committees set up by the Bank;
- v. 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.

The Conglomerate 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](http://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 the Prudential Conglomerate adopts a highly conservative policy and exposure to market risk factors.

Liquidity Risk is the possibility that the Conglomerate 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 Conglomerate 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 Conglomerate's market risk positions, on the control of limits for positions, divided into limits for exposure to interest rate and exposure to exchange rates, 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 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 Conglomerate's management. In order to ensure the implementation of the guidelines and policies in force, the Prudential Conglomerate has a Committee of Assets and Liabilities (ALCO), which usually meets once a month with the participation 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](http://www.smbcgroup.com.br) (unaudited). The Management of the Prudential Conglomerate 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 Prudential Conglomerate'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](http://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 2021	December 2020
Credit risk	7,058,609	5,453,441
Market risk	649,402	425,001
Operational risk	383,746	336,392
<b>Risk weighted assets (RWA)</b>	<b>8,091,757</b>	<b>6,214,834</b>
<b>Reference equity tiers I and II (PR)</b>	<b>1,994,214</b>	<b>1,835,710</b>
Required reference equity (RWA 8%)	647,341	497,187
<b>Margin over required regulatory capital</b>	<b>1,346,873</b>	<b>1,338,523</b>
Basel capital ratio (IB) - PR/RWA	24.65%	29.54%

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

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](http://www.smbcgroup.com.br) (unaudited). The Management of the Prudential Conglomerate 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.

## **24 Recurrent and nonrecurrent results**

To classify results between recurrent and nonrecurrent, the Conglomerate 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 25%, the expense amount was increased by R\$ 4,290 as of December 31, 2021.

## **25 Other Matters**

Global financial markets have been monitoring and reacting to the COVID-19 pandemic since early January 2020. Bank Management believes there will be no financial impact on the Bank's Consolidated Financial Statements as of December 31, 2021 as a result of this subsequent event and it is monitoring developments related to the novel coronavirus and coordinating its operational response based on existing business continuity plans and Brazilian health authority guidelines and is following the best general practices to respond to the pandemic, to prevent it from impacting the Bank's operational capacity. Note that to date there has been no significant impact on the operations, given the careful selection of the client portfolio.

In our best understanding, Prudential Conglomerate Management concluded that the adaptation of our going concern basis of accounting and our internal controls do not contain a material uncertainty as of December 31, 2021 exists related to events or conditions that may cast significant doubt on the Prudential Conglomerate's ability to continue as a going concern.

However, in the event of future adverse events or conditions that jeopardize the Bank's future a going concern, Management will make the suitable disclosures in the individual and consolidated financial statements, always reporting in advance and aligning these facts with our independent auditors and the regulator.