Banco Sumitomo Mitsui Brasileiro S.A. – Prudential Conglomerate

Financial statements as of June 30, 2021

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

KPDS 900533

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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 ended June 30, 2021, whose net income earnings in the half amounted to R$ 45,553 thousand (R$ 23,523 thousand as of June 30, 2020), total assets R$ 9,137,018 thousand (R$ 8,519,762 thousand as of December 31, 2020) and the loans portfolio R$ 3,068,283 thousand (R$ 2,415,392 thousand of December 31, 2020).

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, August 30, 2021.

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Independent auditors' report on the 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 June 30, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the half 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 June 30, 2021, and the consolidated performance of its operations and cash flows for the half 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 ended June 30, 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 August 30, 2021.

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 responsibility for the financial statements

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

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

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

Auditor’s responsibilities for the audit of the 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.

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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control 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’s and its subsidiaries 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 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 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 financial statements 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. 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, August 30, 2021.

KPMG Auditores Independentes
CRC 2SP014428/O-6

Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

SMBC SUMITOMO MITSUI BANKING CORPORATION

Banco Sumitomo Mitsui Brasileiro S.A.
Statements of Financial Position
As of June 30, 2021 and December 31, 2020
(In thousands of Reais)

ASSETS	Note	June/2021	December/2020
Cash equivalents	4	271,748	119,449
FINANCIAL ASSETS		8,743,817	8,322,681
Interbank Funding	5	2,002,582	2,892,753
Money market		1,493,998	2,142,099
Interbank deposits		508,584	714,074
Foreign currency		-	36,580
Securities	6	1,647,240	1,846,372
Own portfolio		1,208,462	1,400,912
Subject to guarantees		438,778	445,460
Derivative Financial Instruments	7	121,779	126,411
Interbank Accounts		419,477	437,969
Deposits at the Brazilian Central Bank - BACEN		2,683	2,647
Interbank on-lending	8	416,754	435,444
Provision for expected credit risk losses	8	(121)	(122)
Domestic correspondents		161	-
Lending		2,037,105	2,117,517
Loans	9.a	2,040,784	2,120,928
Provision for expected credit risk losses	9.e	(3,679)	(3,411)
Exchange operations		2,515,634	901,659
Foreign Exchange Portfolio	10	2,518,670	901,961
Provision for expected credit risk losses	9.e	(3,036)	(302)
OTHER ASSETS	12	55,174	31,401
TAX ASSETS	11	58,029	39,239
Current tax assets		8,089	13,937
Tax Credit		49,940	25,302
INVESTMENTS		123	123
FIXED ASSETS IN USE	13.a	3,622	2,809
Other fixed assets		16,115	14,839
Accumulated depreciation		(12,493)	(12,030)
INTANGIBLE ASSETS	13.b	4,508	4,186
Intangible Assets		14,457	13,489
Accumulated amortization		(9,949)	(9,303)
TOTAL ASSETS		**9,137,021**	**8,519,888**

LIABILITIES	Note	June/2021	December/2020
FINANCIAL LIABILITIES		7,076,346	6,492,146
Deposits	14	2,213,249	2,303,525
Call deposits		160,564	119,296
Interbank deposits		31,206	-
Time deposits		2,021,479	2,184,229
Interbank Accounts		918	-
Interbranch Accounts		47,409	27,489
Derivative financial instruments	7	148,550	167,696
Obligations on overseas loans	15	726,290	662,209
Foreign on-lendings	15	2,382,596	2,713,144
Foreign exchange portfolio	10	1,557,334	618,083
OTHER LIABILITIES	16.a	52,476	39,387
PROVISIONS	16.b	91,488	94,759
Tax, civil and labor		63,253	64,538
Other		28,235	30,221
TAX LIABILITIES		41,208	53,167
Current tax liabilities	19.a	18,508	28,815
Deferred tax obligations	19.c	22,700	24,352
EQUITY		1,875,503	1,840,429
Capital:		1,559,699	1,559,699
Domestic		2	2
Foreign		1,559,697	1,559,697
Profit Reserves		317,188	271,635
Mark-to-market of securities	6.a	(579)	3,299
Cash Flow Hedge		(8,694)	(3,970)
Adjustments to Actuarial Liabilities- CVM 600		(10,869)	(10,869)
Exchange variance adjustments to investments		18,758	20,635
TOTAL LIABILITIES		**9,137,021**	**8,519,888**

*See the accompanying notes to the financial statements.

SUMITOMO MITSUI BANKING CORPORATION

Banco Sumitomo Mitsui Brasileiro S.A.
Statements of profit or loss
Halves ended June 30, 2021 and 2020
(In thousand of Reais, except profit per lot of thousand shares)

	Note	June/2021	June/2020
Financial operations revenue		37,752	909,492
Loans	20.a	42,920	142,767
Securities dealing income	20.b	59,125	148,142
Income on derivative financial instruments	20.c	(43,524)	301,504
Foreign exchange expenses	20.d	(20,769)	317,079
Financial operations expenses		(45,894)	(820,504)
Deposits, money market and interbank funds	20.e	(27,595)	(30,070)
Borrowings and pass-throughs	20.f	(15,296)	(790,425)
Provision for expected credit risk losses	9.e	(3,003)	(9)
Gross income on financial operations		(8,142)	88,988
Other operating revenue (expense)		54,800	(45,712)
Service fee income	20.g	20,403	17,196
Personnel expenses	20.h	(36,076)	(35,218)
Other administrative expenses	20.i	(25,904)	(23,485)
Tax expenses	20.j	(6,486)	(5,207)
Other operating revenue / (expenses)	20.k	101,577	6,204
(Provision for) / Reversal of provision for contingent liabilities	20.l	1,286	(5,202)
Operating income		46,658	43,276
Nonoperating income	20.m	10	22
Income before taxation		46,668	43,298
Income tax and social contribution	19	110	(18,253)
Income Tax		(10,006)	(6,996)
Social contribution		(8,502)	(5,269)
Deferred Assets		18,618	(5,988)
Statutory profit-sharing		(1,225)	(1,522)
Net income		45,553	23,523
Number of shares		1,559,699	1,559,699
Net income per lot of a thousand shares - R$		29.21	15.08

* The accompanying notes are an integral part of these financial statements.

SMBC SUMITOMO MITSUI BANKING CORPORATION

Banco Sumitomo Mitsui Brasileiro S.A.
Statements of Comprehensive Income
Halves ended June 30, 2021 and 2020
(In thousands of Reais)

	June/2021	June/2020
Net income for the period	45,553	23,523
Comprehensive income that might not be subsequently reclassified to net income:	**(10,479)**	**13,083**
Available-for-sale financial assets		
Change in fair value	(7,051)	1,582
Tax Effect	3,173	(712)
Exchange variance adjustments to overseas investments		
Change in fair value	(3,413)	24,393
Tax Effect	1,536	(10,977)
Cash flow hedge		
Change in fair value	(8,589)	(2,185)
Tax Effect	3,865	983
Comprehensive income that might not be subsequently reclassified to net income:	**-**	**-**
Adjustment to Actuarial Liabilities		
Change in fair value	-	-
Tax Effect	-	-
Total other comprehensive income for the period	**(10,479)**	**13,083**
Total comprehensive income	35,074	36,606

* The accompanying notes are an integral part of these financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Statement of changes in equity
Halves ended June 30, 2021 and 2020

(In thousands of Reais)

			Profit reserve		Other Comprehensive Income					
	Note	Realized capital	Legal	Statutory	Own	Hedge Gains and Losses	Adjustment Actuarial Liabilities	Exchange variance adjustments to overseas investments	Retained earnings / (accumulated losses)	Total
Balances at December 31, 2019		**1,559,699**	**13,260**	**212,917**	**(13)**	**2,030**	**(12,132)**	**9,835**	**-**	**1,785,596**
Capital Increase		-								-
Mark-to-market of securities and derivatives					870	(1,202)				(332)
Adjustment actuarial liabilities							-	-		-
Exchange variance adjustments to overseas investments										-
Resolution 4524								13,416		13,416
										-
Net income in the half				-	-	-	-	-	23,523	23,523
										-
Legal reserve	18.c		1,177						(1,177)	-
Statutory reserve	18.d			22,346					(22,346)	-
Balances at June 30, 2020		**1,559,699**	**14,437**	**235,263**	**857**	**828**	**(12,132)**	**23,251**	**-**	**1,822,203**
Balances at December 31, 2020		**1,559,699**	**15,534**	**256,101**	**3,299**	**(3,970)**	**(10,869)**	**20,635**	**-**	**1,840,429**
Mark-to-market of securities and derivatives					(3,878)	(4,724)				(8,602)
Adjustment actuarial liabilities										-
Exchange variance adjustments to overseas investments								(1,877)		(1,877)
Resolution 4524										
Net income in the half									45,553	45,553
Legal reserve	18.c		2,274						(2,274)	-
Statutory reserve	18.d			43,279					43,279	-
Balances at June 30, 2021		**1,559,699**	**17,808**	**299,380**	**(579)**	**(8,694)**	**(10,869)**	**18,758**	**-**	**1,875,503**
		-			-	-	-	-		

* The accompanying notes are an integral part of these financial statements.

SUMITOMO MITSUI BANKING CORPORATION

Banco Sumitomo Mitsui Brasileiro S.A .
Statement of Cash Flow
Halves ended June 30, 2021 and 2020
(In thousands of Reais)

	June/2021	June/2020
Operating Activities		
Adjusted Net Income	**38,999**	**74,256**
Net income for the half and year	45,553	23,523
Adjustments to reconcile profit or loss to cash provided by operating activities	(6,554)	50,733
Adjustment to market value of securities and derivative financial instruments (Assets/Liabilities)	(5,751)	19,064
Result in Financial Assets measured at Fair Value through OCI	6,961	9,597
Adjustment to the provision for credit risk losses	3,002	9
Provision Adjustment (reversal) to Interbank Operations	(1)	72
Provision Adjustment (reversal) to financial guarantees submitted	979	(1,252)
Depreciation and Amortization	1,111	1,297
Adjustment to Provision for Tax Risks	(3,123)	2
Adjustment to Provision for Contingent Liabilities	1,838	5,200
Deferred Taxes	(18,618)	(1,931)
Provision for income and social contribution taxes	18,508	12,265
Monetary (Restatement) / Reversal of Judicial Deposits	(176)	(222)
Provisions for / Reversals of Personnel Bonuses	(6,370)	(908)
Other	(4,914)	7,540
Change in assets and liabilities	(196,338)	(60,967)
(Increase) Decrease in Interbank Funding	226,460	(39,771)
(Increase) decrease in securities and derivative financial instruments (Assets/Liabilities)	183,340	777,698
(Increase) Decrease in Interbranch Accounts (Asset/Liabilities)	39,329	(237,358)
(Increase) Decrease in loans	80,145	(264,085)
(Increase) Decrease in Forex Trading Portfolio	(677,458)	(274,606)
(Increase) Decrease in Securities Trading and Intermediation (Assets/Liabilities)	(9,530)	(1,263)
(Increase) Decrease in Other Assets	(4,651)	94
Income and Social Contribution Taxes paid	(22,925)	(18,771)
(Decrease) Increase in Other Liabilities	(11,048)	(2,905)
Net cash provided by or used in operating activities	**(157,339)**	**13,289**
Investment Activities		
(Acquisition) Sale of PP&E Intangible Assets	(968)	(720)
(Acquisition) Sale of PPE in use	(1,276)	(820)
Net cash provided by or used in investment activities	**(2,244)**	**(1,540)**
Financing Activities		
Increase (decrease) in Deposits	(90,276)	(727,519)
Increase (Decrease) in Onlending and Loan Obligations	(261,553)	864,216
Net cash provided by or used in financing activities	**(351,829)**	**136,697**
Increase / (Decrease) in cash and cash equivalents	**(511,412)**	**148,446**
Equivalents at Beginning of Period	119,449	45,607
Cash equivalents at Beginning of Period	2,230,568	1,894,964
Total cash and cash equivalents at beginning of period	2,350,017	1,940,571
Equivalents at End of Period	271,748	504,024
Cash Equivalents at End of Period	1,566,857	1,584,993
Total cash and cash equivalents at end of period	1,838,605	2,089,017
Changes in Cash and Cash Equivalents in the period	**(511,412)**	**148,446**

* The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Reporting entity

These financial statements of the Prudential Conglomerate (“Conglomerate”) are intended 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 Multimarket Investment Fund Abroad Long 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 foreign-exchange 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.

SMBCB Onshore Long-Term Overseas Multimarket Investment Fund (“Onshore Fund”) is a proprietary investment fund exclusive to the Bank and its objective is to invest its resources in assets of different natures, risks and characteristics, without the commitment to concentrate in any asset or risk factor in particular, being able to make, directly or indirectly, investments in financial assets abroad, with the purpose of investing in different markets, and using instruments traded in the derivatives market for the purpose of protecting the portfolio ("hedge") and to increase 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 derivatives.

2 Presentation and preparation of the financial statements

The financial statements comply with the regulations issued by the National Monetary Council and Brazilian Central Bank, as per BCB Resolution no. 4.818/2020.

The Prudential Conglomerate's financial statements have a specific purpose to comply with the CMN and Bacen's determinations and are not 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 the CMN and Bacen, which are not necessarily the same as established by corporate law.

The accounting practices adopted for the accounting of operations and for the preparation of the financial statements come from the Corporations Law, considering the changes brought by Law No. 11,638/07 and Law No. 11,941/08, associated with the rules and instructions of the Central Bank of Brazil - BACEN, embodied in the Accounting Plan of 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 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 Central Bank of Brazil are:

- CMN Resolution 3.566/08 – Asset Impairment (CPC 01)
- CMN Resolution 3.604/08 – Statement of Cash Flow (CPC 03)
- CMN Resolution 3.823/09 - Provisions, contingent liabilities and contingent assets (CPC 25)
- CMN Resolution 3.973/11 - Subsequent Events (CPC 24)
- CMN Resolution 3.989/11 - Share-based payments (CPC 10)
- CMN Resolution 4.007/11 – Accounting Policies, Changes in Estimation and Correction of Errors (CPC 23)
- BCB Resolution 4.144/12 - Basic conceptual pronouncement (R1)
- CMN Resolution 4.877/20 – Employee benefits (CPC 33 R1)
- CMN Resolution 4.524/16 – Effects of the changes in financial statement exchange and translation rates (CPC 02)
- CMN Resolution 4.534/16 - Intangible Assets (CPC 04)
- CMN Resolution 4.535/16 - Property, Plant and Equipment (CPC 27)
- CMN Resolution 4.636/18 - Disclosure of Related-Party Transactions (CPC 05 R1)
- CMN Resolution 4.748/19 - Fair value measurement (CPC 46)
- BCB Resolution 4.818/20 – Earnings per Share (CPC 41)

Consolidation

As determined in article 1 of CMN Resolution No. 4,280, the consolidated financial statements of the Prudential Conglomerate cover the consolidation of entities located in the country or abroad over which it has direct or indirect control.

The Conglomerate is composed of Banco Sumitomo Mitsui Brasileiro S.A. and SMBCB Onshore Multimarket Investment Fund for Foreign Investment (“SMBCB Onshore”), in which the Bank is an exclusive shareholder.

The balances of the balance sheet and income accounts and the values of transactions between the consolidated companies are eliminated. For consolidation purposes, 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 financial statements

On 01/01/21 CMN Resolution no. 4.720/2019 and supplementary regulations amended the general criteria for preparing and publishing financial statements hitherto in force. Based on this Resolution and Bacen Circular No. 3.959/2019, the Conglomerate made changes to the presentation of its 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 losses, 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 losses and provisions for tax, civil and labor risks;

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 4.470/2019 to disclose semiannual 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 financial statements:

a. Functional and presentation currency

The Conglomerate's functional currency is the Brazilian Real.

The operations conducted by the overseas branch (Cayman) are denominated in the functional currency the US dollar. However, for the purpose of presentation and consolidation the 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 half.

- **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 half.

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 3082, issued January 30, 2002 and BACEN Circular Letter 3026, 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 (Central Bank of Brazil), 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 half.

- 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 half.

- 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 Conglomerate 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 of 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 Conglomerate 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 balance sheet.

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 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 half 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.

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 half-end date, amortized over the lease term.

k. Impairment of non-monetary assets

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 balance sheet date. Offsetting entries for these monetary restatements are recognized directly in the profit or loss for the half.

m. Deposits

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

n. Contingent assets and liabilities and legal obligations

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

- **Contingent assets** - Are only recognized in the financial statements when evidence exists that the decision will be favorable.

- **Contingent liabilities** - Are recognized in the financial statements when a present obligation exists as a result of a past event, and according to the legal advisors' and the Management's opinion it is probable that an outflow of economic benefits will be required to settle the obligation and whenever the amounts involved can be reliably estimated. Provisions for labor contingencies are recognized according to Management decisions based on legal opinions, given the chance of defeat in the case.

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

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

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

o. Income tax and social contribution

The provision for income and social contribution taxes is calculated according to the rate of 15% plus a surtax of 10% on taxable income in excess of R$ 240 thousand for the year, adjusted by additions and deductions established by law. The social contribution determined on income adjusted in accordance with the legislation in force is 20% until June 30, 2021. From this date the rate changed to 25% until December 31, 2021.

Tax credits are recognized according to the provisions included in Resolution 3059 of December 31, 2002 and Resolution 3355 of March 31, 2006, 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 period, 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 tax loss and the negative basis of social contribution were calculated at the rates of 25% for income tax and 20% for social contribution.

Tax benefits arising from the right to offset other temporary differences are recognized only when they are actually used, as described in Note 19c.

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 losses, deferred income tax assets, provision for contingencies and valuation of derivative financial instruments. 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:

	June/2021	December/2020
Cash equivalents	**271,748**	**119,449**
(*)Interfinancial deposits	**1,566,857**	**2,230,568**
Money market	1,493,998	2,142,099
Interfinancial deposits	72,859	51,889
Foreign-currency investments	-	36,580
Total cash and cash equivalents	**1,838,605**	**2,350,017**

(*) 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 June 30, 2021 and December 31, 2020, is composed as follows:

	June/2021			
	3 months or less	3 to 12 months	Over 12 months	Total
Money market	**1,493,998**	**-**	**-**	**1,493,998**
Own funds	**1,493,998**	**-**	**-**	**1,493,998**
National Treasury Bills	1,493,998	-	-	1,493,998
(*)Interfinancial deposits	**72,859**	**399,144**	**36,581**	**508,584**
Not Related	72,859	399,144	36,581	508,584
Total	**1,566,857**	**399,144**	**36,581**	**2,002,582**

	December/2020			
	3 months or less	3 to 12 months	Over 12 months	Total
Money market	**2,142,099**	**-**	**-**	**2,142,099**
Own funds	**2,142,099**	**-**	**-**	**2,142,099**
National Treasury Bills	1,492,051	-	-	1,492,051
Financial Treasury Bills	650,048	-	-	650,048
(*)Interfinancial deposits	**51,889**	**420,325**	**241,860**	**714,074**
Not Related	51,889	420,325	241,860	714,074
Foreign currency	36,580	**-**	**-**	**36,580**
Total	**2,230,568**	**420,325**	**241,860**	**2,892,753**

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 June 30, 2021 and December 31, 2020:

	June/2021		December/2020	
	Market Value	**Cost value**	**Market Value**	**Cost value**
Available-for-sale securities				
Proprietary portfolio:				
Financial Treasury Bills	1,048,925	1,051,969	1,236,518	1,240,183
National Treasury Notes - Series F	-	-	52	52
Debentures	158,729	156,654	163,704	153,659
Equity fund shares - FIP Brazil Sustainability	808	641	638	641
	1,208,462	**1,209,264**	**1,400,912**	**1,394,535**
Subject to guarantees				
Financial Treasury Bills	438,778	439,020	445,460	445,784
	438,778	**439,020**	**445,460**	**445,784**
Grand total	**1,647,240**	**1,648,266**	**1,846,372**	**1,840,319**

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

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

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

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

- **Securities bearing interest at fixed 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.

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 June 30, 2021 and December 31, 2020:

	June / 2021			December / 2020
	Cost value	**Market Value**	**Referential Value of the Contract**	**Referential Value of the Contract**
SWAP - Long Position				
Fixed vs. CDI	4,705	4,149	83,800	191,200
Fixed vs. US Dollar	51,760	38,950	515,688	355,116
CDI x USD	15,887	15,042	142,000	-
	72,352	**58,141**	**741,488**	**546,316**
NDF - Long Position				
Fixed vs. US Dollar	56,249	47,511	143,324	70,810
USD VS. FIXED RATE	4,455	5,293	20,507	294,451
Fixed vs. Euro	2,805	2,610	5,166	3,366
Fixed vs. Yen	8,746	8,324	1,405,406	1,836,695
EURO vs. FIXED RATE	-	-	-	3,500
	72,255	**63,738**	**1,574,403**	**2,208,822**
Credit value adjustment (CVA)				
CVA	-	(100)	-	-
	-	**(100)**	**-**	**-**
Total	**144,607**	**121,779**	**2,315,891**	**2,755,138**

	June / 2021			December / 2020
	Cost value	**Market Value**	**Referential Value of the Contract**	**Referential Value of the Contract**
SWAP - Short Position				
CDI vs. fixed rate	476	549	887	1,319
Fixed vs. US Dollar	2,243	3,629	37,232	82,232
CDI x USD	-	-	-	431,160
	2,719	**4,178**	**38,119**	**514,711**
NDF - Short Position				
Fixed vs. US Dollar	10,541	14,004	53,607	74,375
USD VS. FIXED RATE	159,505	130,517	375,142	443,001
Fixed vs. Euro	-	(86)	4,591	3,714
Fixed vs. Yen	-	-	-	542,731
EURO vs. FIXED RATE	33	(63)	3,000	-
	170,079	**144,372**	**436,340**	**1,063,821**
Total	**172,798**	**148,550**	**474,459**	**1,578,532**

1- Aging list

	June/2021				December/2020
	3 months or less	**3 months to 12 months**	**Over 12 months**	**Total**	**Referential Value of the Contract**
SWAP transactions					
CDI vs. fixed rate	200	531	156	**887**	1,319
Fixed vs. CDI	-	15,000	68,800	**83,800**	185,600
Fixed vs. US Dollar	109,869	231,178	211,873	**552,920**	440,848
CDI x USD	-	102,000	40,000	**142,000**	431,160
LIBOR vs. US Dollar	-	-	-	**-**	2,100
	110,069	**348,709**	**320,829**	**779,607**	**1,061,027**
NDF transactions					
Fixed vs. US Dollar	127,246	68,887	798	**196,931**	145,185
USD VS. FIXED RATE	113,343	229,280	53,026	**395,649**	737,452
FIXED VS. EURO	9,757	-	-	**9,757**	7,080
Fixed vs. Yen	15,406	1,390,000	-	**1,405,406**	2,379,426
EURO vs. FIXED RATE	3,000	-	-	**3,000**	3,500
	268,752	**1,688,167**	**53,824**	**2,010,743**	**3,272,643**
Total	**378,821**	**2,036,876**	**374,653**	**2,790,350**	**4,333,670**

2- Aging list by trading location

	June/2021			December/2020
	Stock market	**Over the counter**	**Nominal amount**	**Nominal amount**
Swaps	887	778,720	779,607	1,061,027
NDF	-	2,010,743	2,010,743	3,272,643
Total	**887**	**2,789,463**	**2,790,350**	**4,333,670**

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

	June/2021			
	Reference (carrying) value			
	3 months or less	3 to 12 months	Over 12 months	Total
FUTURES - Reference value				
Purchase				
Currency Coupon	185,052	628,139	766,496	**1,579,687**
Foreign Currency	1,201,778	-	-	**1,201,778**
Interest Rate	1,191,995	661,083	63,953	**1,917,031**
	2,578,825	**1,289,222**	**830,449**	**4,698,496**
Sale				
Currency Coupon	1,632,704	211,526	44,541	**1,888,771**
Foreign Currency	42,497	-	-	**42,497**
Interest Rate	39,994	74,868	140,484	**255,346**
Foreign Exchange Rate	84,124	-	-	**84,124**
	1,799,319	**286,394**	**185,025**	**2,270,738**
Total	**4,378,144**	**1,575,616**	**1,015,474**	**6,969,234**

	December/2020			
	Reference (carrying) value			
	3 months or less	3 months to 12 months	Over 12 months	Total
FUTURES - Reference value				
Purchase				
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**
	1,338,222	**2,488,945**	**1,856,824**	**5,683,991**
Sale				
Currency Coupon	811,842	1,730,661	-	**2,542,503**
Interest Rate	-	39,588	451,020	**490,608**
	811,842	**1,770,249**	**451,020**	**3,033,111**
Total	**2,150,064**	**4,259,194**	**2,307,844**	**8,717,102**

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 half ended June 30, 2021 totaled R$ 5,911 (R$ 40,704 as of June 30, 2020), and was recognized in income accounts.

Profit or loss from derivative financial instruments for the halves ended June 30, 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:

	Result					
	June/2021			June/2020		
Derivative financial instruments	**Revenue**	**Expense**	**Net**	**Revenue**	**Expense**	**Net**
Swap	82,275	(53,773)	28,502	98,981	(174,224)	(75,243)
"NDF"	273,830	(224,988)	48,842	1,004,230	(457,626)	546,604
Futures	2,950,827	(3,074,646)	(123,819)	3,498,844	(3,668,701)	(169,857)
	3,306,932	**(3,353,407)**	**(46,475)**	**4,602,055**	**(4,300,551)**	**301,504**

4- Hedge accounting

As of June 30, 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 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. In the half ended June 30, 2021 and the financial year ended December 31, 2020 the Bank did not have Hedge swaps.

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

		Maturity – Market Value			
Description	**Index**	**12 months or less**	**1 to 3 years**	**3 to 5 years**	**Total**
Futures	Currency Coupon	424,757	-	-	424,757
Total		**424,757**	**-**	**-**	**424,757**

	June/2021	December/2020
Hedged items		
Liabilities		
Pass-through transactions		
Amount restated by terms agreed	(419,189)	(428,271)
Value of the adjustment	5,155	10,069
Market value	(424,344)	(438,340)
Total market value subject to hedge	**(424,344)**	**(438,340)**
Hedging instruments		
Assets		
Futures	424,757	438,763
Total market value Hedge instrument	**424,757**	**438,763**

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

		Maturity – Market Value			
Description	**Index**	**12 months or less**	**1 to 3 years**	**3 to 5 years**	**Total**
Futures	Currency Coupon	1,017,040	306,614	315,337	1,638,991
Total		**1,017,040**	**306,614**	**315,337**	**1,638,991**

	June/2021	December/2020
Hedged items		
Liabilities		
Pass-through transactions		
Amount restated by terms agreed	(1,619,767)	(1,330,702)
Hedging instruments		
Assets		
Futures	1,638,991	1,346,502
Cash flow hedge reserve	(8,694)	(3,970)

The amount of R$ (8,694) (R$ (3,970) as of December 31, 2020) in the Cash Flow Hedge Reserve will be recognized in profit and loss over the hedge term.

8 Interbank transactions

They refer to repass borrowing 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$ 121 (R$ 122 as of December 31, 2020):

	June / 2021			December / 2020
	Interbank on-lending	**Provision**	**Net Balance**	**Net Balance**
Outstanding:				
Up to 30 days	855	-	855	688
31 to 60 days	58	-	58	60
61 to 90 days	105	-	105	153,547
181 to 360 days	220,173	58	220,115	-
Over 360 days	195,563	63	195,500	281,027
Total	**416,754**	**121**	**416,633**	**435,322**

9 Loans

As of June 30, 2021 and December 31, 2020, information on the loan portfolio is summarized as follows:

a. By operation

	June/2021	December/2020
Advances to depositors	21	-
Resolution 3844 (formerly Resolution 63)	317,617	328,540
Compror	12,017	12,002
Working capital	1,576,860	1,518,848
Export Credit Notes - NCE	134,269	261,538
Total loans	**2,040,784**	**2,120,928**
Advance on foreign exchange contracts (Note 10)	1,023,118	292,337
Income receivable from advances (Note 10)	4,381	2,127
Total loan portfolio	**3,068,283**	**2,415,392**
Financial Guarantees Submitted	2,358,137	2,258,264
Total with Financial Guarantees Submitted	**5,426,420**	**4,673,656**

There were no recovered and renegotiated loans as of June 30, 2021

b. By maturity

	June/2021	December/2020
Neither overdue nor impaired		
Up to 30 days	423,748	289,683
31 to 60 days	186,626	81,108
61 to 90 days	575,077	189,474
91 to 180 days	562,364	282,856
181 to 360 days	791,978	724,182
Over 360 days	528,490	848,089
Total	**3,068,283**	**2,415,392**

Loans of the 20 largest debtors as of June 30, 2021 account for 87.67% of the loan portfolio (65.32% as of December 31, 2020) in the amount of R$ 2,685,784 (R$ 1,577,704 as of December 31, 2020).

c. By risk rating

		June/2021			December/2020		
Risk rating	Minimum provision fee %	Total operations	% of portfolio	Provision made	Total operations	% of portfolio	Provision made
AA	-	2,347,667	76.5	2,952	2,408,207	99.7	3,665
"A"	0.50	707,921	23.1	3,610	7,185	0.3	48
B	1.00	12,695	-	151	-	-	-
Total		**3,068,283**	**100**	**6,715**	**2,415,392**	**100**	**3,713**

d. By business sector

	June/2021	December/2020
Private sector:		
Industry	1,611,869	1,332,075
Trade	826,158	421,601
Other services	359,614	398,043
Public Sector:		
Federal	270,642	263,673
Total	**3,068,283**	**2,415,392**

e. Change in the provision for credit risk losses

	June/2021	December/2020
Opening balance	**3,713**	**3,038**
Reversal of the allowance for doubtful accounts	(34)	(1,734)
Creation of allowance for doubtful accounts	3,036	2,409
Closing balance	**6,715**	**3,713**

f. Guarantees provided

The Conglomerate recorded an allowance for credit risk losses for these guarantees in accordance with CMN Resolution 4.512/16 and Circular 3.782/16. The provisioned-for amounts are based on Resolution 2.682 and amount to R$ 6,459 in the half ended June 30, 2021 (R$ 5,480 as of December 31, 2020):

	June / 2021		December / 2020	
	Guarantees provided	Provision	Guarantees provided	Provision
Indexed to International Trading of Goods	4,545	-	5,001	(16)
Indexed to Auctions, Bids, Provision of Services or Delivery of Works	14,429	-	13,369	(1)
Indexed to the Provision of Goods	268,308	(207)	231,842	(209)
Endorsement or guarantee in judicial and administrative tax proceedings	576,002	(1,150)	573,260	(1,397)
Bank Guarantee Other	647,251	(2,462)	472,075	(1,571)
Other Financial Guarantees Submitted	847,602	(2,640)	962,717	(2,286)
Total	**2,358,137**	**(6,459)**	**2,258,264**	**(5,480)**

10 Foreign exchange portfolio

Foreign exchange operations are recorded in balance sheet accounts, as follows:

	June/2021	December/2020
Assets:		
Unsettled purchased exchange	1,731,593	595,903
Receivables on exchange sale	788,676	306,999
Advances received in local currency	(5,980)	(3,068)
Income receivable from advances awarded (note 9)	4,381	2,127
Total	**2,518,670**	**901,961**
Liabilities:		
Unsettled sold exchange	772,497	298,037
Obligations on exchange purchase	1,807,955	612,383
Advance on foreign exchange contracts (note 9)	(1,023,118)	(292,337)
Total	**1,557,334**	**618,083**

11 Tax Assets

Other receivables – other consist of the following amounts:

	June/2021	December/2020
Tax credit (note 19b)	49,790	2,589
Prepaid income tax and social contributions	8,089	13,937
Other receivables	150	22,713
Total	**58,029**	**39,239**

12 Other assets

Other receivables – other consist of the following amounts:

	June/2021	December/2020
Inventory Material	76	72
Prepaid expenses	1,245	1,230
Collateral deposit receivables (note 17)	15,270	15,894
Income Receivable	1,475	3,320
Due in connection with securities dealing	31,591	7,629
Other	5,517	3,256
Total	**55,174**	**31,401**

13 PP&E in use and Intangible assets

As of June 30, 2021 and December 31, 2020 property, plant and equipment are represented as follows:

a. Fixed assets in use

		June/2021			December/2020
Description	**Annual depreciation rate %**	**Cost**	**Accumulated depreciation**	**Net value**	**Net value**
Facilities	10	4,394	(3,594)	800	949
Data processing system	20	8,127	(5,969)	2,158	1,101
Furniture and equipment	10	1,663	(1,281)	382	430
Communications system	10	369	(196)	173	192
Security system	10	300	(295)	5	6
Transportation system	20	1,262	(1,158)	104	131
Total		**16,115**	**(12,493)**	**3,622**	**2,809**

b. Intangible assets

		June/2021			December/2020
Description	**Annual depreciation rate %**	**Cost**	**Accumulated depreciation**	**Net value**	**Net value**
Software	20	12,281	(8,831)	3,450	2,977
Right of use	20	2,176	(1,118)	1,058	1,209
Total		**14,457**	**(9,949)**	**4,508**	**4,186**

14 Deposits

Breakdown by maturity as of June 30, 2021 and December 31, 2020:

	Call deposits		Time deposits		Interbank deposits	
Description	**June / 2021**	**December / 2020**	**June / 2021**	**December / 2020**	**June / 2021**	**December / 2020**
No maturity	160,564	119,296	-	-	-	-
Up to 30 days	-	-	102,346	132,840	-	-
31 to 60 days	-	-	45,583	212,006	-	-
61 to 90 days	-	-	105,795	171,889	-	-
91 to 180 days	-	-	178,812	484,354	-	-
181 to 360 days	-	-	653,430	489,660	31,206	-
Over 360 days	-	-	935,513	693,480	-	-
Total	**160,564**	**119,296**	**2,021,479**	**2,184,229**	**31,206**	**-**

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 June 30, 2021 the balance of USD 145,211 (USD 127,443 as of December 31, 2020) basically consists of import and export financing agreements which mature up to November 30, 2021 and are subject to interest rates of up to 0.73% p.a., plus exchange variance for these transactions. The balance as of June 30, 2021 is R$ 726,290 (R$ 662,209 as of December 31, 2020).

b. Foreign on-lendings

Foreign on-lendings as of June 30, 2021, correspond to USD 474,952 (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 0.53% to 3.38% p.a., plus changes in foreign exchange rates, and mature by January 02, 2026. The balance as of June 30, 2021 is R$ 2,382,596 (R$ 2,713,144 as of December 31, 2020):

	June / 2021		
	12 months or less	**Over 12 months**	**Total**
Obligations on overseas loans	726,290	-	726,290
Foreign on-lendings	1,574,689	807,907	2,382,596
Total	**2,300,979**	**807,907**	**3,108,886**

	December / 2020		
	12 months or less	**Over 12 months**	**Total**
Obligations on overseas loans	662,209	-	662,209
Foreign on-lendings	942,649	1,770,495	2,713,144
Total	**1,604,858**	**1,770,495**	**3,375,353**

(*) The figures presented include the mark-to-market adjustment for hedge accounting operations in the amount of R$ 5,155 (R$ 10,069 as of December 31, 2020), as per note 7.4.

16 Other Liabilities and Provisions

a. Other Liabilities

Description	**June/2021**	**December/2020**
Collection of federal taxes	1,381	392
Contribution to the Credit Guarantee Fund - FGC	319	483
Contribution for Social Security Funding - COFINS	806	580
Government Severance Indemnity Fund for Employees - FGTS	214	331
Withholding income tax - IRRF on fixed-income transactions	224	192
Services tax - ISS	315	363
Taxes and contributions on outsourced services	18	18
Payroll taxes and contributions	1,323	1,810
Due in connection with securities dealing	23,216	8,784
Actuarial liabilities	20,058	19,845
Contribution to Social Integration Program	131	94
Deferred income	1,589	2,779
Corporate and Statutory	2,645	3,374
Other	190	216
Total	**52,419**	**39,261**
(*) Current liabilities	52,419	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

	June/2021			December/2020		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Provision for tax, civil and labor risks (note 17)	63,253	-	63,253	64,538	-	64,538
Provision for personnel expenses	17,108	-	17,108	20,157	-	20,157
Provision for general expenses	4,668	-	4,668	4,584	-	4,584
Guarantees submitted (note 9.f)	3,018	3,441	6,549	2,598	2,882	5,480
Total	**88,047**	**3,441**	**91,488**	**91,877**	**2,882**	**94,759**

17 Provision 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:

	Provision		Judicial deposits	
Description	**June/ 2021**	**December/ 2020**	**June/ 2021**	**December/ 2020**
Provision for tax risks:				
ISS - RJ (a)	-	-	3,965	3,930
ISS - SP (b)	8	-	53	612
Legal obligations:				
Demutualization Cetip (h)	102	101	-	-
PIS offsetting (c)	-	3,189	-	-
PIS constitutional amendment (d)	784	774	-	-
Social Contribution on Net Income - CSLL (e)	9,565	9,518	9,565	9,518
Total	**10,458**	**13,582**	**13,582**	**14,060**
Provision for risks:				
Civil (f)	41,965	39,099	-	-
Labor (g)	10,830	11,857	1,688	1,834
Total	**52,795**	**50,956**	**1,688**	1,834
Total provisions and court deposits	**63,253**	**64,538**	**15,270**	**15,894**

(a) The Conglomerate is involved in tax proceedings related to Service Tax (ISS), in Rio de Janeiro, levied on commissions received from borrowings and onlending borrowings, and also revenues recorded in the "Apportionment of internal income" account. Based on the opinion of its legal advisors, Management assesses that the chances of success in these proceedings are possible, and therefore no provision was recorded. However, the deposit made to proceed with the litigation in court, which totals R$ 3,965 as of June 30, 2021, was maintained (R$ 3,930 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 foreign exchange transactions in the period 2001 to 2003 and guarantees provided in 2004.

Management understands, based on the opinion of its legal advisors, that the chances of success are possible and, therefore, did not recognize any provision. Except for one of the cases, the result was unfavorable for SMBCB. In 2021 a provision was therefore made for the loss of suit costs for this case, amounting to R$ 8 in 2021.

The deposit to proceed with the litigation in court totals R$ 53 (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 periods between September 2002 and October 2005. On June 30, 2021 the provision was reversed, given the decision in favor of the Conglomerate (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$ 784 as of June 30, 2021 (R$ 774 as of December 31, 2020).

(e) The Conglomerate questions the increase in the rates from 18% to 30% 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. By management decision a provision was therefore made for the difference underpaid as a result of the matters under scrutiny, which as of June 30, 2021 amounts to a restated R$ 9,565 (R$ 9,518 as of December 31, 2020). The case under scrutiny yielded a favorable decision for the Conglomerate, and the Conglomerate 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 when the likelihood of disbursements is probable. Based on the opinion of its legal advisors, Management understands that the applicable legal actions have been taken are appropriate to each situation. The restated amount as of June 30, 2021 is R$ 41,964 (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 June 30, 2021 is R$ 10,830 (R$ 11,857 as of December 31, 2020).

(h) The Conglomerate recorded the amount of the proceeding in progress rated as a probable defeat regarding the demutualization of CETIP shares, in the amount of R$ 102 as of June 30, 2021 (R$ 101 as of December 31, 2020).

Changes in provisions and legal obligations

	2021			
	Tax	**Labor**	**Civil**	**Total**
Balance at 12/31/2020	**13,582**	**11,857**	**39,099**	**64,538**
Making of provision	8	-	-	8
Monetary restatement	62	740	2,865	3,667
Operating reversals	(3,193)	(1,389)	-	(4,582)
Write-offs due to payment	-	(378)	-	(378)
Balance at June 30, 2021	**10,459**	**10,830**	**41,964**	**63,253**

	2020			
	Tax	**Labor**	**Civil**	**Total**
Balance at December 31, 2019	**13,515**	**7,986**	**35,355**	**56,856**
Making of provision	37	4,422	-	4,459
Monetary restatement	80	696	1,357	2,133
Operating reversals	(114)	-	-	(114)
Write-offs due to payment	-	(1,276)	-	(1,276)
Balance at June 30, 2020	**13,518**	**11,828**	**36,712**	**62,058**

18 Equity

a. Share capital

The share capital as of June 30, 2021 consists of common shares, with a par value of R$ 1.00 each, distributed as follows:

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

b. Dividends

Corporate legislation and the bylaws state a minimum of 25% of net income for the year shall be distributed to the shareholders in the form of dividends and/or interest on shareholders' equity. On June 30, 2021 it was decided not to specify the dividend/interest in 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 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$ 317,188 (R$ 271,635 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 June 30, 2021 and June 30, 2020, income tax and social contribution expenses were calculated as follows:

	June/2021		June/2020	
	Tax de renda	Contribution contribution	Tax de renda	Contribution social
Income before taxes on income less profit sharing	45,367	45,367	41,776	41,776
Provision for contingent liabilities	(3,378)	(3,378)	7,925	7,925
Allowance for doubtful accounts	3,037	3,037	326	326
Temporary provisions	1,492	1,492	(6,537)	(6,537)
Market value adjustment of derivative financial instruments	(5,911)	(5,911)	10,127	10,127
Adjustment to market value of hedge accounting operations	(7,099)	(7,099)	8,485	8,485
Non-deductible expenses	5,673	629	2,092	571
BM&F transactions	10,196	10,196	(28,367)	(28,367)
Other additions/(exclusions)	(176)	(176)	(199)	(199)
Offsetting of tax loss carry forwards	(9,035)	(1,648)	(10,688)	(10,232)
Taxable income	**40,166**	**42,510**	**24,940**	**23,875**
Income tax - 15% (note 3.o)	6,025	-	3,741	-
Income tax surcharge - 10% (note 3.o)	4,005	-	2,482	-
Empresa Cidadã Law	(23)	-	(28)	-
Social contribution - 20% (note 3.o)	-	8,502	-	4,775
Total	**10,006**	**8,502**	**6,195**	**4,775**

b. Tax credits

The tax credits recorded as of December 30, 2012 in the amount of R$ 76,113 based on total tax loss and negative basis of social.The amounts are presented under the heading "Tax assets – tax credit".
Tax credits on temporary differences were recorded in 2021, using the rates in force for the date these adjustments are expected to be realized. These rates are 25% for IRPJ and 25% for CSLL for credits to be realized in 2021 and 20% for credits to be realized in 2022 onwards. See following notes.

1. Breakdown of tax credit as of June 30, 2021

Breakdown of tax credit	**June/2021**	**December/2020**
Tax Loss	-	2,259
Negative basis of social contribution	-	330
Temporary adjustments on judicial provisions	5,185	-
Temporary adjustments on PCLD	6,211	-
Temporary adjustments other provisions	11,649	-
Mark-to-market hedged item	2,470	4,531
Mark-to-market of swap	7,122	-
Adjustment to available-for-sale securities	452	-
Actuarial adjustment health care plan	6,267	-
Actuarial adjustment pension plan	2,616	-
Hedge accounting adjustment	7,818	-
Total	**49,790**	**7,120**

2. Project realization of tax credits as of June 30, 2021

Year	**Deferred Income Tax**	**Deferred social contributions**	**Total**
2021	7,595	7,595	15,190
2022	14,788	10,822	25,610
2023	2,378	1,903	4,281
2024	647	518	1,165
2025 onwards	1,969	1,575	3,544
Total	**27,377**	**22,412**	**49,790**

3. Change in tax credit

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

	Balance at December/2020	Realizations/ Provisions	Balance at June/2021
Tax Loss	2,259	(2,259)	-
Negative Base - CSLL	330	(330)	-
Temporary adjustments on judicial provisions	-	5,185	5,185
Temporary adjustments on PCLD	-	6,211	6,211
Temporary adjustments other provisions	-	11,649	11,649
Mark-to-market hedge funding	4,531	(2,061)	2,470
Mark-to-market of swap	-	7,122	7,122
Adjustment to available-for-sale securities	-	452	452
Actuarial adjustment health care plan	-	6,267	6,267
Actuarial adjustment pension plan	-	2,616	2,616
Hedge accounting adjustment	-	7,818	7,818
Total	**7,120**	**42,671**	**49,790**

Change in result from deferred tax assets:

	June/2021	June/2020
Realization of tax loss - Income Tax	(2,259)	2,672
Realization of negative base - CSLL	(330)	1,922
Temporary adjustments on judicial provisions	5,185	-
Temporary adjustments on PCLD	6,211	-
Temporary adjustments other provisions	11,649	-
Mark-to-market hedge funding	(2,061)	3,461
Mark-to-market of swap	11,088	(1,342)
Other Tax Credits	(10,865)	1,394
Total	**18,618**	**8,107**

4. Present value of tax credit

Year	Deferred Income Tax	Deferred social contributions	Total
2021	7,385	7,385	14,770
2022	13,344	9,765	23,109
2023	1,977	1,582	3,559
2024	493	395	888
2025 onwards	1,377	1,101	2,478
Total	**24,576**	**20,228**	**44,804**

c. Other receivables

Other tax credits: The Bank also has deferred tax obligations in the amounts of R$ 22,700, which are related to civil provisions made at market value of derivative instruments in accordance with circular 3.082.

There are also tax credits not recognized as assets on provisions for civil contingencies in the amount of R$ 18,884, 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

	June/2021	June/2020
Loan income	37,275	66,315
Income from financing and onlendings	5,645	76,452
Total	**42,920**	**142,767**

b. Securities income

	June/2021	June/2020
Interbank Funding	35,888	41,839
Securities income	23,237	106,303
Total	**59,125**	**148,142**

c. Income on financial derivatives

	June/2021	June/2020
Revenue from swap, NDFs and futures operations	3,308,685	4,602,055
Expenses on swap, NDFs and futures operations	(3,352,209)	(4,300,551)
Total	**(43,524)**	**301,504**

d. Foreign exchange funding expenses

	June/2021	June/2020
Revenue from forex operations	10,964	320,710
Forex operation expenses	(31,732)	(3,631)
Total	**(20,769)**	**317,079**

e. Deposits, money market and interbank funds

	June/2021	June/2020
Time deposit expenses	(25,769)	(28,631)
Interbank deposit expenses	(279)	(202)
Expenses incurred on securities held under repurchase agreements	(153)	(209)
Expenses on contributions to the Credit Guarantee Fund	(1,394)	(1,028)
Total	**(27,595)**	**(30,070)**

f. Borrowings and pass-throughs

	June/2021	June/2020
Expenses on foreign borrowings and pass-throughs	(20,210)	(790,425)
Hedging Adjustment - Pass-throughs and loans	4,914	-
Total	**(15,296)**	**(790,425)**

g. Service fee income

	June/2021	June/2020
Income from fees and services	299	2,800
Income from business intermediation (see note 21a)	6,823	5,061
Income from guarantees granted	13,281	9,335
Total	**20,403**	**17,196**

h. Personnel expenses

	June/2021	June/2020
Proceeds	(19,344)	(21,418)
Payroll taxes	(10,963)	(7,553)
Benefits	(3,881)	(3,894)
Management fees	(1,770)	(2,173)
Training	(118)	(180)
Total	**(36,076)**	**(35,218)**

i. Other administrative expenses

	June/2021	June/2020
Rental expenses	(2,734)	(2,587)
Data processing expenses	(10,981)	(8,966)
Expenses on outsourced technical services	(3,170)	(2,820)
Communication expenses	(4,148)	(3,506)
Financial system service expenses	(1,339)	(1,667)
Asset maintenance and upkeep expenses	(273)	(234)
Security and surveillance services	(76)	(298)
Transportation expenses	(63)	(97)
Material expenses	(29)	(98)
Water, energy and gas expenses	(140)	(125)
Expenses on outsourced services	(273)	(271)
Advertising and marketing expenses	(176)	(138)
Insurance costs	(261)	(145)
Promotion and public relations	(4)	(46)
Charitable contributions	(13)	(9)
Amortization and depreciation	(1,108)	(1,297)
Other administrative expenses	(1,116)	(1,181)
Total	**(25,904)**	**(23,485)**

j. Tax expenses

	June/2021	June/2020
COFINS	(4,462)	(3,665)
ISS	(1,047)	(876)
PIS	(725)	(596)
Other	(252)	(69)
Total	**(6,486)**	**(5,207)**

k. Other operating income / (expenses)

	June/2021	June/2020
Reversal of provisions for guarantees provided	(979)	1,252
Reversal of operating provisions	3,755	4,481
Indemnification fines	1	297
Restatement of judicial deposits	176	199
Recovery of charges and expenses	665	277
Exchange variance	98,319	-
Other expenses	(360)	(302)
Total	**101,577**	**6,204**

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

	June/2021	June/2020
Expense of provisions for contingent liabilities	(8)	(4,459)
Reversal of operating provisions – contingent liabilities	4,961	1,390
Restatement of contingent liabilities	(3,667)	(2,133)
Total	**1,286**	**(5,202)**

m. Nonoperating income

	June/2021	June/2020
Other nonoperating income	10	22
Total	**10**	**22**

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)	
	June/2021	December/2020	June/2021	June/2020
Cash and cash equivalents – foreign currency deposits	155,932	44,149	-	-
Investments in foreign currency abroad	-	36,580	470	75,234
Amounts receivable - sales commission (see note 20.g)	3,762	2,819	6,823	5,062
Obligations on overseas loans	(726,290)	(662,209)	37,847	(279,803)
Foreign on-lendings	(2,382,596)	(2,713,144)	69,735	(510,620)
Total	**(2,949,192)**	**(3,291,805)**	**114,874**	**(710,127)**

b. Compensation of key management personnel

Pursuant to Resolution No. 4,818/20 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

	June/2021	December/2020
Proceeds	2,198	3,723
Variable remuneration	1,574	2,013
Contributions to INSS (Social Security Contribution) /FGTS (Severance Pay Fund)	851	582
Total	**4,623**	**6,318**

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 4.693/18 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 June 30, 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 No. 695 of December 13, 2015, approved CPC Technical Pronouncement No. 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 June 30, 2021, there were no significant changes in the current restatement parameters.

	Retirement Plan	
	December/2020	**December/2019**
Description		
Present value of actuarial obligations	42,920	43,420
Fair value of the plan's assets	(37,054)	(38,020)
Deficit/(Surplus) for covered plans	5,866	5,400
Adjustments for permitted deferrals		
Net actuarial liability/(asset)	5,866	5,400
Actuarial assumptions:		
Nominal discount rate for the actuarial obligation	6.54% p.a.	6.78% p.a.
Estimated rate of nominal salary increase	6.35% p.a.	6.71% p.a.
Estimated nominal benefit increase	4.28% p.a.	4.64% p.a.
Estimated inflation rate	3.25% p.a.	3.60% 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	0.30/ (length of service +1)	0.30/ (length of service +1)
Chance of entering retirement	10% on the 1st date of eligibility to early retirement 3% between the 1st 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.):

	Sensitivity Analysis	
Present value of the Obligations	**December/2020**	**December/2019**
Discount Rate: decrease of 0.25%	1,107	1,089
Discount Rate: increase of 0.25%	(1,076)	(1,059)

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. 30 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/2020	**December/2019**
Net actuarial liability/(asset)	13,979	16,243
Total	13,979	16,243
Actuarial assumptions/actuarial hypotheses		
Nominal discount rate for the actuarial obligation	7.17%p.a	7.11%p.a
Estimated inflation rate	3.25%p.a.	3.60%p.a.
Biometric Turnover Rate	0.15/ (Length of Service) +1	0.15/ (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 from 7.90% p.a. to 4.28% p.a.	Falling from 8.26% p.a. to 4.64% 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% Severance: 100%	Retirement: 100% Severance: 100%
Aging Factor	3.00% (per annum - age)	3.00% (per annum - age)
Family members - Active	90% Married	90% Married
Age difference between holder and spouse	4 years	4 years
Family members - Retired	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 Conglomerate's Operational Risk Management Policy established and approved by the Conglomerate's Executive Board at least annually, pursuant to CMN Resolution 4557/17. It reports directly to the Conglomerate's Executive Board. 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 Banco Sumitomo Mitsui Brasileiro S.A. 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 Conglomerate'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.

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

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

Market and Liquidity Risk

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

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

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

The Market and Liquidity Risk Management policy is based on the daily control of the Bank's market risk positions, on the control of limits for positions, divided into limits for exposure to interest rate and exposure to exchange 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 4,557/17 and is approved and reviewed at least annually by the Bank's management. In order to ensure the implementation of the guidelines and policies in force, Banco Sumitomo Mitsui Brasileiro S.A. has a Committee of Assets and Liabilities (ALCO), which usually meets once a month with the 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. The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Credit risk

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

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

The Credit Risk Management structure was implemented in accordance with the requirements of CMN Resolution 4,557/17 and is approved and reviewed at least annually by the Bank's Management. The Credit Risk Management structure is a specific unit of the Bank, independent from the business and audit areas, and reports directly to the Bank's Executive Board. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

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

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

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

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 4,557/17 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:

➢ RWA = RWAcpad + RWAmpad + 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 4.193/13 and 4.192/13, which presents the Equity index in relation to the Weighted Assets, as follows:

	June/2021	December/2020
Credit Risk	6,215,040	5,453,441
Market Risk	403,434	425,001
Operational Risk	371,646	336,392
Risk weighted assets (RWA)	**6,990,120**	**6,214,834**
Reference Equity Tiers I and II (PR)	**1,877,908**	**1,835,710**
Required Reference Equity (RWA 8%)	559,210	497,187
Margin over Required Regulatory Capital	**1,318,698**	**1,338,523**
Basel capital ratio (IB) - PR/RWA	26.87%	29.54%

If the bank 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 4,557/2017.

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. The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Fair value measurement

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

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

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

• Level 3 - Pricing assets where the data is not available in the market pricing assets where the data is not available in the market. In accordance with the best market practices, the fair value of certain products such as Promissory Notes and 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, Banco Sumitomo classifies as recurrent results obtained from its regular and everyday activities, such as revenue and expenses related to loans (investments) and funding (borrowing), services and other expenses related to maintaining the Organization's activities.

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

In the half ended June 30, 2021, the CSLL rate owed by financial sector companies was increased to 25% (twenty-five percent) by Provisional Law 1.034, published on March 01, 2021, effective for the period July 01, 2021 to December 31, 2021, generating an additional nonrecurrent result of R$ 349 in deferred tax assets, as detailed in note 19.

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 Financial Statements as of June 30, 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, Bank Management concluded that the adaptation of our going concern basis of accounting and our internal controls do not contain a material uncertainty as of June 30, 2021 exists related to events or conditions that may cast significant doubt on the Bank'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.