

Banco Sumitomo Mitsui Brasileiro S.A. – Prudential Conglomerate

Financial statements as of December 31, 2020

*(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)*

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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 year ended December 31, 2020, whose net income in the year amounted to R\$ 45,458 thousand (R\$ 38,584 thousand as of December 31, 2019), total assets R\$ 8,519,888 thousand (R\$ 7,246,914 thousand as of December 31, 2019) and the loans portfolio R\$ 2,415,392 thousand (R\$ 1,537,427 thousand as of December 31, 2019).

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 Conglomerate's head office.

São Paulo, March 31, 2021.



KPMG Auditores Independentes

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Independent auditors' report on the financial statements

To

Shareholders and Board of Directors of

Banco Sumitomo Mitsui Brasileiro S.A.

São Paulo - SP

Opinion

We have audited the financial statements of Consolidated of the Prudential Conglomerate of Banco Sumitomo Mitsui Brasileiro S.A. ("Conglomerate"), which comprise the statement of financial position as at December 31, 2020, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the half-year and year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements of the Prudential Conglomerate are special purpose, 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 2.

In our opinion, the accompanying financial statements Consolidated of the Prudential Conglomerate present fairly, in all material respects, the financial position Consolidated of the Prudential Conglomerate of Banco Sumitomo Mitsui Brasileiro S.A. as at December 31, 2020, the financial consolidated performance of its operations and its cash flows for the half-year and year then ended, in accordance with the requirements for the preparation of the financial statements of the Prudential Conglomerate provided for in Resolution no. 4280, 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 paragraph 2 to the referred statements.

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. 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 the entities included in the Prudential Conglomerate in accordance with the relevant ethical requirements included in the Accounting Professional Code of Ethics and in the professional standards issued by the Brazilian Federal Accounting Council, 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 of preparation of the consolidated financial statements of the Prudential Conglomerate**

We call attention to note 2 that discloses that the consolidated financial statements of the Prudential Conglomerate were prepared by the Bank's management to comply with the requirements of Resolution no. 4280, of the National Monetary Council, and complementary regulations of the Central Bank of Brazil. Consequently, our report on these consolidated financial statements was prepared, exclusively, to comply with these specific requirements, and, therefore, may not serve other purposes. Our opinion does not contain any changes related to this matter.

Other subjects

The Bank prepared a set of individual financial statements for general purposes for the semester and year ended December 31, 2020, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, on which we issue an unqualified audit opinion as of March 30, 2021.

Other information accompanying the financial statements and auditor's report

Bank's Management is responsible for the other information. The other information comprises the Management's 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 financial statements of Consolidated of the Prudential Conglomerate, our responsibility is to read the Management's 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's Report, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Prudential Conglomerate, prepared by Management in accordance with the requirements of CMN Resolution no. 4280, and complementary regulations from Bacen 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 and International Standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on auditing, take into consideration NBC TA 800 (Special Conditions - Audit of Financial Statements in accordance with Conceptual Accounting Structures 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 and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's 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 and 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's audit and, consequently, for the audit opinion.



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

São Paulo, March 31, 2021.

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

Banco Sumitomo Mistui Brasileiro S.A.
Statements of Financial Position
Years ended December 31, 2020 and 2019
(In thousands of Reais)

ASSETS	Note	December/2020	December/2019
Cash and banks	4	119,449	45,607
FINANCIAL ASSETS		8,322,681	7,112,656
Interbank Investments	5	2,892,753	2,458,914
Money market		2,142,099	1,490,190
Interfinancial deposits		714,074	702,726
Foreign currency		36,580	265,998
Securities	6	1,846,372	2,408,285
Own portfolio		1,400,912	1,909,182
Subject to guarantees		445,460	499,103
Derivative Financial Instruments	7	126,411	58,713
Interbank Accounts		437,969	201,730
Deposits at the Brazilian Central Bank - BACEN		2,647	1,750
Interbank onlending	8	435,444	200,028
Allowance for losses associated with credit risk	8	(122)	(48)
Loans		2,117,517	1,031,295
Loans	9.a	2,120,928	1,032,703
Allowance for loan losses associated with credit risk	9.e	(3,411)	(1,408)
Foreign exchange portfolio		901,659	953,719
Foreign Exchange Portfolio	10	901,961	955,349
Allowance for loan losses associated with credit risk	9.e	(302)	(1,630)
OTHER ASSETS	12	31,401	35,190
TAX ASSETS	11	39,239	46,022
Current tax assets		13,937	14,780
Tax Credit		25,302	31,242
INVESTMENTS		123	123
PROPERTY FOR USE	13.a	2,809	3,077
Other property for use		14,839	13,934
Accumulated depreciation		(12,030)	(10,857)
INTANGIBLE	13.b	4,186	4,239
Intangible assets		13,489	12,448
Accumulated amortization		(9,303)	(8,209)
TOTAL ASSETS		8,519,888	7,246,914

LIABILITIES	Note	December/2020	December/2019
FINANCIAL LIABILITIES		6,492,146	5,299,586
Deposits	14	2,303,525	2,223,803
Call deposits		119,296	76,100
Interbank deposits		-	2,090
Time deposits		2,184,229	2,145,613
Interbranch Accounts		27,489	22,848
Derivative financial instruments	7	167,696	177,880
Foreign currency borrowings	15	662,209	1,093,657
Foreign onlendings	15	2,713,144	1,320,874
Foreign exchange portfolio	10	618,083	460,524
OTHER LIABILITIES	17.a	39,387	44,772
PROVISIONS	17.b	94,759	79,887
Tax, civil and labor		64,538	56,856
Other		30,221	23,031
TAX LIABILITIES		53,167	37,073
Current tax liabilities	19.a	28,815	25,632
Deferred tax liabilities	19.c	24,352	11,441
EQUITY		1,840,429	1,785,596
Capital:		1,559,699	1,559,699
Domestic		2	2
Foreign		1,559,697	1,559,697
Revenue Reserves		271,635	226,177
Fair value securities	6.a	3,299	(13)
Cash Flow Hedge		(3,970)	2,030
Adjustments to Actuarial Liabilities- CVM 600		(10,869)	(12,132)
Adjustments exchange variance investments		20,635	9,835
TOTAL LIABILITIES		8,519,888	7,246,914

* See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A.
Statements of profit or loss

Years ended December 31, 2020 and 2019 and

half-year ended December 31, 2020

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

	Note	Half-Year/2020	December/2020	December/2019
Financial operations revenue		<u>23,704</u>	<u>933,197</u>	<u>485,007</u>
Loans	20.a	34,298	177,066	84,841
Securities income	20.b	49,813	197,955	311,295
Derivative financial instruments income	20.c	(83,363)	218,141	50,705
Foreign exchange funding income	20.d	22,956	340,035	38,166
Financial operations expenses		<u>(42,302)</u>	<u>(862,805)</u>	<u>(390,305)</u>
Deposits, money market and interbank funds	20.e	(20,329)	(50,399)	(112,205)
Borrowings and onlendings	20.f	(21,307)	(811,731)	(276,546)
Allowance for loan losses associated with credit risk	9.e	(666)	(675)	(1,554)
Gross income on financial operations		<u>(18,598)</u>	<u>70,392</u>	<u>94,702</u>
Other operating revenue (expense)		<u>73,248</u>	<u>27,535</u>	<u>(24,137)</u>
Service fee income	20.g	27,221	44,416	34,874
Personnel expenses	20.h	(34,458)	(69,677)	(63,733)
Other administrative expenses	20.i	(21,397)	(44,881)	(42,569)
Tax expenses	20.j	(6,232)	(11,439)	(15,595)
Other operating income / (expenses)	20.k	111,371	117,575	68,452
(Provision) / Reversal of provision for contingent liabilities	20.l	(3,257)	(8,459)	(5,566)
Operating income		<u>54,650</u>	<u>97,927</u>	<u>70,565</u>
Nonoperating income	20.m	<u>35</u>	<u>56</u>	<u>241</u>
Income before taxation		<u>54,685</u>	<u>97,983</u>	<u>70,806</u>
Income tax and social contribution	19	<u>(31,849)</u>	<u>(50,102)</u>	<u>(29,427)</u>
Income Tax		(9,938)	(16,934)	(16,063)
Social Contribution		(7,907)	(13,176)	(9,569)
Deferred Assets		(14,004)	(19,992)	(3,795)
Profit-sharing		<u>(901)</u>	<u>(2,423)</u>	<u>(2,795)</u>
Net income		<u>21,935</u>	<u>45,458</u>	<u>38,583</u>
Number of shares		<u>1,559,699</u>	<u>1,559,699</u>	<u>1,559,699</u>
Net income per lot of a thousand shares - R\$		<u>14.06</u>	<u>29.15</u>	<u>24.74</u>

* See the accompanying notes to the financial statements.

Banco Sumitomo Mitsui Brasileiro S.A.
Statements of Comprehensive Income
 Years ended December 31, 2020 and 2019 and
 half-year ended December 31, 2020
(In thousands of Reais)

	<u>Half-Year/2020</u>	<u>December/2020</u>	<u>December/2019</u>
Net income for the period	21,935	45,458	38,583
Comprehensive income that might not be subsequently reclassified to net income:	<u>(4,972)</u>	<u>8,112</u>	<u>3,861</u>
Available-for-sale financial assets			
Change in fair value	4,440	6,022	1,118
Tax effect	(1,998)	(2,710)	(503)
Exchange variance adjustments to forency investments			
Change in fair value	(4,756)	19,636	2,211
Tax Effect	2,140	(8,836)	(995)
Cash flow hedge			
Change in fair value	(8,724)	(10,909)	3,691
Tax Effect	3,926	4,909	(1,661)
Comprehensive income that might not be subsequently reclassified to net income:	<u>1,263</u>	<u>1,263</u>	<u>(5,692)</u>
Adjustment to Actuarial Liabilities			
Change in fair value	2,296	2,296	(10,349)
Tax effect	(1,033)	(1,033)	4,657
Total other comprehensive income for the period	<u>(3,709)</u>	<u>9,375</u>	<u>(1,831)</u>
Total comprehensive income	<u>18,226</u>	<u>54,834</u>	<u>36,752</u>

*See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A.
Statement of changes in equity

Years ended December 31, 2020 and 2019 and
half-year ended December 31, 2020

(In thousands of Reals)

	Note	Profit reserve			Other Comprehensive Income				Profit / (Losses) earnings	Total
		Capital realized	Legal	Statutory	Own	Hedge Gains and Losses	Adjustment Actuarial Liabilities	variance adjustments to forency investments		
Balances at December 31, 2018		793,819	11,331	176,259	(628)	-	(6,440)	8,619	-	982,960
Capital Increase		765,880								765,880
Fair value of securities and derivatives					615	2,030				2,645
Adjustment actuarial liabilities							(5,692)	-		(5,692)
Exchange variance adjustments to overseas investments Resolution 4524								1,216		1,216
Net income for the year				-	-	-	-	-	38,587	38,587
Legal reserve	18.c		1,929						(1,929)	-
Statutory reserve	18.d			36,658					(36,658)	-
Balances at December 31, 2019		1,559,699	13,260	212,917	(13)	2,030	(12,132)	9,835	-	1,785,596
Fair value of securities and derivatives					3,312	(6,000)				(2,688)
Adjustment actuarial liabilities							1,263			1,263
Exchange variance adjustments to overseas investments Resolution 4524								10,800		10,800
Net income for the year									45,458	45,458
Legal reserve	18.c		2,274						(2,274)	-
Statutory reserve	18.d			43,184					(43,184)	-
Balances at 12/31/2020		1,559,699	15,534	256,101	3,299	(3,970)	(10,869)	20,635		1,840,429
Balances at June 30, 2020		1,559,699	14,437	235,263	857	828	(12,132)	23,251	-	1,822,203
Fair value of securities and derivatives					2,442	(4,798)				(2,356)
Adjustment actuarial liabilities							1,263			1,263
Exchange variance adjustments to overseas investments Resolution 4524								(2,616)		(2,616)
Net income for the year									21,935	21,935
Legal reserve	18.c		1,097						(1,097)	-
Statutory reserve	18.d			20,838					(20,838)	-
Balances at 12/31/2020		1,559,699	15,534	256,101	3,299	(3,970)	(10,869)	20,635		1,840,429

*See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A .
Statement of Cash Flow

Years ended December 31, 2020 and 2019 and

half-year ended December 31, 2020

(In thousands of Reais)

	Half-Year/2020	December/2020	December/2019
Operating Activities			
Adjusted Net Income	40,643	114,121	112,321
Net income for the half and year	21,935	45,458	38,587
Adjustments to reconcile income (loss) to cash provided by operating activities	18,708	68,663	73,734
Adjustment to fair value of securities and derivative financial instruments (Assets/Liabilities)	(11,649)	7,415	28,118
Result in Financial Assets measured at Fair Value through OCI	(10,208)	(611)	2,660
Adjustment to allowance for loan losses associated with credit risk	666	675	1,554
Provision Adjustment (reversal) to Interbank Operations	2	74	13
Provision Adjustment (reversal) to financial guarantees submitted	1,961	709	860
Depreciation and Amortization	1,288	2,585	2,646
Adjustment to Provision for Tax Risks	841	66	520
Adjustment to Provision for Contingent Liabilities	2,416	7,616	5,146
Deferred Taxes	14,249	12,318	2,277
Provision for income and social contribution taxes	17,845	30,110	25,632
Monetary Restatement / Reversal of Judicial Deposits	(115)	(337)	(572)
Provisions for / Reversals of Personnel Bonuses	1,294	386	257
Other	118	7,657	4,623
Change in Assets and Liabilities	(676,813)	(737,002)	(1,826,053)
(Increase) Decrease in Interbank funds applied	(59,259)	(99,030)	86,274
(Increase) decrease in Securities and derivative financial instruments (Assets/Liabilities)	(288,091)	489,607	(617,212)
(Increase) Decrease in Interbranch accounts (Asset/Liabilities)	5,687	(231,671)	9,697
(Increase) Decrease in Loans	(824,141)	(1,088,225)	(64,050)
(Increase) Decrease in Foreign exchange portfolio and Due in connection with securities dealing (Assets/Liabilities)	488,239	212,370	(426,707)
(Increase) Decrease in Other assets	1,587	1,681	(3,146)
Income and Social Contribution taxes paid	(6,864)	(25,635)	(26,462)
(Decrease) Increase in Other liabilities	6,029	3,901	(784,447)
Net cash provided by or used in operating activities	(636,170)	(622,880)	(1,713,732)
Investment Activities			
(Acquisition) Sale of Intangible Assets	(509)	(1,229)	(735)
(Acquisition) Sale of Property for use	(175)	(995)	55
Net cash provided by or used in investment activities	(684)	(2,224)	(680)
Financing Activities			
Payment of Capital	-	-	765,880
Increase (decrease) in Deposits	807,241	79,722	46,486
Increase (Decrease) in Lending and borrowings	90,613	954,828	239,324
Net cash provided by or used in financing activities	897,854	1,034,550	1,051,690
Increase / Decrease in cash and cash equivalents	261,000	409,446	(662,722)
Cash at Beginning of Period	504,024	45,607	49,279
Cash equivalents at Beginning of Period	1,584,993	1,894,964	2,554,014
Total cash and cash equivalents at beginning of period	2,089,017	1,940,571	2,603,293
Equivalents at End of Period	119,391	119,391	45,607
Cash Equivalents at End of Period	2,230,568	2,230,568	1,894,964
Total cash and cash equivalents at end of period	2,349,959	2,349,959	1,940,571
Changes in Cash and Cash Equivalents in the period	260,942	409,388	(662,722)

*See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Operations

The financial statements of the Prudential Conglomerate ("Conglomerate") are intended to attend the requirements of the Central Bank of Brazil ("BACEN") disclosed through Resolution 4820/13.

Our Prudential Conglomerate is comprised of Banco Sumitomo Mitsui Brasileiro S/A ("Conglomerate") and SMBCB Onshore Fundo de Investimento Multimercado no Exterior Longo Prazo ("Onshore Fund") and SMBCB Offshore I ("Offshore Fund").

Banco Sumitomo Mitsui Brasileiro S.A. ("Conglomerate") is a multiple service bank authorized to operate commercial portfolios, including foreign-exchange and investment portfolios, by National Monetary Council (CMN) Resolution 1524/88. The Conglomerate is a wholly owned subsidiary of our head office, SMBC Tokyo - Japan.

SMBCB Onshore Fundo de Investimento Multimercado no Exterior Longo Prazo ("Fundo Onshore") is a proprietary investment fund exclusive to the Conglomerate and its objective is to invest its resources in assets of different natures, risks and characteristics, without the commitment to concentrate on any asset or risk factor in particular, being able to make, directly or indirectly, investments in financial assets abroad, with the objective of investing in several markets, and using instruments traded in the derivatives market both for the purpose of protecting the portfolio ("hedge") and to increase the exposure of the Onshore Fund to any risk factors, in order to provide the Conglomerate with a form of investment in fixed income assets and derivatives.

2 Presentation and preparation of the financial statements

The financial statements of the Prudential Conglomerate are specialized in attend the requirements of CMN and Bacen and are not to be confused with consolidated accounting for general purposes. The consolidation and / or combination of the entities listed in CMN Resolution 4280/2013 is based on specific concepts of consolidation and / or combinations determined by CMN and Bacen, which are not necessarily the same required by corporate law.

The financial statements have been prepared and disclosed herein in accordance with Brazilian accounting practices, considering the changes required by Law 11638/07 and Law 11941/08, together with the standards and instructions issued by the Central Bank of Brazil (BACEN) through the Accounting Chart for Institutions of the National Financial System (COSIF).

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 3566/08 – Impairment of Assets (CPC 01)

CMN Resolution 3604/08 – Statement of Cash Flows (CPC 03)

CMN Resolution 3823/09 - Provisions, Contingent Liabilities and Contingent Assets (CPC 25)

CMN Resolution 3973/11 - Subsequent Events (CPC 24)

CMN Resolution 3989/11 - Share-based Payment (CPC 10)

CMN Resolution 4007/11 – Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23)

CMN Resolution 4144/12 - Basic Conceptual Pronouncement (R1)

CMN Resolution 4424/15 – Employee Benefits (CPC 33)

CMN Resolution 4524/16 – The Effects of Changes in Foreign Exchange 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 4636/18 - Related Party Disclosures (CPC 05 R1)

CMN Resolution 4,748/19 - Fair Value Measurement (CPC 46)

CMN Resolution 4818/20 – Earnings per Share (CPC 41)

Consolidation

According to article 1 of CMN Resolution 4280, 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 comprised of Banco Sumitomo Mitsui Brasileiro S.A and SMBCB Onshore Fundo de Investimento Multimercado no Exterior Longo Prazo (“Onshore Fund”) and SMBCB Offshore I (“Offshore Fund”), in which the Conglomerate is an exclusive shareholder.

The balances of equity and income accounts and the values of transactions between consolidated companies are eliminated. For the purpose of consolidation, the securities and investments belonging to the portfolio of the SMBCB Onshore fund are classified by type of operation and were distributed by type of paper, in the same categories in which they were originally allocated.

a. Changes to the presentation of the financial statements

On 1/1/2020 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 3.959/2019, the Conglomerate made changes to the presentation of its financial statements to comply with this Circular, including:

Statement of financial position

Previous Nomenclature December/2019	Amount	Current Nomenclature December/2020
Provision for losses on interbank onlending	(48)	Allowance for loans losses associated with credit risk
Allowance for doubtful accounts	(1,408)	Allowance for loans losses associated with credit risk
Allowance for loan losses on other receivables	(1,630)	Allowance for loans losses associated with credit risk
Other	14,780	Current tax assets
Other	25,102	Tax Credit
Other	27,279	Other Assets
Prepaid Expenses	1,172	Other Assets
Inventory material	37	Other Assets
Income receivable	1,540	Other Assets
Trading and Brokerage of Securities	11,302	Other Assets
Collection of taxes	346	Other Liabilities
Due to shareholders	3,659	Other Liabilities
Tax and social security	13,982	Other Liabilities
Tax and social security	25,632	Current tax liabilities
Tax and social security	11,441	Deferred tax liabilities
Tax and social security	3,906	Tax, civil and labor issues
Due in connection with securities dealing	11,033	Other Liabilities
Deferred income	3,540	Other liabilities
Other	9,803	Other Liabilities
Other	23,031	Other
Other	52,950	Tax, civil and labor issues

Income Statement

Previous Nomenclature December/2019	Amount	Current Nomenclature December/2020
Allowance for loan losses	(1,554)	Allowance for loans losses associated with credit risk
Other operating income	9,600	Other operating income / (expenses)
Other operating expenses	(1,430)	Other operating income / (expenses)
Other operating income	2,144	(Provision for) / Reversal of contingent liabilities
Other operating expenses	(7,710)	(Provision for) / Reversal of contingent liabilities
Income from financing and onlendings	(4,640)	Other operating income / (expenses)
Borrowings and onlendings	64,922	Other operating income / (expenses)

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, allowance for loan losses associated with credit risk, financial liabilities, tax assets and tax liabilities and provisions.

Statement of Income

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

Emphasized presentation of allowance for loan losses associated with credit risk and provisions for tax, civil and labor;

Statement of Comprehensive Income

The statement of comprehensive income embraces net income and other comprehensive income for the year, segregated into items that will or will not be reclassified to net income in subsequent periods. Other comprehensive income are revenue and expense items recognized directly in equity. The statements of comprehensive income for the half year and years ended December 31, 2020 and 2019 are being presented in these financial statements.

Notes

Adaptation of the reporting structure for the notes to the financial statements as a result of adopting new nomenclatures and grouping equity and income items.

Other information

The Conglomerate did not exercise the option provided by CMN Resolution 4.720/2019 to disclose half-year 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 currency and reporting currency

The Conglomerate functional currency is the Brazilian Real.

The operations conducted by the overseas branch (Cayman) are denominated in the functional currency the US dollar. However, for the purpose of presentation and consolidation the Conglomerate, the amount converted to Brazilian Reals 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 income

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 balance sheet date 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 fair value and charged to the statement of income for the half-year.
- **Available-for-sale securities** - Securities that are neither classified as marketable or held to maturity, adjusted to fair 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-year.

f. Derivative Financial Instruments

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

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

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

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

Under BACEN Circular 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 fair 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-year.

Financial instruments considered as hedging instruments:

- Against market risks – are used to offset the risks arising from exposure to the variation in the fair 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-year.

- For cash flows – have the purpose of offsetting the changes in estimated future cash flows. Their valuations or devaluations are accounted for as an offsetting entry to a separate item in shareholders' equity.
- On initial designation of the derivative as hedging instrument, the Conglomerate formally documents the relationship between the hedging instruments and the items subject to hedge, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship, considering traditional calculation methods. The 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 fair 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 portfolio and allowance for loan losses associated with credit risk

Loans and foreign exchange portfolio 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, there may be the reclassification of the transaction 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 for use

Property and equipment are stated at acquisition cost, less accumulated depreciation, calculated through the half-year reporting date. Depreciation is calculated under the straight-line method at annual rates which reflect the estimated useful lives of the assets. The main annual depreciation rates are 20% for vehicles and data processing equipment, and 10% for other assets.

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-year 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-year.

m. Deposits

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

n. Contingent assets and liabilities and legal obligations

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

- **Contingent assets** - Are only recognized in the 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 lower court decisions at labor courts.
- **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 Conglomerate statements, without deducting them from provisions for contingent liabilities and legal obligations, in compliance with the BACEN rules.

o. Income and social contribution taxes

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%.

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 the tax losses and negative social contribution base were calculated at the rates of 25% for income tax and 20% social contributions.

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 695 of December 13, 2012 approved CPC Technical Pronouncement 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 1, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices.

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

On December 25, 2015 the Central Bank issued CMN Resolution 4424 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 allowance for loan losses associated with credit risk, deferred 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 underlying assumptions are reviewed at least quarterly.

r. Nonrecurrent income

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

4 Cash and cash equivalents

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

	December/2020	December/2019
Cash and banks	119,449	45,607
(¹) Interbank funds applied	2,230,568	1,894,964
Money market	2,142,099	1,490,190
Interfinancial deposits	51,889	138,776
Foreign-currency investments	36,580	265,998
Total cash and cash equivalents	2,350,017	1,940,571

(¹) Denote operations with an original term lower than 90 days with an insignificant risk of fair value impairment.

5 Interbank funds applied

Money market, as of December 31, 2020 and 2019, is composed as follows:

2020				
	Up to 3 months	3 to 12 months	Over 12 months	Total
Money market	-	722,052	1,420,047	2,142,099
Own funds	-	722,052	1,420,047	2,142,099
National Treasury Bills	-	722,052	769,999	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

2019				
	Up to 3 months	3 to 12 months	Over 12 months	Total
Money market	1,490,190	-	-	1,490,190
Own funds	1,490,190	-	-	1,490,190
National Treasury Bills	1,001,115	-	-	1,001,115
National Treasury Notes - Series B	9,000	-	-	9,000
Financial Treasury Bills	480,075	-	-	480,075
(*)Interfinancial deposits	138,776	226,063	337,887	702,726
Not Related	138,776	226,063	337,887	702,726
Foreign currency	265,998	-	-	265,998
Total	1,894,964	226,063	337,887	2,458,914

6 Securities

It is not the Conglomerate's strategy to acquire securities for the purpose of actively and frequently trading them. Thus, as of December 31, 2020 and 2019 the securities portfolio is classified under the available-for-sale securities category, as shown below:

	December/2020		December/2019	
	Fair Value	Cost value	Fair Value	Cost value
Available-for-sale securities				
Own portfolio:				
Financial Treasury Bills	1,236,518	1,240,183	1,908,498	1,908,506
National Treasury Notes - Series F	52	52	55	53
Debentures	163,704	153,659	-	-
Equity fund quotas - FIP Brazil Sustainability	638	641	629	641
	1,400,912	1,294,535	1,909,182	1,909,200
Subject to guarantees				
Financial Treasury Bills	445,460	445,784	499,103	499,108
	445,460	445,784	499,103	499,108
Grand total	1,846,372	1,840,319	2,408,285	2,408,308

	December/2020				December/2019
	3 months or less	3 to 12 months	Over 12 months	Total	Total
Available-for-sale securities					
Own portfolio:					
Financial Treasury Bills	273.889	277,251	671.151	1.236.518	1.908.498
National Treasury Notes - Series F	52	-	-	52	55
Debentures	-	52.822	110.882	163.704	-
Equity fund quotas - FIP Brazil Sustainability	638	-	-	638	629
	274.579	344.300	782.033	1.400.912	1.909.182
Subject to guarantees					
Financial Treasury Bills	265.637	-	179.823	445.460	499.103
	265.637	-	179.823	445.460	499.103
Grand total	540.216	344.300	961.856	1.846.372	2.408.285

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

The fair 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 fair value of securities is calculated in the following manner:

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

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

The fund quotas 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, Non Deliverable Forwards - NDF and futures which are held in custody at B3 BM&FBOVESPA in the stock and over-the-counter markets.

See below the derivative financial instruments explained above recorded in equity and offsetting accounts as of December 31, 2020 and 2019:

	December/2020		December/2019	
	Cost Value	Fair Value	Referential Value of the Contract	Referential Value of the Contract
SWAP - Long Position				
Fixed vs. CDI	9,441	13,961	191,200	349,650
Fixed vs. US Dollar	15,727	18,119	355,116	102,196
CDI x USD	-	-	-	15,000
USD vs. CDI	-	-	-	141,916
	25,168	32,080	546,316	608,762

	December/2020		December/2019	
	Cost Value	Fair Value	Referential Value of the Contract	Referential Value of the Contract
NDF - Long Position				
Fixed vs. US Dollar	12,140	12,604	70,810	785,849
USD VS. FIXED RATE	83,316	75,658	294,451	695,732
Fixed vs. Euro	991	1,239	3,366	1,505
Fixed vs. Yen	4,375	4,678	1,836,695	62,771
EURO vs. FIXED RATE	579	290	3,500	-
	101,401	94,469	2,208,822	1,545,857
Credit value adjustment (CVA)				
CVA	-	(138)	-	-
	-	(138)	-	-
Total	126,569	126,411	2,755,138	2,154,619

	December/2020		December/2019	
	Cost value	Fair Value	Referential Value of the Contract	Referential Value of the Contract
SWAP - Short Position				
CDI vs. fixed rate	570	776	1,319	2,341
Fixed vs. CDI	-	-	-	6,000
CDI vs. LIBOR	-	-	-	157,815
Fixed vs. US Dollar	5,197	4,541	82,232	97,310
CDI x USD	6,163	4,713	431,160	195,005
US Dollar vs. CDI	-	-	-	180,249
LIBOR vs. US Dollar	-	-	-	189,360
	11,930	10,030	514,711	828,080
NDF - Short Position				
Fixed vs. US Dollar	26,859	24,974	74,375	256,838
USD VS. FIXED RATE	124,074	132,136	443,001	1,826,854
Fixed vs. Euro	78	(106)	3,714	-
Fixed vs. Yen	584	662	542,731	-
	151,595	157,666	1,063,821	2,083,692
Total	163,525	167,696	1,578,532	2,911,772

1- Aging list

	December/2020				December/2019
	3 months or less	3 months to 12 months	Over 12 months	Total	Referential Value of the Contract
SWAP transactions					
CDI vs. fixed rate	223	597	499	1,319	2,341
Fixed vs. CDI	107,400	-	78,200	185,600	355,650
CDI vs. LIBOR	-	-	-	-	157,815
Fixed vs. US Dollar	302,234	109,869	28,745	440,848	199,505
CDI x USD	206,160	225,000	-	431,160	210,005
US Dollar vs. CDI	-	-	-	-	322,165
LIBOR vs. US Dollar	-	-	2,100	2,100	189,360
	616,017	335,466	109,544	1,061,027	1,436,841
NDF transactions					
Fixed vs. US Dollar	113,640	16,366	15,179	145,185	1,042,686
USD VS. FIXED RATE	317,608	397,408	22,436	737,452	2,522,587
FIXED VS. EURO	6,180	900	-	7,080	1,505
Fixed vs. Yen	969,299	1,410,127	-	2,379,426	62,771
EURO vs. FIXED RATE	3,500	-	-	3,500	-
	1,410,227	1,824,801	37,615	3,272,643	3,629,549
Total	2,026,244	2,160,267	404,393	4,333,670	5,066,390

2- Aging list by trading location

	December/2020			December/2019
	Stock market	Over the counter	Nominal amount	Nominal amount
Swaps	1,319	1,059,708	1,061,027	1,436,841
NDF	-	3,272,643	3,272,643	3,629,549
Total	1,319	4,332,351	4,333,670	5,066,390

3- Comparison between cost and fair 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 fair value.

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

December/2020				
	Reference (carrying) value			
	3 months or less	3 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
	2,150,064	4,259,194	2,307,844	8,717,102
December/2019				
	Reference (carrying) value			
	3 months or less	3 to 12 months	Over 12 months	Total
FUTURES - Reference value				
Purchase				
Currency Coupon	113,829	428,882	659,309	1,202,020
Foreign Currency	292,633	-	-	292,633
Interest Rate	973,117	776,147	75,973	1,825,237
	1,379,579	1,205,029	735,282	3,319,890
Sale				
Currency Coupon	562,166	997,490	11,754	1,571,410
Foreign Currency	97,744	-	-	97,744
Interest Rate	-	123,657	274,487	398,144
	659,910	1,121,147	286,241	2,067,298
	2,039,489	2,326,176	1,021,523	5,387,188

The fair 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 fair value determined in derivative financial instruments for the year ended December 31, 2020 totaled R\$ 755 (R\$ (4,420) as of December 31, 2019), and was recognized in income accounts.

Net income from derivative financial instruments for the years ended December 31, 2020 and 2019 are directly influenced by market interest rates prevailing at the time of the transaction, and by the Dollar rate variation. They are presented below:

Derivative financial instruments	Net income					
	December/2020			December/2019		
	Revenue	Expense	Net	Revenue	Expense	Net
Swap	141,744	(106,301)	35,443	25,225	(25,159)	66
"NDF"	280,906	(425,922)	(145,016)	193,538	(152,060)	41,478
Futures	3,483,563	(3,457,353)	26,210	2,449,817	(2,440,656)	9,161
	<u>3,906,213</u>	<u>(3,989,576)</u>	<u>(83,363)</u>	<u>2,668,580</u>	<u>(2,617,875)</u>	<u>(50,705)</u>

4- Hedge accounting

As of December 31, 2020 and 2019, the Conglomerate 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 fair value of the hedged item. Their valuations or devaluations are accounted for as an offsetting entry to revenue or expense accounts in the net income 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 fair at the reporting date.

Foreign currency futures contracts, called hedging instruments, were valued at fair value, in accordance with BACEN Circular Letter 3082/02. The Conglomerate did not have swap hedging instruments in the years ended December 31, 2020 and 2019.

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

Maturity – Fair Value – 2020					
Description	Index	12 months or less	1 to 3 years	3 to 5 years	Total
Futures	Currency Coupon	-	438,763	-	438,763
Total		-	438,763	-	438,763

	<u>December/2020</u>	<u>December/2019</u>
Hedged items		
Assets		
Interfinancial deposits		
Amount restated by terms agreed	-	31,593
Value of the adjustment	-	(795)
Fair value	-	32,388
Liabilities		
Onlendings transactions		
Amount restated by terms agreed	(428,271)	(728,825)
Value of the adjustment	10,069	4,076
Fair value	(438,340)	(732,901)
Total fair value subject to hedge	(438,340)	(700,513)
Market hedge instruments		
Assets		
Futures	438,763	724,658
Liabilities		
Futures	-	(32,319)
Total fair value Hedge instrument	438,763	692,339

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

Maturity – Fair Value – 2020					
Description	Index	12 months or less	1 to 3 years	3 to 5 years	Total
Futures	Currency Coupon	281,009	561,131	504,362	1,346,502
Total		281,009	561,131	504,362	1,346,502

	<u>December/2020</u>	<u>December/2019</u>
Hedged items		
Liabilities		
Onlendings transactions		
Amount restated by terms agreed	(1,330,702)	(254,513)
Hedge instruments		
Assets		
Futures	1,346,502	260,233
Cash Flow Hedge Reserve	(3,970)	2,030

The amount of R\$ 3,970 (R\$ 2,030 as of December 31, 2019) in the Cash Flow Hedge Reserve will be recognized in profit and loss over the hedge term.

8 Interbank accounts

They refer to repass borrowing operations from abroad, to the Financial Institution in the country and abroad (branch in Cayman), and have been demonstrated including the respective provisions, The amounts provisioned for are based on CMN Resolution 2682/99 and amount to R\$ 122 (R\$ 48 as of December 31, 2019):

	December/2020	December/2019
Outstanding:		
Up to 30 days	688	12,179
31 to 60 days	60	40,534
61 to 90 days	153,547	60,642
91 to 180 days	-	60,439
181 to 360 days	-	26,186
Past due more than 360 days	281,027	-
Total	435,322	199,980

9 Loans

As of December 31, 2020 and 2019, information on the loan portfolio is summarized as follows:

a. By operation

	December/ 2020	December/ 2019
Overdraft	-	3,739
Resolution 3844 (formerly Resolution 63)	328,540	121,641
Compror	12,002	23,957
Working capital	1,518,848	556,497
Financing in foreign currency	-	32,545
Export Credit Notes - NCE	261,538	294,324
Total loans	2,120,928	1,032,703
Advance on foreign exchange contracts (Note 10)	292,337	499,948
Income receivable from advances (Note 10)	2,127	4,776
Total loans portfolio	2,415,392	1,537,427

There were no recovered and renegotiated loans as of December 31, 2020

b. By maturity

	December/ 2020	December/ 2019
Outstanding:		
Up to 30 days	289,683	75,840
31 to 60 days	81,108	273,844
61 to 90 days	189,474	140,118
91 to 180 days	282,856	506,288
181 to 360 days	724,182	353,338
Past due more than 360 days	848,089	187,999
Total	2,415,392	1,537,427

Loans of the 20 largest debtors as of December 31, 2020 account for 65.32% of the loans portfolio (95.94% as of December 31, 2019) in the amount of R\$ 1,577,704 (R\$ 1,475,015 as of December 31, 2019).

c. By risk rating

Risk rating	% minimum of provision	December/2020			December/2019		
		Total	% of	Allowanc	Total	% of	Allowanc
		operations	portfolio	e constitution	operations	Portfolio	e constitution
AA	-	2,408,207	99.7	3,666	1,337,689	87	1,953
A	0.5	7,185	0.3	47	199,739	13	1,085
Total		2,415,392	100	3,713	1,537,428	100	3,038

d. By business sector

	December/2020	December/2019
Private sector:		
Industry	1,332,075	1,237,472
Trade	421,601	150,015
Other services	398,043	149,940
Public sector		
Federal	263,673	-
Total	2,415,392	1,537,427

e. Change in the allowance for loan losses associated with credit risk

	December/2020	December/2019
Opening balance	3,038	1,484
Reversal of allowance for loan losses associated with credit risk	(1,734)	(549)
Recording of allowance for loan losses associated with credit risk	2,409	2,103
Closing balance	3,713	3,038

f. Guarantees provided

The Conglomerate recorded an allowance for loan losses associated with credit risk for these guarantees in accordance with CMN Resolution. 4512/16 and Circular 3782/16. The figures were based on the assumptions of Resolution 2682 and amount R\$ 5,480 (R\$ 4,771 in 2019):

	December/2020		December/2019	
	Guarantees provided	Provision	Guarantees provided	Provision
Indexed to International Trading of Goods	5,001	(16)	4,746	(57)
Indexed to Auctions, Bids, Provision of Services or Delivery of Works	13,369	(1)	13,618	(1)

	December/2020		December/2019	
	Guarantees provided	Provision	Guarantees provided	Provision
Indexed to the Provision of Goods	231,842	(209)	48,855	(154)
Aval or Guarantee in Judicial and Administrative Tax Proceedings	573,260	(1,397)	581,038	(1,791)
Other Bank Guarantees	472,075	(1,571)	185,765	(146)
Other Financial Guarantees Submitted	962,717	(2,286)	821,317	(2,622)
Total	2,258,264	(5,480)	1,655,339	(4,771)

10 Foreign exchange portfolio

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

	December/2020	December/2019
Assets:		
Unsettled purchased exchange	595,903	873,126
Receivables on exchange sale	306,999	83,416
Advances received in local currency	(3,068)	(5,969)
Income receivable from advances granted (note 8a)	2,127	4,776
Total	901,961	955,349
Liabilities:		
Unsettled sold exchange	298,037	81,217
Obligations on exchange purchase	612,383	879,255
Advance on foreign exchange contracts (Note 8a)	(292,337)	(499,948)
Total	618,083	460,524

11 Tax Assets

Consist of the following amounts:

	December/2020	December/2019
Tax credit – Income and social contribution tax negative basis (see note 18b)	2,589	15,155
Prepaid income tax and social contributions	13,937	14,780
Other tax credit	22,713	16,087
Total	39,239	46,022

12 Other assets

Consist of the following amounts:

	December/2020	December/2019
Inventory material	72	37
Prepaid expenses	1,230	1,172
Collateral deposit receivables (see note 16)	15,894	16,778
Accounts receivable	3,320	1,540
Due in connection with securities dealing	7,629	11,302
Others	3,256	4,361
Total	31,401	35,190

13 Property for use and Intangible

As of December 31, 2020 and 2019 are represented as follows:

a. Property for use

Description	Annual depreciation rate %	December/2020			2019
		Cost	Accumulated depreciation	Net amount	Net amount
Facilities	10	4,394	(3,445)	949	1,248
Data processing system	20	6,852	(5,751)	1,101	926
Furniture and equipment	10	1,663	(1,233)	430	535
Communications system	10	369	(177)	192	148
Security system	10	300	(294)	6	8
Transportation system	20	1,261	(1,130)	131	212
Total		14,839	(12,030)	2,809	3,077

b. Intangible

Description	Annual depreciation rate %	December/2020			2019
		Cost	Accumulated amortization	Net amount	Net amount
Software	20	11,313	(8,336)	2,977	3,825
Right-of-use	20	2,176	(967)	1,209	414
Total		13,489	(9,303)	4,186	4,239

14 Deposits

Aging list as of December 31, 2020 and 2019:

Description	Call deposits		Time deposits		Interbank deposits	
	December / 2020	December / 2019	December / 2020	December / 2019	December / 2020	December / 2019
No maturity	119,296	76,100	-	-	-	-
Up to 30 days	-	-	132,840	85,648	-	-
31 to 60 days	-	-	212,006	30,658	-	-
61 to 90 days	-	-	171,889	61,468	-	1,376
91 to 180 days	-	-	484,354	154,724	-	-
181 to 360 days	-	-	489,660	955,219	-	714
Past due more than 360 days	-	-	693,480	857,896	-	-
Total	119,296	76,100	2,184,229	2,145,613	=	2,090

15 Borrowings and onlendings

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

a. Foreign currency borrowings

As of December 31, 2020 the balance of USD 127,443 (USD 271,416 in 2019) basically consists of import and export financing agreements which mature up to March 29, 2021 and are subject to interest rates of up to 1.39% p.a., plus exchange variance for these transactions. The balance as of December 31, 2020 is R\$ 662,209 (R\$ 1,093,657 as of December 31, 2019).

b. Foreign onlendings

Foreign onlendings as of December 31, 2020, correspond to USD 519,394 (USD 326,740 in 2019). These obligations, translated at the official period-end buying rate, are governed by CMN Resolution 3844/00 and are subject to interest rates that range from 0.59% to 3.38% p.a., plus changes in foreign exchange rates, and mature by July 5, 2022. The balance as of December 31, 2020 is R\$ 2,713,144 (R\$ 1,320,874 as of December 31, 2019):

	December / 2020		
	12 months or less	Over 12 months	Total
Foreign currency borrowings	662,209		662,209
(*)Foreign onlendings	942,649	1,770,495	2,713,144
Total	1,604,858	1,770,495	3,375,353

	December / 2019		
	12 months or less	Over 12 months	Total
Foreign currency borrowings	1,093,657	-	1,093,657
(*)Foreign onlendings	727,729	593,145	1,320,874
Total	1,821,386	593,145	2,414,531

(*) The values presented include the fair value adjustment for hedge accounting operations in the amount of R\$ 10,069 (R\$ 2,030 as of December 31, 2019), as per note 7.4.

16 Other Liabilities and Provisions

a. Other Liabilities

Description	December/2020	December/2019
Collection and receipt of federal taxes	392	346
Contribution to the Credit Guarantee Fund - FGC	483	419
Contribution for Social Security Funding - COFINS	580	813
Government Severance Indemnity Fund for Employees - FGTS	331	295

Description	December/2020	December/2019
Withholding income tax - IRRF on fixed-income transactions	192	430
Services tax - ISS	363	430
Taxes and contributions on outsourced services	18	20
Payroll taxes and contributions	1,810	1,658
Due in connection with securities dealing	8,784	11,033
Actuarial liabilities	19,845	21,643
Contribution to Social Integration Program (PIS)	94	132
Deferred income	2,779	3,540
Corporate and Statutory	3,374	3,659
Others	122	354
Total	220	44,772
Current liabilities	39,387	44,772
(*) Noncurrent liabilities	-	-

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

b. Provisions

	December/2020			December/2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Provision for tax, civil and labor risks (note 17)	64,538	-	64,538	56,856	-	56,856
Provision for personnel expenses	20,157	-	20,157	16,936	-	16,936
Provision for general expenses	4,584	-	4,584	1,324	-	1,324
Guarantees submitted (note 9.f)	2,598	2,882	5,480	2,362	2,409	4,771
Total	91,877	2,882	94,759	77,478	2,409	79,887

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:

Description	Provision		Judicial deposits	
	December / 2020	December / 2019	December / 2020	December / 2019
Provision for tax risks:				
ISS - RJ (a)	-	-	3,930	4,593
ISS - SP (b)	-	-	612	2,181
IRPJ/CSLL Cetip (h)	101	100	-	-
Legal obligations:				
Demutualization Cetip (h)	101	114	-	-
PIS offsetting (c)	3,189	3,153	-	-

Description	Provision		Judicial deposits	
	December / 2020	December / 2019	December / 2020	December / 2019
PIS constitutional amendment (d)	774	753	-	-
Social Contribution on Net Income - CSLL (e)	9,518	9,395	9,518	9,396
Total	13,582	13,515	14,060	16,170
Provision for risks:				
Civil (f)	39,099	35,355	-	-
Labor (g)	11,857	7,986	1,834	608
Total	50,956	43,341	1,834	608
Total provisions and court deposits	64,538	56,856	15,894	16,778

(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. Management based on the opinion of its legal advisors, 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\$ 3,930 as of December 31, 2020, was maintained (R\$ 4.593 as of December 31, 2019). The amount for the period diminished because of the survey carried out by the deposit bank related to the matter.

(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. The deposit to proceed with the litigation in court totals R\$ 612 (R\$ 2,181 as of December 31, 2019). 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. The restated amount as of December 31, 2020 is R\$ 3,189 (R\$ 3,153 as of December 31, 2019).

(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 2020 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\$ 774 as of December 31, 2020 (R\$ 753 as of December 31, 2019).

(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 are possible. By management decision a provision was therefore made for the difference underpaid as a result of the matters under scrutiny, which as of December 31, 2020 amounts to a restated R\$ 9,518 (R\$ 9,396 as of December 31, 2019).

(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. Management, based on the opinion of its legal advisors, understands that the applicable legal actions have been taken are appropriate to each situation. The restated amount as of December 31, 2020 is R\$ 39,099 (R\$ 35,355 as of December 31, 2019).

(g) The provision refers to lawsuits filed by former employees and service providers claiming labor rights they understand are due. Lawsuits are individually controlled and the provision is recognized based on the decision made previously by the Executive Board or by according to lower labor court decisions. Management, based on the opinion of its legal advisors, understands that the amounts currently accrued are adequate. The restated amount as of December 31, 2020 is R\$ 11,857 (R\$ 7,986 as of December 31, 2019).

(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\$ 101 as of December 31, 2020 (R\$ 114 as of December 31, 2019).

Changes in provisions and legal obligations

2020				
	Tax	Labor	Civil	Total
Balance at December 31, 2019	<u>13,515</u>	<u>7,986</u>	<u>35,355</u>	<u>56,856</u>
Constitution of provision	860	4,980	-	5,840
Monetary restatement	144	965	3,744	4,852
Operating reversals	(160)	(798)	-	(958)
Write-offs due to payment	(777)	(1,276)	-	(2,052)
Balance at December 31, 2020	<u>13,582</u>	<u>11,857</u>	<u>39,099</u>	<u>64,538</u>
2019				
	Tax	Labor	Civil	Total
Balance at 12/31/2018	<u>13,163</u>	<u>5,919</u>	<u>32,444</u>	<u>51,526</u>
Constitution of provision	105	4,547	-	4,652
Monetary restatement	247	341	2,911	3,499
Operating reversals	-	(2,654)	-	(2,654)
Write-offs due to payment	-	(167)	-	(167)
Balance at June 30, 2019	<u>13,515</u>	<u>7,986</u>	<u>35,355</u>	<u>56,856</u>

18 Shareholders' Equity

a. Share capital

The share capital as of December 31, 2020 consists of common shares, with a par value of R\$ 1.00 each, distributed as follows:

	December / 2020 Quantity of shares (thousand)	December / 2019 Quantity of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan) Shareholders domiciled in Brazil	1,559,697 2	1,559,697 2
Total	1,559,699	1,559,699

b. Dividends

Corporate legislation and the bylaws state a minimum of 25% of net income for the year shall be distributed to the shareholders in the form of dividends and/or interest on shareholders' equity. On December 31, 2020 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\$ 256,101 (R\$ 212,917 as of December 31, 2019) 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 and social contribution taxes

- a. As of December 31, 2020 and 2019, income tax and social contribution expenses were calculated as follows:

	2020 (ten)		2019 (ten)	
	Income Tax	Social contribution	Income Tax	Social contribution
Income before taxes on income less profit sharing	95,560	95,560	68,013	68,013
Reversal of operating provisions – contingent liabilities	-	-	-	-
Provision for contingent liabilities	6,473	6,473	(1,372)	(1,372)
Allowance for doubtful accounts	2,357	2,357	2,072	2,072

	2020 (ten)		2019 (ten)	
	Income Tax	Social contribution	Income Tax	Social contribution
Temporary provisions	6,167	6,167	(564)	(564)
Fair value adjustment of derivative financial instruments	616	616	4,420	4,420
Adjustment to fair value of hedge accounting operations	6,660	6,660	23,698	23,698
Non-deductible expenses	3,345	922	-	-
BM&F transactions	(25,776)	(25,776)	(8,496)	(8,496)
Uncollectible losses	-	-	-	-
Other additions/(exclusions)	(315)	(315)	(572)	(572)
Offsetting of tax loss carry forwards	(28,526)	(27,800)	(28,297)	(27,338)
Taxable income	66,562	64,866	66,024	63,795
Income tax - 15% (note 3.o)	9,984	-	9,904	-
Income tax surcharge - 10% (note 3.o)	6,632	-	6,578	-
Workers' Meal Program (PAT)	(399)	-	(387)	-
Empresa cidadã law	(84)	-	(32)	-
CSLL adjustment - Proportional rate	-	(291)	-	-
Social contribution - 20% (note 3.o)	-	12,973	-	9,569
Total	16,133	12,682	16,063	9,569

b. Tax credits

Tax credits were recorded as of December 30, 2012 in the amount of R\$ 76,113 based on total tax loss and negative basis of social contribution. Based on the technical study carried out, Management understands that these tax credits are subject to offsetting in a period of up to 10 years. The amounts are recorded under "Tax assets - tax credit".

1. Breakdown of tax credit as of December 31, 2020

Breakdown of tax credit	December / 2020	December / 2019
Tax Loss	2,259	9,390
Negative basis of social contribution	330	5,765
Total	<u>2,588</u>	<u>15,155</u>

2. Projected realization of tax credits at December 31, 2020

Year	Deferred Income Tax	Deferred social contributions
2021	2,259	330
2022	-	-
Total	<u>2,259</u>	<u>330</u>

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.

	<u>Balance at</u> <u>December / 2019</u>	<u>Realizations/</u> <u>Constitution</u>	<u>Balance at</u> <u>December /</u> <u>2020</u>
Tax Loss	9,390	(7,132)	2,258
Negative Base - CSLL	5,765	(5,435)	330
Total	15,155	(12,567)	2,588

Change in net income from tax credit:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Realization of tax loss - Income Tax	4,460	7,074
Realization of negative base - CSLL	3,514	3,827
Other Tax Credits	6,030	(7,106)
Total	14,004	3,795

4. *Present value of tax credit*

Year	Deferred income tax	Deferred social contributions	Total
2021	2,196	320	2,517
2022	-	-	-
Total	2,196	320	2,517

c. Other tax credits

Other tax credits: The Conglomerate also has deferred tax assets and liabilities in the amounts of R\$ 22,514 and R\$ 24,352, respectively, which are solely related to the fair value adjustments of transactions with available-for-sale securities, as established by the BACEN Circular 3068, at the fair value of derivative financial instruments in accordance with Circular 3082.

The rules for recognizing the effects of the actuarial liability under the benefit retirement plans and post-employment defined-benefit plans consisting of the medical assistance plan which the Conglomerate sponsors (pursuant to CVM resolution 600 and 695/2015) have also been taken into account.

There are also tax credits not recorded in assets on temporary provisions in the amount of R\$ 36,030 (R\$ 24,769 in 2019) and credits not recorded in assets on the allowance for loan losses associated with credit risk in the amount of R\$ 1,647 (R\$ 1,287 in 2019) due to the uncertainty surrounding their realization in less than 10 years.

20 Statement of income

a. Loans

	2 nd Half	December / 2020	December / 2019
Loan income	28,219	94,533	67,014
Income from financing and onlendings	6,079	82,533	13,187
Total	34,298	177,066	80,201

b. Securities income

	2 nd Half	December / 2020	December / 2019
Interbank Funding	31,445	73,285	165,823
Securities income	18,368	124,670	145,472
Total	49,813	197,955	311,295

c. Derivative financial instruments income

	2 nd Half	December / 2020	December / 2019
Revenue from swap, NDF and futures operations	3,906,213	8,508,268	2,668,580
Expenses on swap, NDF and futures operations	(3,989,576)	(8,290,127)	(2,617,875)
Total	(83,363)	218,141	50,705

d. Foreign exchange funding income

	2 nd Half	December / 2020	December / 2019
Income from foreign exchange operations	44,621	365,331	80,305
Expenses on foreign exchange operations	(21,665)	(25,296)	(42,139)
Total	22,956	340,035	38,166

e. Deposits, money market and interbank funds

	2 nd Half	December / 2020	December / 2019
Time deposit expenses	(18,287)	(46,918)	(108,646)
Interbank deposit expenses	(624)	(826)	(455)
Expenses incurred on securities held under repurchase agreements	(109)	(318)	(632)
Expenses on contributions to the loan guarantee fund	(1,309)	(2,337)	(2,472)
Total	(20,329)	(50,399)	(112,205)

f. Borrowings and onlendings

	2nd Half	December / 2020	December / 2019
Expenses on BNDES onlendings	-	-	(71)
Expenses on foreign borrowings and onlendings	(23,004)	(813,421)	(272,060)
Expenses on subordinated debt	-	-	(8,470)
Rediscount expenses	-	-	(1)
Adjustment hedge onlendings and Loans	1,697	1,697	4,056
Total	(21,307)	(811,731)	(276,546)

g. Service fee income

	2nd Half	December/ 2020	December / 2019
Income from fees and services	10,450	13,248	6,596
Income from business intermediation (see note 21a)	6,015	11,076	8,153
Income from guarantees granted	10,756	20,092	20,125
Total	27,221	44,416	34,874

h. Personnel expenses

	2nd Half	December / 2020	December / 2019
Proceeds	(22,257)	(43,676)	(40,162)
Payroll charges	(6,996)	(14,549)	(13,769)
Benefits	(3,576)	(7,470)	(5,732)
Management fees	(1,550)	(3,723)	(3,821)
Training	(79)	(259)	(249)
Total	(34,458)	(69,677)	(63,733)

i. Other administrative expenses

	2nd Half	December / 2020	December / 2019
Rental expenses	(2,619)	(5,206)	(5,243)
Data processing expenses	(7,955)	(16,921)	(14,915)
Expenses on outsourced technical services	(2,445)	(5,266)	(5,071)
Communication expenses	(3,863)	(7,369)	(5,540)
Financial system service expenses	(1,314)	(2,981)	(3,064)
Asset maintenance and upkeep expenses	(329)	(563)	(603)
Security and surveillance services	(223)	(520)	(566)
Transportation expenses	(20)	(117)	(198)
Material expenses	(68)	(167)	(172)
Water, energy and gas expenses	(113)	(238)	(279)
Expenses on outsourced services	(234)	(504)	(764)
Advertising and marketing expenses	(30)	(168)	(235)
Insurance costs	(93)	(238)	(257)

	2nd Half	December	December
		/ 2020	/ 2019
Promotion and public relations	(7)	(53)	(160)
Charitable contributions	(9)	(17)	(52)
Amortization and depreciation	(1,288)	(2,584)	(2,646)
Other administrative expenses	(7929)	(2,110)	(2,804)
Total	(21,539)	(45,023)	(42,569)

j. Tax expenses

	2nd Half	December	December
		/2020	r / 2019
COFINS	(4,107)	(7,772)	(9,254)
ISS	(1,380)	(2,256)	(1,779)
PIS	(668)	(1,263)	(1,504)
Others	(77)	(148)	(3,058)
Total	(6,232)	(11,439)	(15,595)

k. Other operating income (expense)

	2nd Half	December	December
		/ 2020	/ 2019
Reversal of provisions guarantees provided	(1,961)	(709)	(860)
Reversal of operating provisions	761	5,242	6,064
Indemnification fines	-	297	1,778
Restatement of court deposits	115	315	572
Recovery of charges and expenses	2,665	2,943	715
Exchange variance	109,808	109,808	60,282
Other expenses	(18)	(321)	(99)
Total	111,371	117,575	68,452

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

	2nd Half	December /	December /
		2020	2019
Expense of provisions for contingent liabilities	(966)	(5,425)	(4,105)
Reversal of operating provisions – contingent liabilities	844	2,234	2,132
Restatement of contingent liabilities	(3,135)	(5,268)	(3,593)
Total	(3,257)	(8,459)	(5,566)

m. Nonoperating income

	2nd Half	December /	December /
		2020	2019
Other nonoperating income	35	56	309
Other nonoperating expenses	-	-	(68)
Total	35	56	241

21 Related-party transactions and balances

a. Transactions with parent companies (direct and indirect)

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

	Assets / (liabilities)		Revenue / (expense)	
	December/2020	December/2019	December/2020	December/2019
Cash and cash equivalents – foreign currency deposits	44,149	13,275	-	-
Investments in foreign currency abroad	36,580	265,998	75,354	23,271
Amounts receivable - sales commission (see note 20.g)	2,819	4,118	11,076	8,153
Obligations on foreign currency borrowings	(662,209)	(1,093,657)	(253,267)	(40,299)
Foreign onlendings	(2,713,144)	(1,320,874)	(404,769)	(122,489)
Subordinated debt	-	-	-	(8,470)
Total	(3,291,805)	(2,131,140)	(571,606)	(139,834)

b. Compensation of key management personnel

Pursuant to Resolution 4,636/18 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

	2020	2019
Proceeds	3,723	1,740
Variable compensation	2,013	1,594
Contributions to INSS (Social Security Contribution) /FGTS (Severance Pay Fund)	582	1,013
Total	6,318	4,347

Post-employment benefits

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

The 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 loans with related parties providing they meet the conditions established in the items, below:

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

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

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

II - not related via a shareholders agreement; and

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

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

As of December 31, 2020 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 Bank.

22 Post-employment benefits sponsored by the Bank

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

The actuarial calculation is restated annually at December 31.

CVM Resolution 695 of December 13, 2015, approved CPC Technical Pronouncement 33 (R1) which addresses the matter of employee benefits, in accordance with the International Accounting Standard IAS 19. CPC Technical Pronouncement CPC 33 established essential changes in the accounting and disclosure of employee benefits such as the removal of the corridor mechanism in the recording of the plan's liabilities, and changes in the recognition criterion of the plans' assets (appreciations and devaluations). The adoption of the aforementioned Pronouncement applies to years started as from January 1, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices. Adopting this accounting 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 Conglomerate's employees and directors by means of a defined benefit plan. Participants (employees) are entitled to a benefit upon termination of the employment relationship, calculated according to regulatory provisions, whose amount will depend on the participant's salary and length of service at termination date.

As of December 31, 2020, there were no significant changes in the current restatement parameters.

Description	Retirement Plan	
	12/31/2020	12/31/2019
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.
	AT-2000 smoothed by 10%	AT-2000 smoothed by 10% and separated
Biometric table of general mortality	and separated per gender	per gender
Biometric table for classification as disabled	"Mercer" table	"Mercer" table

Description	Retirement Plan	
	12/31/2020	12/31/2019
Expected turnover rate	0.30/ (length of service +1)	0.30/ (length of service +1)
Chance of entering retirement	10% on the 1 st date of eligibility to early retirement 3% between the 1 st eligibility to earlier and normal retirement 100% on the date of eligibility to normal retirement.	

Sensitivity Analysis

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

Present value of the Obligations	Sensitivity Analysis	
	12/31/2020	12/31/2019
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 9.656/98. 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	
	12/31/2020	12/31/2019
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)	Decreasing from 7.90% p.a. to 4.28% p.a.	Decreasing 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%

Description	Health care plan	
	12/31/2020	12/31/2019
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 Bank's Executive Board. It is an important tool for the effective management of the Bank's economic and regulatory capital. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the 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 Bank's business areas, therefore leading to a clear view of the respective tactical and strategic roles and responsibilities of the business and Operational Risk Management departments, allowing the coordination and cooperation of all Bank's employees to reduce operational losses and duplicate activities.

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

- i. Establishing the structure, policies and tools for managing operational risks;
- ii. 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 Conglomerate'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 Conglomerate'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 Conglomerate is unable to meet its expected and unexpected obligations, whether current or future, including those resulting from guarantees, without affecting its daily transactions and without sustaining significant losses; and the possibility of the Conglomerate being unable to trade a position at market price, due to its high size in relation to the volume which is usually traded or due to some market discontinuity.

The Market and Liquidity Risk Management structure is a specific unit of the Conglomerate, independent from the business and audit areas, and reports directly to the Conglomerate'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 Conglomerate and the companies whose accounts are included in the consolidated financial statements.

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

The Market and Liquidity Risk Management framework was implemented in accordance with the requirements of CMN Resolution 4557/17 and is approved and reviewed at least annually by the Conglomerate's management. In order to ensure the implementation of the guidelines and policies in force, 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 Conglomerate 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 Conglomerate'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 4557/17 and is approved and reviewed at least annually by the Conglomerate's Management. The Credit Risk Management structure is a specific unit of the Conglomerate, independent from the business and audit areas, and reports directly to the Conglomerate'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 Conglomerate and the companies whose accounts are included in the consolidated financial statements.

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

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

Information related to the Conglomerate'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 Conglomerate; assessing capital needs to face the risks the entity is subject to; and planning goals and capital needs, considering the Conglomerate'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 Conglomerate'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 Conglomerate, nature of transactions and risk exposure guidelines of the Conglomerate and the companies whose accounts are included in the consolidated financial statements. The capital management framework

aims to identify and assess all the entity's significant risks according to policies and strategies, in order to keep the level of capital compatible with incurred risks.

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

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

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

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

Capital Adequacy Ratio (Basel)

The Conglomerate falls within the National Monetary Council (CMN) Resolution 2099/94, 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:

	12/31/2020	12/31/2019
Credit Risk	5,453,441	3,893,765
Market Risk	425,001	304,955
Operational Risk	336,392	338,983
Risk weighted assets (RWA)	6,214,834	4,537,703
Reference Equity Tiers I and II (PR)	1,835,710	1,765,220
Required Regulatory Equity (RWA*10.25%)	637,020	465,115
Margin over Required Regulatory Capital	1,198,690	1,300,105
Capital Adequacy Ratio (IB) - PR/RWA	29.54%	38.90%

*The minimum regulatory percentage with additional principal capital.

If the Conglomerate needs additional capital, the contingency plan is the capital increase via a capital injection from the parent company SMBC Tokyo.

Any material incident or problem should be immediately forwarded to the Conglomerate'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 Conglomerate 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 Conglomerate.

The Conglomerate 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.

In the event of a change in the situation, the finance division will request the IRM (Integrated Risk Management) team carry out stress tests on extreme market and economic conditions.

Information related to the Conglomerate'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 Conglomerate 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 are adjusted to fair value, have high liquidity and their prices are 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.

There were no nonrecurrent results in 2020 based on the above criteria.

25 - Other Issues

Global financial markets have been monitoring and reacting to the Covid-19 epidemic since early January 2020. Conglomerate Management believes there will be no financial impact on the Conglomerate's Financial Statements as of December 31, 2020 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.

At the beginning of 2021, in order to make the Onshore Fund's profitability strategy feasible, an investment fund was created that will have the Onshore Fund itself as the sole shareholder, called SMBCB Offshore Fund I, incorporated in the Cayman Islands. With this, the Onshore Fund will start to operate with derivatives in the local over-the-counter market, together with the same type of operations carried out between the Bank and its clients, and the Offshore Fund will operate with such securities in order to leverage the exposure of the operations carried out by the Fund. Onshore and by the Conglomerate.

We could not close without mentioning Provisional Law 1.034, published on March 01, 2021, which amends Law 7.689 of December 15, 1988, which increased the CSLL rate owed by financial sector companies to 25% (twenty-five percent), effective for the period July 01, 2021 to December 31, 2021, returning to the rate of 20% (twenty percent) on January 01, 2022.