# Banco Sumitomo Mitsui Brasileiro S.A.

**Consolidated Financial Statements prepared according to International Accounting Standards - IFRS**
**December 31, 2023**

# Content

**Management report**

**Shareholders:**

In compliance with legal provisions, we submit for your appreciation the consolidated financial statements for the year ended December 31, 2023, where net income for the year was R$236,751 (R$137,261 on December 31, 2022), total assets, R$8,459,824 (R$8,852,600 on December 31, 2022) and loans and receivables portfolio, R$1,987,498 (R$3,161,381 on December 31, 2022).

**Dividends:**

Corporate legislation and the bylaws state that a minimum of 25% of net income for the year shall be distributed to shareholders in the form of dividends and/or interest on shareholders' equity. On December 31, 2023, a decision was made not to set up a provision for dividends, and income for the year was allocated to the statutory reserve for future distribution.

The fees paid to the external audit for audit and non-audit services will be disclosed in the Annual Report of Sumitomo Mitsui Financial Group, Inc. on December 31, 2023.

We remain at your disposal should you need any clarifications, and we inform you that all accounting documents supporting these consolidated financial statements are at the bank's headquarters.

São Paulo, March 28, 2024

KPDS 177962

Letterhead of KPMG Auditores Independentes Ltda.

**Independent auditors' report on the consolidated financial statements**

To the

Management and Shareholders of Banco Sumitomo Mitsui Brasileiro S.A.

*Sao Paulo-SP*

**Opinion**

We have examined the consolidated financial statements of Banco Sumitomo Mitsui Brasileiro S.A. ("Bank"), which comprise the statement of financial position as of December 31, 2023 and the respective statements of profit or loss, comprehensive income, changes in equity and cash flow for the year ended on that date, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements referred to above adequately present, in all material respects, the equity and financial position of Banco Sumitomo Mitsui Brasileiro S.A. as of December 31, 2023, the performance of its operations and its cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS), issued by the *International Accounting Standard Board* (IASB).

**Basis for opinion**

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements". We are independent in relation to the Bank, in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

**Key audit matters**

Key audit matters are those that, in our professional judgment, were the most significant in our audit for the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion on those financial statements and, therefore, we do not express a separate opinion on these matters.

**Provisions for impairment**

As mentioned in notes No. 3b, 3c and 8g, for the purposes of measuring the provision for impairment, loans and forex operations are classified according to management's assessment of risk level, in accordance with the Bank's policy taking into account economic conditions, past experience and specific risks of each operation, its debtors and guarantors. Determining the credit risk of an operation is used to classify it in one of the stages of credit deterioration. Based on this classification, the expected loss is determined for each stage (expected losses for twelve months or for the life of the operation). The provision for impairment is determined based on a variety of factors: the amounts subject to exposure, the credit quality of the debtor, the level of subordination of its obligations and guarantees, the economic environment and the correlation between debtors, being defined in terms of the concepts of probability of default (PD), loss given the default (LGD) and exposure at the date of default (EAD). Due to the relevance of loans and the uncertainties inherent in determining the estimated provision for impairment and the complexity of the methods and assumptions used, as well as the judgment involved in its determination, we consider this to be a key audit matter.

**How our audit addressed this matter**

We assessed the design and operational effectiveness of key internal controls related to the processes of approval, registration and updating of loans, as well as internal methodologies for assessing risk levels ("ratings") of clients that support the classification of operations and the main assumptions used in determining the provision for impairment. We involved specialists who carried out the methodological analysis and recalculation related to determining the provision for impairment, as required by IFRS 9. We also assessed whether the disclosures made in the financial statements are appropriate in relation to current standards.

Based on the evidence obtained through the procedures described above, we consider the measurement of the provision for impairment acceptable, in the context of the financial statements for the year ended December 31, 2023.

**Measurement of the fair value of derivative financial instruments, including assessment of accounting hedge structures**

According to notes No. 3.b and 6, the Bank carries out derivative financial instruments transactions aimed at protecting variations in market prices and mitigating currency and interest rate risks posed to its assets and liabilities and cash flows agreed on by contract. These derivative financial instruments are made up of Swaps, Non-Deliverable Forwards (NDF) and Futures operations. The methodology for measuring the fair value of these derivative financial instruments was established based on consistent and verifiable criteria that take into account the closing, or adjustment, price, when applicable, on the day of calculation or, failing that, through pricing models that reflect the probable net value of realization, or even the price of a similar financial instrument, taking into account, at least, the payment and maturity terms, the currency or index, and the credit risk associated with the counterparty. Additionally, the Bank has Futures contracts, which were carried out with the purpose of mitigating the effect of exchange rate variations on funding in foreign currency and fixed loans in *Reais*. These operations were designated as hedge derivatives and classified *as* Market Risk Hedge or Cash Flow Hedge operations. Operations designated as hedge are measured at market value. The fair value measurement of both derivatives and the hedged item must meet the criteria for recording and accounting valuation of derivative financial instruments, in addition to policies and controls to ensure their effectiveness. Due to the uncertainty regarding the assumptions and estimates involved in pricing derivative financial instruments and measuring the market value of the hedged item*,* we consider this to be a key audit matter.

**How our audit addressed this matter**

As part of our procedures, we assessed the design and operational effectiveness of the key internal controls adopted by the Bank to measure the fair value of derivative financial instruments, including derivatives intended for hedge, and hedged items. With the help of our experts in financial instruments, we tested the models developed by the Bank's professionals to determine fair values and the reasonableness of the criteria for defining the parameters and information included in the pricing models used, we recalculated the value of the transactions and compared the assumptions used to determine fair value with similar transactions in the market. Furthermore, with the help of our experts in financial instruments, we gained an understanding of the hedge strategies adopted by the Bank, including those related to hedge accounting to preserve the spread of investments, interbank deposits and on-lending operations. We assessed the sufficiency of the documentation prepared by the Bank that supports the designation as hedge accounting*,* specifically the formal designations containing descriptions of all strategies and methodologies used to measure effectiveness. Additionally, we analyzed whether the information presented in the notes meets all disclosure requirements determined by current regulations.

Based on the evidence obtained through the procedures summarized above, we consider the measurement of the fair value of derivative financial instruments, including derivatives intended for hedge, and hedged items, acceptable in the context of the financial statements taken as a whole for the year ending December 31, 2023.

**Responsibilities of management and governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the *International Accounting Standard Board* (IASB) and for the internal controls it has determined to be necessary to enable the preparation of consolidated financial statements free from material misstatement, whether caused by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, when applicable, matters related to its ability to continue as going concern and the use of this accounting basis in preparing the consolidated financial statements, unless management intends to liquidate the Bank or cease operations, or has no realistic alternative to avoid closing operations.

Those responsible for the Bank's governance are those responsible for supervising the process of preparing the consolidated financial statements.

**Auditors' responsibilities for auditing consolidated financial statements**

Our objectives are to obtain reasonable assurance that the consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards will always detect any existing relevant distortions. Misstatements may arise from fraud or error and are considered material when, individually or collectively, may influence, within a reasonable perspective, the economic decisions of users made based on the aforementioned consolidated financial statements.

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

• We identify and assess the risks of material misstatement in the consolidated financial statements, whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient appropriate audit evidence to support our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that arising from error, as fraud may involve the act of circumventing internal controls, collusion, forgery, omission or intentional false representations.

• We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.

• We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.

• We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty regarding events or conditions that may raise significant doubt regarding the Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we should draw attention in our audit report to the related disclosures in the consolidated financial statements or include a modification of our opinion if the disclosures are inadequate. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may lead the Bank to no longer continue as a going concern.

• We assess the overall presentation, structure and content of the financial statements, including disclosures and whether the financial statements represent the corresponding transactions and events in a manner consistent with the objective of fair presentation.

• We obtain sufficient appropriate audit evidence regarding the entities' financial information or the group's business activities to express an opinion on the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). We are responsible for the direction, supervision and audit performance of the group and, consequently, the audit opinion.

We communicate with those responsible for governance regarding, among other things, the planned scope, timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our work.

Of the matters that were communicated to those responsible for governance, we determine those that were considered most significant in the audit of the financial statements for the current year and that, therefore, constitute key audit matters. We describe these matters in our audit report unless law or regulation has prohibited public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of such communication could, within a reasonable perspective, outweigh the benefits of communication for the public interest.

São Paulo, March 28, 2024

KPMG Auditores Independentes Ltda

CRC 1SP027685/O-0 "F" SP

(sgd)

Mark Suda Yamashita

Accountant CRC SP - 1SP271754/0-9

| | |
|---|---|
| KPMG International Limited, a private English limited liability company. | *KPMG International Limited, a private English company limited by guarantee.* |

## Banco Sumitomo Mitsui Brasileiro S.A.

### Stataements of financial position on December 31, 2023 and 2022

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

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Cash and cash equivalents** | 4 | 2.065.653 | 2.439.659 |
| **Deposits linked to the Central Bank** | 5 | 2.513 | 2.525 |
| **Financial assets** | | | |
| **At fair value through profit or loss (FVPL)** | | 1.229.721 | 609.008 |
| Interbank deposits | 8a | 560.581 | 259.106 |
| Derivative financial instruments | 6 | 379.682 | 143.740 |
| Loans and receivables from clients | 8c | 289.458 | 206.162 |
| **At fair value through other comprehensive income** | | 2.182.174 | 1.290.937 |
| Bonds and securities | 7 | 2.182.174 | 1.290.937 |
| **At amortized cost** | | 2.760.653 | 4.358.429 |
| Interbank deposits | 8a | 486.434 | 705.061 |
| Bonds and securities | 8b | 291.002 | 495.971 |
| Loans and receivables from clients | 8c | 1.987.498 | 3.161.381 |
| Provision for expected credit losses | 8f | (4.281) | (3.984) |
| **Other assets** | | 134.942 | 80.467 |
| Debtors by deposits in gurarantee | 13 | 580 | 1.160 |
| Taxes to offset | 14f | 32.077 | 21.990 |
| Other assets | 9 | 102.285 | 57.317 |
| **Tax assets** | | 70.004 | 56.812 |
| Deferred tax asset | 15c | - | - |
| Other deferred tax credits | 15d | 70.004 | 56.812 |
| **Fixed Assets** | 10 | 10.230 | 12.002 |
| **Intangible assets** | 11 | 3.934 | 2.761 |
| **Total assets** | | 8.459.824 | 8.852.600 |

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Liabilities** | | | |
| **At amortized cost** | | 5.636.830 | 6.413.381 |
| Deposits from clients | 12 | 2.080.890 | 2.139.016 |
| Money market funding | 12 | 15.009 | 31.006 |
| Issued securities | 12 | 114.495 | 100.128 |
| Obligations for loans and on-lending | 12b | 3.426.436 | 4.143.231 |
| **Other Liabilities** | | 592.845 | 320.115 |
| Interbranch deposits | 14a | 31.852 | 45.981 |
| Taxes payable | 14e | 90.480 | 81.216 |
| Deferred tax liability | 14d | 99.021 | 80.477 |
| Other obligations | 14b | 352.175 | 91.702 |
| Contingent liabilities | 13 | 19.317 | 20.739 |
| **Equity** | 15 | 2.230.149 | 2.119.104 |
| Share capital - Domestic | | 2 | 2 |
| Share capital - Foreign | | 1.559.697 | 1.559.697 |
| Retained earnings | | 655.755 | 568.916 |
| Adjustments to equity valuation | | 17.292 | 20.667 |
| Adjustments to actuarial liabilities | | (21.636) | (16.116) |
| Gains and Losses - Hedge | | 19.039 | (14.062) |
| **Total liabilities and equity** | | 8.459.824 | 8.852.600 |

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

# Banco Sumitomo Mitsui Brasileiro S.A.

## Statements of profits and loss

### FIscal years ended December 31, 2023 and 2022

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

| | Notes | 2023 | 2022 |
|---|---|---|---|
| Interest income calculated using the effective interest method | 16 | 523.448 | 490.898 |
| Other interest income | 17 | 369.778 | 303.554 |
| Interest expense and similar | 18 | (421.055) | (296.282) |
| **Net interest income and similar** | | 472.171 | 498.170 |
| | | | |
| **Net income of fees** | | 99.330 | 89.872 |
| Net revenue from commissions and service provision | 19 | 101.919 | 93.044 |
| Fees expenses | 19 | (2.589) | (3.172) |
| | | | |
| **Other operating revenues (expenses)** | | (254.486) | (346.972) |
| Gains (losses) from financial instruments | 20 | (342.067) | (355.580) |
| Exchange rate variations (net) | 21 | 39.588 | 167.711 |
| Provision for impairment | 8e | (1.013) | 1.163 |
| Personnel expenses | 22 | (129.118) | (97.036) |
| Administrative expenses | 23 | (54.665) | (55.218) |
| Tax expenses | 24 | (31.263) | (20.648) |
| Depreciation and amortization | | (4.294) | (4.470) |
| Other operating income | 25 | 270.780 | 24.693 |
| Other operating expenses | 26 | (2.434) | (7.587) |
| | | | |
| **Income before taxation and profit sharing** | | 317.015 | 241.070 |
| | | | |
| Income tax and social contribution - current | | (97.627) | (81.216) |
| Income tax and social contribution - deferred | | 17.363 | (22.593) |
| | | | |
| **Net income for the year** | | 236.751 | 137.261 |
| | | | |
| **Net earnings per share** | | 151,79 | 88,01 |
| | | | |
| **Number of shares** | | 1.559.699 | 1.559.699 |

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

# Banco Sumitomo Mitsui Brasileiro S.A.

## Statements of comprehensive income

### Financial years ended December 31, 2023 and 2022

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

| | 2023 | 2022 |
|---|---|---|
| **Net income for the years** | 236.751 | 137.261 |
| **Comprehensive income that will be reclassified to net income:** | (5.520) | (6.513) |
| Variation of fair value | (10.036) | (11.842) |
| Deferred taxes | 4.516 | 5.329 |
| **Comprehensive income not to be classified to net income:** | | |
| **Defined benefit plan** | 33.101 | 37.101 |
| Variation of fair value | 60.184 | 67.456 |
| Deferred taxes | (27.083) | (30.355) |
| **Comprehensive net income** | 264.332 | 167.849 |

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

# Banco Sumitomo Mitsui Brasileiro S.A.

## Statements of changes in net worth

### Financial years ended December 31, 2023 and 2022

*(In thousands of Reais)*

| | | | Profit reserves | | Other comprehensive incomes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Realized capital | Legal | Statutory | Own | Gains and losses - Hedge | Adjustments to Actuarial liabilities | Foreign exchange adjustments to overseas abroad | Retained earnings | Total |
| **Balances on December 31, 2021** | | 1.559.699 | 23.713 | 407.942 | (993) | (51.163) | (9.603) | 24.578 | - | 1.954.173 |
| Adjustment to fair value – securities and derivatives | | - | - | - | 827 | 37.101 | - | - | - | 37.928 |
| Adjustments to actuarial liabilities | | - | - | - | - | - | (6.513) | - | - | (6.513) |
| Foreign exchange adjustments to investments abroad | | - | - | - | - | - | - | (3.745) | - | (3.745) |
| Net income for the year | | - | - | - | - | - | - | - | 137.261 | 137.261 |
| Allocation: | | - | 6.839 | 130.422 | - | - | - | - | (137.261) | - |
| Legal reserve | | - | 6.839 | - | - | - | - | - | (6.839) | - |
| Statutory reserve | | - | - | 130.422 | - | - | - | - | (130.422) | - |
| Interest on equity | | - | - | - | - | - | - | - | - | - |
| **Balances at December 31, 2022** | | 1.559.699 | 30.552 | 538.364 | (166) | (14.062) | (16.116) | 20.833 | - | 2.119.104 |
| **Changes for the year** | | - | 6.839 | 130.422 | 827 | 37.101 | (6.513) | (3.745) | - | 164.931 |
| **Balances on December 31, 2022** | | 1.559.699 | 30.552 | 538.364 | (166) | (14.062) | (16.116) | 20.833 | - | 2.119.104 |
| Adjustment to fair value – securities and derivatives | | - | - | - | 183 | 33.101 | - | - | - | 33.284 |
| Adjustments to actuarial liabilities | | - | - | - | - | - | (5.520) | - | - | (5.520) |
| Foreign exchange adjustments to investments abroad | | - | - | - | - | - | - | (3.558) | - | (3.558) |
| Net income for the year | | - | - | - | - | - | - | - | 236.539 | 236.539 |
| Allocation: | | - | 11.838 | 75.001 | - | - | - | - | (236.539) | (149.700) |
| Legal reserve | | - | 11.838 | - | - | - | - | - | (11.838) | - |
| Statutory reserve | | - | - | 75.001 | - | - | - | - | (75.001) | - |
| Interest on equity | | - | - | - | - | - | - | - | (149.700) | (149.700) |
| **Balances at December 31, 2023** | | 1.559.699 | 42.390 | 613.365 | 17 | 19.039 | (21.636) | 17.275 | - | 2.230.149 |
| **Changes for the year** | | - | 11.838 | 75.001 | 183 | 33.101 | (5.520) | (3.558) | - | 111.045 |

The notes are an integral part of these financial statements.

# Banco Sumitomo Mitsui Brasileiro S.A.

## Statements of cash flow

### Financial years ending December 31, 2023 and 2022

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

| | 2023 | 2022 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Net income for the years** | 236.539 | 137.261 |
| **Adjustments included that do not affect cash flow:** | | |
| Depreciation and Amortization | 4.294 | 4.470 |
| Provision for impairment | 297 | 477 |
| Adjustments to fair value – securities and derivatives | 33.284 | 37.928 |
| Adjustments to actuarial liabilities | (5.520) | (6.513) |
| Exchange rate adjustment on investments abroad | (3.558) | (3.745) |
| **Net income before changes in working capital** | 265.336 | 169.878 |
| **Variations in:** | | |
| Deposits linked to the Central Bank | 12 | 490 |
| Derivative financial instruments | (235.942) | (181.122) |
| Securities | (686.268) | 391.538 |
| Interbank deposits | (82.848) | (180.491) |
| Loans and receivables from clients | 1.090.587 | (299.796) |
| Debtors by deposits in guarantee | 580 | 13.727 |
| Taxes to offset | (10.087) | (3.807) |
| Other assets | (44.968) | (12.999) |
| Deferred income tax and social contribution | (13.192) | 47.395 |
| Deposits from clients | (58.126) | 467.221 |
| Money market funding | (15.997) | 31.006 |
| Issued securities | 14.367 | 100.128 |
| Provisions | (1.422) | (11.604) |
| Interbranch deposits | (14.129) | (9.240) |
| Taxes payable | 9.264 | 19.227 |
| Other deferred taxes | 18.544 | 632 |
| Other liabilities | 262.841 | (51.942) |
| **Net cash from (used in) operating activities** | 498.552 | 490.241 |
| **Cash flows from investing activities:** | | |
| Disposal/acquisition of tangible assets | (1.582) | 636 |
| Investments in intangible assets | (2.113) | (270) |
| **Net cash from (used in) investing activities** | (3.695) | 366 |
| **Cash flows from financing activities:** | | |
| Interest on equity | (149.700) | - |
| Obligations for loans and on-lending | (716.795) | 409.466 |
| Payment of financial lease liabilities | (2.368) | (2.221) |
| **Net cash from (used in) financing activities** | (868.863) | 407.245 |
| **Net increase (decrease) in cash and cash equivalents** | (374.006) | 897.852 |
| Cash and cash equivalents at the beginning of the year | 2.439.659 | 1.541.807 |
| Cash and cash equivalents at the end of the year | 2.065.653 | 2.439.659 |
| **Net increase (decrease) in cash and cash equivalents** | (374.006) | 897.852 |

The notes are an integral part of these financial statements.

## Notes to financial statements

***(Amounts in thousands of Reais)***

### 1 Operations

Banco Sumitomo Mitsui Brasileiro S.A. ("Bank") is established as a multiple service bank, authorized to operate commercial portfolios, including exchange operations and investment portfolios. The Bank is a wholly owned subsidiary of our parent company, SMBC Tokyo - Japan.

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

### 2 Preparation bases

#### a. Statement of compliance

The consolidated financial statements were prepared in accordance with International Accounting Standards ("IFRS"), issued by the International *Accounting Standards Board* ("IASB"), and the interpretations of the International Accounting Standards Interpretations Committee ("IFRIC").

The Board authorized the issuance of the consolidated financial statements on March 28, 2024.

#### b. Use of estimates and judgments

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

***Continuity***

Management has assessed SMBCB's ability to continue as a going concern and is convinced that it has the resources to continue operating in the future. Additionally, Management is not aware of any material uncertainty that could generate significant doubts about its ability to continue as a going concern and, therefore, the consolidated financial statements were prepared considering this principle.

***Fair value of financial instruments***

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

***Measurement of provisions for expected losses***

Measuring the provision for expected credit losses requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Several significant judgments are necessary when applying accounting requirements to measure expected losses, such as:

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

***Deferred taxes***

Deferred taxes are recognized on tax losses and temporary differences to the extent that it is probable that taxable income will be available in the period in which the losses can be used. Judgment is required to determine the amount of future deferred tax assets that should be recognized, based on the likely flow of future taxable income, and in conjunction with tax planning strategies, if any.

***Contingent assets and liabilities***

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

Contingent assets - They are not recognized, except when there is evidence that ensures their realization.

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

***Existing pronouncements, amendments and interpretations***

Management assessed the standards and interpretations applicable in the year, as well as standards that are not yet in force, and did not identify any impacts on SMBCB's consolidated financial statements.

## 3 Significant accounting practices

### a. Functional currency and foreign currency transactions

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

Exchange rate variations resulting from the conversion of balances in foreign currency into the functional currency are generally recognized at their net value as "Foreign Exchange Differences (Net)" in the statements of profit or loss, with the exception of exchange rate variations arising from financial instruments at fair value through profit or loss, which are recognized in the statements of profit or loss as "Gains (losses) on financial assets (net)" without distinguishing them from other changes in fair value.

The effect of exchange rate variation resulting from the conversion of transactions in foreign currency and financial statements of investees abroad are recorded in separate accounts of shareholders' equity in accordance with IAS 21.

### b. Financial instruments

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

***(i) Initial recognition***

***Recognition date***

A financial asset or liability, with the exception of loans and deposits from clients, is recognized in the statement of financial position when SMBCB becomes part of the instrument's contractual provisions, which generally occurs on the negotiation date.

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

Deposits from clients are recognized when clients transfer funds to SMBCB.

***Initial measurement of financial instruments***

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

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

***(ii) Classification and measurement of financial instruments***

***a. Business model assessment***

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

SMBCB classifies and measures its trading portfolio and derivative instruments at FVPL.

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

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

As a second step in the classification process, SMBCB assesses the contractual terms of financial assets to verify whether they have cash flows that represent only payments of principal and interest, meeting the SPPJ test (payment of principal and interest only).

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

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

In contrast, contractual terms that introduce material exposure to volatility risks in contractual cash flows that are not related to a basic loan agreement do not give rise to cash flows that represent only payments of principal and interest. In these cases, the financial asset must be measured at fair value through profit or loss.

***Financial instruments at amortized cost***

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

It is maintained within a business model whose objective is to hold assets with the aim of obtaining contractual cash flows; and

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

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

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

Interest income from financial assets measured at amortized cost is included in "Interest income", using the effective interest rate method.

Financial liabilities are classified as measured subsequently at amortized cost, except for financial liabilities at fair value through profit or loss. This classification is applied to derivatives and, when applicable, to liabilities designated at initial recognition.

***Financial instruments at fair value through profit or loss***

Items at fair value through profit or loss comprise items held for trading and items designated at fair value through profit or loss on initial recognition. Furthermore, in accordance with IFRS 9, debt instruments with contractual terms that do not only represent payments of principal and interest are also measured at fair value through profit or loss.

Financial instruments measured at fair value through profit or loss are initially recognized at fair value, with transaction-related costs recognized in profit or loss when incurred. Subsequently, these instruments are measured at fair value and any gains or losses are recognized in profit or loss as they are determined.

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

When a financial liability is designated at fair value through profit or loss, the change in fair value attributable to changes in the credit quality of SMBCB is presented in other comprehensive income.

Derivative instruments are measured at FVPL and recorded as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Derivatives that are collateralized and that are settled daily at their net amount through a clearinghouse (for example, futures transactions) are recorded at the amount pending settlement from one day to the next.

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

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay (cash or any other financial asset to another entity) and that demonstrate a residual interest in the issuer's equity.

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

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

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

Debt instruments are instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, public and private securities. The classification and subsequent measurement of debt instruments depend on the business model for managing the asset and the cash flow characteristics of the asset.

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

Have contractual terms that originate cash flows on specific dates, which represent only payments of principal and interest on the outstanding principal balance; and

Are maintained in a business model whose objective is achieved both by obtaining contractual cash flows and by selling them.

These debt instruments are initially recognized at fair value plus directly attributed transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are recorded in other comprehensive income. The result of impairment losses, interest income and gains and losses from exchange rate variations are recorded in profit or loss. Upon settlement of the debt instrument, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

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

***(iii) Fair value hierarchy***

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

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

**Level 1:** Market prices (quoted not adjusted) in active markets for identical assets or liabilities. They include public securities, shares of listed companies, long/short positions, futures and shares of investment funds with immediate liquidity.

**Level 2:** Valuation techniques for which the lowest level and most significant information for measuring fair value is directly or indirectly observable. They include over-the-counter derivatives and investment fund shares without immediate liquidity.

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

***(iv) Reclassification of financial instruments***

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

***(v) Derecognition of financial assets and liabilities***

**Derecognition due to substantial changes in contractual terms and conditions**

SMBCB derecognizes a financial asset, such as, for example, a loan granted to a client, when the terms and conditions of the transaction are renegotiated to an extent that substantially makes it a new operation, with the difference being recognized as in the income for the year as derecognition gains or losses.

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

If the renegotiation does not result in substantially different cash flows, the modification does not cause derecognition of the transaction. Considering the change in cash flows discounted at the transaction's original effective interest rate, SMBCB recognizes a modification gain or loss.

**Derecognition of financial assets**

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive cash flows from the assets have expired or become uncollectible, or if they have been transferred to third parties and (i) SMBCB transfers substantially all the risks and benefits of ownership, or (ii) SMBCB does not transfer, does not retain substantially all of the risks and benefits of ownership and no longer has control of the transferred asset. Derecognition is carried out by SMBCB when the financial asset becomes more than 360 days overdue.

**Derecognition of financial liabilities**

A financial liability is derecognized when the obligation related to that liability is forgiven, canceled or expired.

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

## c. Impairment

***Overview of the principles used in determining expected losses***

SMBCB records a provision for expected losses (PE) for its loans and advances to clients, other debt instruments not measured at FVPL and for the credit limits granted and not used, which in this section will all be considered as “financial instruments”.

The PE provision is based on the expectation of credit losses arising over the useful life of the asset (expected lifetime loss or PE Life), unless there has not been a significant increase in credit risk since its origination, in which case the provision is based on expected losses for 12 months (12-month PE).

The 12-month PE is the portion of the PE Life that represents the expected losses arising from default events that are possible to occur within 12 months after the base date of the consolidated financial statements.

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

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

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

**Stage 1:** When financial instruments are initially recognized, SMBCB recognizes a 12-month PE-based provision. Stage 1 also includes transactions that had an improvement in their credit risks and that were reclassified from Stage 2.

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

**Stage 3:** financial instruments considered to have recovery problems. SMBCB records a provision for PE Life.

***(i) Calculation of expected losses***

SMBCB calculates PE to measure the expected cash shortage, discounted to present value. A cash shortage is the difference between the cash flows owed to an entity under the transaction contract and the cash flows that the entity expects to receive.

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

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

Exposure at default *(EAD):* is an estimate of exposure at the future date of default, taking into account expected changes in exposure after the base date of the consolidated financial statements, including payments of principal and interest, use of limits and interest calculated on payments not made.

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

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

The mechanisms for determining PE are described below:

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

**Stage 2:** In the event of a significant increase in credit risk since its origination, SMBCB recognizes a PE Life provision. The mechanisms are similar to those explained above, but the PDs and LGDs are estimated over the life of the instrument. The expected cash shortage is discounted to present value.

**Stage 3:** for transactions considered to have recovery problems, SMBCB recognizes the expected credit losses throughout the life of these transactions. The method is similar to that used for Stage 2 operations, however the PD is determined at 100%.

**Credit limits:** when estimating the PE Life for unused credit limits, SMBCB estimates the portion of the granted limit that will be used throughout its life. The PE is then based on the present value of the shortage of cash flows if the limit is used. The expected cash shortage is discounted to present value.

***(ii) Debt instruments measured at FVOCI***

The PE of debt instruments measured at FVOCI does not reduce the carrying value of these financial assets on the statements of financial position, which remain at fair value. Instead, an amount equal to the provision that would arise if the assets were measured at amortized cost is recognized in other comprehensive income against profit or loss. The accumulated loss recognized in other comprehensive income is transferred to profit or loss when the assets are derecognized.

**d. Repo transactions**

Purchases of financial assets based on a non-optional resale contract at a fixed price are recognized in the statements of financial position as financing granted, based on the nature of the debtor, under "Investments in repo transactions". If the term of investments in repo transactions is less than 90 days, disclosure is made under the heading "Cash and Cash Equivalents".

**e. Fixed Assets**

Property and equipment include data processing systems, communication systems, facilities and furniture and equipment for use owned by the Bank, being presented at acquisition cost less the respective accumulated depreciation and any loss due to impairment (net carrying value exceeding recoverable value).

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

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

The Bank assesses, at the base date of the financial information, whether there is any indication that an asset may be impaired (that is, its carrying value exceeds its recoverable value).

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

**f. Intangible Assets**

Intangible assets represent identifiable assets (separable from other assets) without physical substance that result from a legal right or other type of contract that gives the Bank effective control of the asset or that are developed internally by the Bank. Only assets whose cost can be reliably estimated and from which the Bank considers the generation of future economic benefits to be likely are recognized.

Intangible assets are initially recognized at acquisition or production cost, plus the costs to bring them into use. These assets are subsequently measured at acquisition cost less any accumulated amortization and impairment.

They are substantially composed of software purchased from external suppliers. These expenses are amortized over the license period for the software.

**g. Provisions and contingent assets and liabilities**

Management, when preparing their consolidated financial statements, make a distinction between:

**Provisions:** credit balances representing present obligations (legal or presumed) at the balance sheet date resulting from past events whose occurrence is considered probable and whose nature is certain, although the value and/or timing are uncertain.

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

**Contingent liabilities:** possible obligations that originate from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events that are not fully under the Bank's control. They include the Bank's present obligations, if it is not probable that an outflow of funds will be necessary for their settlement.

**Contingent assets:** assets originating in past events and whose existence depends on, and will only be confirmed by, the occurrence or non-occurrence of future events that are not fully under the Bank's control. Contingent assets are not recognized in the statement of financial position, but are disclosed in the notes, except when it is probable that these assets will give rise to an increase in resources that incorporate economic benefits.

SMBCB's consolidated financial statements include all substantial provisions regarding which there is high possibility that the obligation will have to be settled. According to accounting standards, contingent liabilities should not be recognized in the consolidated financial statements, but rather disclosed in the notes.

Provisions are used to meet the specific obligations for which they were originally recognized. Such provisions are set up based on the best information available about the events that gave rise to them, and are reviewed and adjusted (when necessary) at the end of the period. Provisions are totally or partially reversed when these obligations cease to exist or are reduced.

**h. Recognition of income and expense**

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized below:

***(i) Interest income and expenses***

Interest and similar income and expenses, commissions paid or received that are components of the expected return of the transaction and all inherent costs linked to the origination of the asset or the raising of the liability are recognized in profit or loss over the term of the financial instruments originated (accrual basis) through the use of the effective interest rate method.

***(ii) Dividend income***

Dividends received from investments not considered to be affiliates or subsidiaries are recognized as income when the right to receive them originates to the Bank (decision of the Executive Board).

***(iii) Fees and commissions***

Commission revenues and expenses are recognized in the statements of profit or loss using criteria that vary according to the characteristics of the transactions that gave rise to them. The main criteria are the following:

Revenues and expenses from fees and commissions, relating to financial assets and financial liabilities measured at fair value through profit or loss, are recognized in profit or loss when paid;

Revenues or expenses received or paid as a result of the provision of services are recognized on a straight-line basis over the period of time during which these services are provided;

Revenues and expenses received or paid as a result of the provision of services whose amount is uncertain or whose establishment of the right to receive or pay is conditional on one or more future events where the occurrence is uncertain are recognized in a single act when the amount receivable becomes known or when the future event actually comes to fruition.

**i. Income taxes**

Income tax is calculated at the base rate of 15% on taxable income, plus a surtax of 10% on taxable income in excess of R$240 in the year. The social contribution on net income was calculated considering the rate of 20%, after making the adjustments determined by tax legislation.

On April 28, 2022, MP No. 1.115 was published, which increased the CSLL rate for financial institutions from 20% to 21% of taxable income, between August 1, 2022 and December 31, 2022, returning to 20% from January 1, 2023.

In accordance with the provisions of current regulations, the expectation of realizing SMBCB tax credits is based on projections of future results and based on a technical study.

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

The setup, realization or maintenance of tax credits are assessed periodically, taking as a parameter the generation of taxable income for income tax and social contribution purposes in an amount that justifies the realization of such amounts.

Income tax expense is recognized in the statements of profit or loss, except when it results from a transaction recognized directly in equity, in which case the tax effect will also be recognized in equity.

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

Deferred tax assets are only recognized for temporary differences to the extent that it is considered probable that SMBCB will have sufficient future taxable income against which the deferred tax assets can be utilized, and the deferred tax assets do not result from initial recognition (except in a business combination) of other assets and liabilities in an operation that does not affect either taxable income or accounting income.

Recognized deferred tax assets and liabilities are reassessed at each balance sheet date in order to determine whether they still exist, making appropriate adjustments based on the findings of the analyzes carried out.

**j. Financial guarantees**

Financial guarantees are defined as contracts by which an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, regardless of the various legal forms they may have, such as collateral, irrevocable documentary credits issued or confirmed by the entity, among others.

Financial guarantees, regardless of the guarantor or other circumstances, are reviewed periodically to determine the credit risk to which they are exposed and, as appropriate, to consider whether a provision is necessary. Credit risk is determined by applying criteria similar to those established for quantifying losses due to impairment of financial instruments valued at amortized cost.

### k. Employee Benefits Plan

The post-employment benefits plan comprises the commitment made by SMBCB to complement the benefits of the social security system.

***Defined Benefit Plan***

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

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

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

Full recognition is carried out in a liability account when unrecognized actuarial losses (actuarial deficit) occur, against an equity account ("Other Comprehensive Income").

Defined-benefit plans are registered based on an actuarial study carried out annually by an external consultancy, at the end of each year, effective for the subsequent period.

### l. Statements of cash flow

The following terms are used in the statements of cash flow with the following meanings:

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

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

**Operating activities:** these are the Bank's main revenue-generating activities and others that are not financing or investing activities.

**Investing activities:** are the acquisition and disposal of long-term receivables and other investments not included in cash equivalents.

**Financing activities:** these are activities that result in changes in the size and composition of the Bank's equity and indebtedness.

## 4 Cash and cash equivalents

| | **2023** | **2022** |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and cash equivalents in local currency | 8,631 | 81,448 |
| Cash and cash equivalents in foreign currency | 114,319 | 29,970 |
| **Interbank liquidity investments** | | |
| Investments in money market | 1,695,719 | 2,041,055 |
| Interbank deposits | - | 161,945 |

| | | |
|---|---|---|
| Investments in foreign currencies | 246,984 | 125,241 |
| | 2,065,653 | 2,439,659 |

**5 Deposits linked to the Central Bank**

| | 2023 | 2022 |
|---|---|---|
| Deposits linked to the Central Bank | 2,513 | 2,525 |
| | 2,513 | 2,525 |

**6 Derivative financial instruments**

Derivative instruments, composed of Swap, Non-Deliverable Forward and Futures transactions, are held in custody at B3 S.A. - Brasil, Bolsa, Balcão.

**a) Breakdown of derivative financial instruments**

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | **Receivables** | **Payables** | **Contract Reference Value** | **Contract Reference Value** |
| **SWAP transactions** | | | | |
| CDI | - | 1,082 | 110,000 | - |
| Fixed rate x CDI | 27,166 | 1,516 | 932,519 | 553,649 |
| Fixed rate x DOLLAR | 39,603 | - | 197,651 | 470,824 |
| CDI x DOLLAR | 344,724 | - | 3,027,234 | 3,069,408 |
| Fixed rate x YEN | 1,870 | 10,976 | 547,191 | - |
| CDI x YEN | 163 | - | 89,891 | - |
| YEN x CDI | 28,722 | 32,114 | 1,647,880 | - |
| Fixed rate x SOFR | 55,257 | 49,197 | 2,260,010 | - |
| **NDF Transactions** | | | | |
| Fixed rate x DOLLAR | 43,038 | - | 1,483,697 | 245,966 |
| DOLLAR x Fixed rate | 18 | 63,104 | 1,760,612 | 330,283 |
| Fixed rate x EURO | 104 | - | 4,314 | 1,679 |
| Fixed rate x YEN | 305 | 551 | 46,893 | 2,013,186 |
| YEN x Fixed rate | - | 880 | 37,374 | - |
| ***Credit value adjustment (CVA)*** | | | | |
| CVA | (1,868) | - | - | - |

| | | | | |
|---|---|---|---|---|
| **Total** | 539,102 | 159,420 | 12,145,266 | 6,684,995 |

**b) Breakdown of nominal value by maturity**

| | **2023** | | | | **2022** |
|---|---|---|---|---|---|
| | **Up to 90 days** | **91 to 360 days** | **Over 360 days** | **Total** | **Total** |
| **SWAP Transactions** | | | | | |
| CDI x Fixed rate | - | - | 110,000 | 110,000 | - |
| Fixed rate x CDI | 107,336 | 74,416 | 750,769 | 932,521 | 553,649 |
| Fixed rate x DOLLAR | - | 159,000 | 38,651 | 197,651 | 470,824 |
| CDI x DOLLAR | 659,426 | 528,250 | 1,839,558 | 3,027,234 | 3,069,408 |
| Fixed rate x YEN | - | - | 547,191 | 547,191 | - |
| CDI x YEN | - | - | 89,891 | 89,891 | - |
| YEN x CDI | - | 710,200 | 937,679 | 1,647,879 | - |
| Fixed rate x SOFR | - | - | 2,260,009 | 2,260,009 | - |
| LIBOR x DOLLAR | - | - | - | - | - |
| **NDF transactions** | | | | | |
| Fixed rate x DOLLAR | 1,192,608 | 291,088 | - | 1,483,696 | 245,966 |
| DOLLAR x Fixed rate | 947,917 | 292,018 | 520,676 | 1,760,611 | 330,283 |
| Fixed rate x EURO | 4,314 | - | - | 4,314 | 1,679 |
| Fixed rate x YEN | 639 | 46,256 | - | 46,895 | 2,013,186 |
| YEN x Fixed rate | 3,364 | 10,899 | 23,111 | 37,374 | - |
| **Total** | 2,915,604 | 2,112,127 | 7,117,535 | 12,145,266 | 6,684,995 |

**c) Comparison of nominal value by trading location**

| | **2023** | | | **2022** |
|---|---|---|---|---|
| | **Stock market** | **Over the Counter** | **Nominal value** | **Nominal value** |
| **SWAP** | 1,647,879 | 7,164,497 | 8,812,376 | 4,093,881 |
| **NDF** | 526,704 | 2,806,186 | 3,332,890 | 2,591,114 |
| **Total** | 2,174,583 | 9,970,683 | 12,145,266 | 6,684,995 |

**d) Comparison between cost value and fair value**

| | **2023** | | **2022** |
|---|---|---|---|
| | **Cost Value** | **Fair value** | **Fair value** |
| **Assets** | | | |
| SWAP Transactions | 307,390 | 497,505 | 222,857 |
| NDF Transactions | 43,266 | 43,465 | 15,835 |

| | | | |
|---|---|---|---|
| ***Credit value adjustment* (CVA)** | | | |
| CVA | - | (1,868) | (959) |
| **Liabilities** | | | |
| SWAP Transactions | (67,885) | (94,885) | (26,386) |
| NDF Transactions | (62,822) | (64,535) | (67,607) |
| **Total** | 219,949 | 379,682 | 143,740 |

**e) Accounting hedge**

On December 31, 2023 and 2022, SMBCB had operations with derivative financial instruments with the purpose of mitigating the effect of exchange rate variation on funding carried out in foreign currency and loans fixed in Reais. These operations were designated as accounting hedges and were segregated into:

**Market risk hedge –** used to offset the risks arising from exposure to variations in the fair value of the hedged item and its appreciation or devaluation is recorded against revenue or expense accounts in the statements of profit or loss for the period. The respective hedged items are adjusted to fair value on the balance sheet date.

**Cash flow hedge –** intended to offset the changes in the estimated future cash flow and its appreciation or depreciation is recorded against a separate account in equity, deducted from tax effects.

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

| **Maturities - Fair Value - 2023** | | | | | |
|---|---|---|---|---|---|
| **Description** | **Index** | **Up to 12 months** | **1 to 3 years** | **3 to 5 years** | **Total** |
| Future | Exchange Coupon | | | | |
| | | 521,110 | 292,163 | 5,910 | 819,183 |
| **Total** | | 521,110 | 292,163 | 5,910 | 819,183 |

| | **2023** | **2022** |
|---|---|---|
| **Hedged Items** | | |
| **Assets** | | |
| **Interbank deposit investments** | | |
| Amount updated by agreed conditions | 556,499 | 258,891 |
| Adjustment amount | (4,083) | (215) |
| Fair value | 560,581 | 259,106 |
| **Working capital** | | |
| Amount updated by agreed conditions | 229,628 | 154,208 |
| Adjustment amount | (1,974) | 222 |
| Fair value | 231,602 | 153,986 |
| **Export credit notes** | | |

| | | |
|---|---|---|
| Amount updated by agreed conditions | 56,633 | 52,150 |
| Adjustment amount | (1,223) | (26) |
| Fair value | 57,856 | 52,176 |
| **Hedged item** | 850,039 | 465,268 |
| **Hedge instruments at fair value** | | |
| **Liabilities** | | |
| Futures | (819,183) | (451,548) |
| Cash flow hedge reserve (*) | - | (17,213) |
| **Total fair value - Hedge instrument** | (819,183) | (468,761) |

(*) The amount of R$17,213 recorded as a cash flow hedge reserve, refers to the frozen balance on December 31, 2022 of transactions that were designated as cash flow hedge and which were redesignated in December 2022. This balance was recognized in profit or loss over the maturity period of the hedge instrument throughout the year 2023.

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

| **Maturities - Fair Value – 2023** | | | | | |
|---|---|---|---|---|---|
| **Description** | **Index** | **Up to 12 months** | **1 to 3 years** | **3 to 5 years** | **Total** |
| Futures | Exchange Coupon | 1,234,567 | 486,759 | 50,285 | 1,771,611 |
| **Total** | | 1,234,567 | 486,759 | 50,285 | 1,771,611 |

| | **2023** | **2022** |
|---|---|---|
| **Hedged Items** | | |
| **Liabilities** | | |
| On-lending transactions | | |
| *Amount restated by agreed conditions* | (2,509,325) | (2,721,989) |
| ***Hedge instruments*** | | |
| **Assets** | | |
| Future | 1,771,611 | 2,665,033 |
| Cash Flow Hedge Reserve | 19,039 | (14,062) |

The amount of R$19,039 on December 31, 2023 and R$(14,062) on December 31, 2022 in the Cash Flow Hedge Reserve will be recognized in profit or loss over the maturity period of the hedged item.

## 7 Financial assets at fair value

### a) Fair Value through other comprehensive income (FVOCI)

***Breakdown***

| | **Stage 1** | |
|---|---|---|
| **Own portfolio:** | **2023** | **2022** |
| **Debt instrument:** | | |

| | | |
|---|---|---|
| Public securities | 2,181,957 | 1,290,600 |
| **Equity instrument:** | | |
| Investment fund shares: | 217 | 337 |
| | 2,182,174 | 1,290,937 |

Note No. 30 Risk Management - contains details of the maturity periods of financial assets at fair value through other comprehensive income.

***Segregation by fair value hierarchy***

The following table shows the fair values of Financial Assets for the years ended December 31, 2023 and 2022, segregated by fair value hierarchy based on the various measurement methods adopted by SMBCB, as described in note 3 (b) item (iii).

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 1** | **Level 2** |
| **Own portfolio:** | | | | |
| **Debt Instrument:** | | | | |
| National Treasury Bills | 249,888 | - | - | - |
| Financial Treasury Bills | 514,068 | - | 723,917 | - |
| **Equity instrument:** | | | | |
| Investment fund shares: | | | | |
| Private Equity fund shares - FIP | - | 217 | - | 337 |
| **Debt instrument:** | | | | |
| **Linked to the provision of guarantees:** | | | | |
| Financial Treasury Bills | 1,418,001 | - | 566,683 | - |
| | 2,182,174 | - | 1,290,937 | - |

Public securities are book-entry and registered with the Central Bank Overnight Rate of Brazil (SELIC).

## 8 Financial assets at fair value through profit or loss (FVPL) and at amortized cost

### a) Interbank deposits

| | **Level 1** | |
|---|---|---|
| | **2023** | **2022** |
| **Interbank deposits investments** | | |
| **Measured at fair value through profit or loss** | | |
| Not linked | 560,581 | 259,167 |
| **Measured at amortized cost** | | |
| Not linked | 486,434 | 705,061 |
| | 1,047,015 | 964,167 |

Note No. 30 Risk Management - contains details of the maturity periods for Interbank deposits.

**b) Securities**

| | Level 2 | |
|---|---|---|
| | **2023** | **2022** |
| **Debt instrument** | | |
| **At amortized cost** | | |
| Debentures | 291,002 | 495,971 |
| | 291,002 | 495,971 |

Note No. 30 Risk Management - contains details of the maturity periods of investments in securities at amortized cost.

**c) Loans and receivables from clients**

| **Description** | | |
|---|---|---|
| **Measured at fair value through profit or loss** | | |
| Working capital | 231,602 | 153,986 |
| Export Credit Notes – NCE | 57,856 | 52,176 |
| **Measured at amortized cost** | | |
| Foreign on-lending | 104,083 | 175,355 |
| Working capital | 815,849 | 1,406,705 |
| Export Credit Notes - NCE | 284,369 | 283,181 |
| Interbank on-lending | 255,510 | 401,872 |
| Advances on foreign exchange contracts | 511,650 | 881,985 |
| Income receivable on advances | 16,037 | 12,283 |
| | 2,276,956 | 3,367,543 |

**d) By maturity**

| | **2023** | **2022** |
|---|---|---|
| To become due: | | |
| Up to 30 days | 105,505 | 323,191 |
| 31 to 60 days | 344,381 | 571,516 |
| 61 to 90 days | 147,256 | 191,976 |
| 91 to 180 days | 338,759 | 496,315 |
| 181 to 360 days | 569,205 | 1,076,484 |
| Over 360 days | 771,850 | 708,061 |
| | 2,276,956 | 3,367,543 |

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

Loans for the 20 largest debtors on December 31, 2023 represent 94.04% of the credit portfolio (90.20% in 2022).

**e) By business sector**

| | 2023 | 2022 |
|---|---|---|
| Private sector: | | |
| Industry | 1,016,937 | 1,283,941 |
| Financial Institution | 255,510 | 401,872 |
| Commerce | 236,877 | 810,917 |
| Other services | 534,019 | 572,886 |
| Public sector: | | |
| Federal | 233,613 | 297,927 |
| | 2,276,956 | 3,367,543 |

**f) Provision for expected credit losses**

| | Balances on 12/31/2023 | | | |
|---|---|---|---|---|
| | Stages | | | |
| | 1 | 2 | 3 | Total |
| **Financial assets at amortized cost** | | | | |
| **Provision for expected credit losses** | | | | |
| Marketable securities | (1.028) | - | - | (1,028) |
| Loans and receivables | (3,249) | (4) | - | (3,253) |
| **Total Expected Credit Losses** | (4,277) | (4) | - | (4,281) |
| Financial guarantees provided (Note No. 14b) | (4,367) | - | - | (4,367) |
| **Total expected credit and guarantee losses** | (8,644) | (4) | - | (8,648) |

| | Balances on 12/31/2022 | | | |
|---|---|---|---|---|
| | Stages | | | |
| | 1 | 2 | 3 | Total |
| **Financial assets at amortized cost** | | | | |
| **Provision for expected losses** | | | | |
| Marketable securities | (1,697) | - | - | (1,697) |
| Loans and receivables | (2,270) | (17) | - | (2,287) |
| Financial guarantees provided (Note No. 14 b) | (4,551) | - | - | (4,551) |
| **Total** | (8,518) | (17) | - | (8,535) |

SMBCB did not present a provision for expected credit losses on instruments classified as FVOCI in 2023 and 2022.

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

The references below demonstrate how the valuation and measurement of impairment were carried out by SMBCB for the purposes of preparing these consolidated financial statements. They should be read in conjunction with the note that describes SMBCB's significant accounting practices (Note No. 3 (c)).

***Allocation in stages***

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

**(i) Significant increase in credit risk**

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

SMBCB considers that a transaction has had a significant increase in credit risk (Stage 2 classification) when default reaches 30 days or its probability of default (PD) increases by 3 p.p.

**(i) Definition of default and "cure"**

SMBCB considers as a non-performing financial instrument and, consequently Stage 3 for PE calculation purposes, all operations that are overdue for more than 90 days in relation to their contractual payments or that have as counterparty clients with internal risk classification (*Obligor Grade)* that indicates serious business difficulties and unlikely recovery (see note 30 (v) - Risk Management - Credit Risk for description of the methodology of the SMBC to classify its clients according to their credit quality).

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

SMBCB considers that the instrument is no longer in default (i.e., a "cure" event) when the counterparty (individual or legal entity) no longer presents delays in the flow of payments for a consecutive period of 6 months.

***Valuation and measurement of impairment***

SMBCB considers the following elements in valuing and measuring the provision for expected credit losses.

**(i) Probability of default *(PD)***

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

**(ii) Loss given (LGD)**

LGD is the loss arising in the event of default. LGD calculation is based on net write-offs of non-performing loans.

**(iii) Prospective information**

In PE models, SMBCB uses prospective macroeconomic information, with household debt rate (excluding debt related to housing credit) being the main one.

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

We present below the changes in the provision for credit losses expected on December 31, 2023, which would be the reasonable result of possible changes in the assumptions of economic variables used by the SMBC:

Household debt (except housing credit)

| | | **P.D.** | **relative % of variation** |
|---|---|---|---|
| | Base estimate (39.20%) | 0.281% | |
| Household debt (except housing credit) | Increases 1 p.p. | 0.288% | 2,313% |
| | Decreases 1 p.p. | 0.275% | - 2,260% |
| | Increases 5 p.p. | 0.315% | 12,108% |
| | Decreases 5 p.p. | 0.251% | - 10,804% |

**(iv) Exposure at default (EAD)**

EAD represents the gross carrying value of financial instruments subject to the calculation of expected losses (PE), considering the client's ability to increase their exposure while approaching default and the potential for early payments to occur. For credit limits granted and unused and financial guarantees provided, exposure at default is predicted by taking into account the balance used and adding a "credit conversion factor" that considers the expected use of the remaining limit up to the moment of default.

**h) Changes in the provision for impairment**

***Financial Assets at Amortized Cost***

| | **December 31, 2022 to December 31, 2023** | | | |
|---|---|---|---|---|
| | **Loans** | | | |
| **Stages 1-2-3** | **1** | **2** | **3** | **Total** |
| **Expected Loss on January 1, 2023:** | (8,515) | (20) | - | (8,535) |
| **Change** | | | | |
| Stage migration: | | | | |
| Stage 1 to Stage 2 | (20) | 20 | - | - |
| New financial assets originated or purchased | (7,669) | - | - | (7,669) |
| Changes in PDs, LGDs and EADs | 403 | - | - | 403 |
| Reversal of provision for settled/written-off contracts | 7,153 | - | - | 7,153 |
| **Total change** | | | | |
| **Expected Loss on December 31, 2023** | (8,648) | - | - | (8,648) |

| | **December 31, 2021 to December 31, 2022** |
|---|---|
| | **Loans** |

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

**9 Other assets**

| | 2023 | 2022 |
|---|---|---|
| Income receivable | - | 217 |
| Services provided receivable | 74,580 | 2,891 |
| Security trading and intermediation | 17,762 | 42,990 |
| Prepaid expenses | 926 | 2,644 |
| Right on foreign exchange transactions, net | - | 928 |
| Other | 9,017 | 7,647 |
| | 102,285 | 57,317 |

**10 Fixed assets**

**a. Breakdown**

| | 2023 | | |
|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Net balance** |
| Furniture and equipment for use (*) | 10,467 | (3,267) | 7,200 |
| Facilities | 5,503 | (4,520) | 983 |
| Data Processing System | 7,884 | (6,083) | 1,801 |
| Communication system | 433 | (233) | 200 |
| Security system | 339 | (293) | 46 |
| Transport system | 867 | (867) | - |
| **Balances** | 25,493 | (15,263) | 10,230 |
| | **2022** | | |
| | **Cost** | **Accumulated depreciation** | **Net balance** |
| Furniture and equipment for use (*) | 12,502 | (3,220) | 9,282 |
| Facilities | 4,394 | (4,039) | 355 |

| | | | |
|---|---|---|---|
| Data Processing System | 8,561 | (6,333) | 2,228 |
| Communication system | 363 | (246) | 117 |
| Security system | 302 | (298) | 4 |
| Transport system | 1,261 | (1,245) | 16 |
| | 27,383 | (15,381) | 12,002 |

(*) In this line, Right of Use in the amount of R$8,798 (R$10,842 in 2022) and depreciation of R$1,833 (R$1,807 in 2022) are being considered, referring to the adoption of IFRS 16. The standard was applied in the consolidated financial statements using the modified prospective transition method. After analysis of the Bank's return, a discount rate of 8.23% p.a. was defined (8.23% p.a. in 2022).

**B. Changes**

| | **2023** | **2022** |
|---|---|---|
| **Cost:** | | |
| Balances at the beginning of the year | 27,383 | 35,297 |
| Net additions (write-offs) | (1,890) | (7,914) |
| **Balances at the end of the year** | 25,493 | 27,383 |
| | **2023** | **2022** |
| **Accumulated depreciation:** | | |
| Balances at the beginning of the year | (15,381) | (19,569) |
| Write-offs | 3,472 | 7,278 |
| Net depreciation | (3,354) | (3,090) |
| **Balances at the end of the year** | (15,263) | (15,381) |

## 11 Intangible assets

**a. Breakdown**

| | **2023** | | |
|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net balance** |
| Information Technology Developments | 16,840 | (12,906) | 3,934 |
| **Balance** | 16,840 | (12,906) | 3,934 |
| | **2022** | | |
| | **Cost** | **Accumulated amortization** | **Net balance** |
| Information Technology Developments | 14,727 | (11,966) | 2,761 |
| | 14,727 | (11,966) | 2,761 |

**B. Changes**

| | **2023** | **2022** |
|---|---|---|
| **Cost:** | | |

| | | |
|---|---|---|
| Balances at the beginning of the year | 14,727 | 14,457 |
| Net additions (write-offs) | 2,113 | 270 |
| **Balances at the end of the year** | 16,840 | 14,727 |
| | **2023** | **2022** |
| **Accumulated amortization:** | | |
| Balances at the beginning of the year | (11,966) | (10,586) |
| Net amortization | (940) | (1,380) |
| **Balances at the end of the year** | (12,906) | (11,966) |

**12 Financial liabilities**

**a. Deposits from clients**

| | **2023** | **2022** |
|---|---|---|
| Deposits | | |
| Demand deposits | 75,264 | 90,076 |
| Term deposits | 2,005,626 | 1,844,732 |
| Interbank deposits | - | 204,208 |
| Open market funding | 15,009 | 31,006 |
| Funds from acceptance and issue of securities | 114,495 | 100,128 |
| | 2,210,394 | 2,270,150 |

The amounts of deposits from clients highlighted in the table above are at amortized cost. Note No. 30 Risk Management - contains details of the maturity periods of deposits from clients.

**b. Obligations for loans and on-lending**

| | **2023** | **2022** |
|---|---|---|
| **Financial liabilities at amortized cost** | | |
| Obligations for loans abroad | 545,297 | 830,006 |
| Obligations for on-lending abroad | 2,881,139 | 3,313,225 |
| | 3,426,436 | 4,143,231 |

Note No. 30 Risk Management - contains details of the maturity periods of loan and on-lending obligations.

**13 Contingent liabilities**

| | **Provisions** | | **Judicial deposits** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Legal obligations: | | | | |
| Demutualization CETIP (a) | 114 | 109 | - | - |
| Provision for risks: | | | | |
| Civil (b) | 15,773 | 14,311 | | |

| | | | | |
|---|---|---|---|---|
| Labor (c) | 3,430 | 6,319 | 580 | 1,160 |
| | 19,317 | 20,739 | 580 | 1,160 |

(a) SMBCB recorded the amount for part of the proceeding in progress that it considers as probable loss on the demutualization of Cetip's shares, of which the amount for December 31, 2022 is R$114 (R$109 in 2022).

(b) The provision basically refers to understated inflation on time term, in where there financial disbursement is probable. The amount updated on December 31, 2023 is R$15,773 (R$14,311 in 2022).

(c) The provision refers to actions filed by former employees and outsourced workers claiming labor rights that they consider to be due. The actions are controlled individually and the provisions are made on the basis of a decision previously laid down by the Board or lower labor court. Management, based on the opinion of its legal advisors, believes that the amounts currently provisioned are adequate. The updated amount is R$3,430 (R$6,319 in 2022).

**14 Other liabilities**

**a. Interbranch deposits**

| | **2023** | **2022** |
|---|---|---|
| Third-party funds in transit | 31,852 | 45,981 |
| | 31,852 | 45,981 |

**B. Other obligations**

| | **2023** | **2022** |
|---|---|---|
| Collection and Payment of Taxes and Similar Amounts | 150 | 517 |
| Social and statutory ([1]) | 139,744 | 8,350 |
| Taxes and contributions on third-party services | 27 | 24 |
| Taxes and contributions on salaries | 3,352 | 2,569 |
| Other taxes and contributions | 23,931 | 2,428 |
| Provision for financial guarantees provided (Note No. 8f) | 4,367 | 4,551 |
| Provisions for payments to be made: | | |
| Personnel expenses | 40,734 | 27,703 |
| Other administrative expenses | 3,619 | 3,149 |
| Other payments | - | - |
| Lease liability (*) | 6,392 | 8,377 |
| Actuarial liabilities | 41,353 | 30,357 |
| Net obligations from foreign exchange operations | 11,720 | - |
| Deferred income | 73,541 | 2,387 |
| Other | 3,245 | 1,290 |
| | 352,175 | 91,702 |

(*) SMBCB is a lessee of properties for use in its operations, and recognizes leases for a term longer than 12 months and of substantial amounts.

([1]) The increase in the balance of social and statutory liabilities is due to the provision for interest on equity to be remitted to the Headquarters in Tokyo.

**c. Tax credits and tax liabilities**

***Income tax and social contribution***

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **IRPJ** | **CSLL** | **IRPJ** | **CSLL** |
| Income before taxation and after profit sharing | 317,015 | 317,015 | 241,070 | 241,070 |
| Reversal of provisions for contingent liabilities | (3,855) | (3,855) | (17,856) | (17,856) |
| Provision for contingent liabilities | 2,455 | 2,455 | 6,260 | 6,260 |
| Provision for impairment | 1,013 | 1,013 | (1,163) | (1,163) |
| Temporary provisions | (145,217) | (145,217) | 254,728 | 254,728 |
| Fair value adjustment of derivative financial instruments | (10,639) | (10,639) | (135,003) | (135,003) |
| Adjustment to fair value of hedge accounting operations | (7,259) | (7,259) | (12,404) | (12,404) |
| Non-deductible expenses | 8,469 | 1,666 | 2,880 | 1,257 |
| B3 S.A.- Brasil, Bolsa, Balcão Operations | 43,122 | 43,122 | (160,646) | (160,646) |
| Other additions/(exclusions) | (216) | (216) | (223) | (223) |
| Taxable income | 204,888 | 198,085 | 177,643 | 176,020 |
| Total income tax charge at a rate of 25% and proportional social contribution at a rate of 20% | 51,198 | 39,617 | 44,387 | 36,964 |
| Empresa Cidadã Law | (135) | - | - | - |
| Children Fund | (200) | - | - | - |
| Adjustment from previous years | 4,474 | 2,673 | (135) | - |
| Income tax expenses | 55,337 | 42,290 | 44,252 | 36,964 |

**d. Other deferred tax credits**

Other tax credits: SMBCB also has deferred tax credits and obligations in the amount of R$70,004 (R$56,812 in 2022), which are exclusively related to adjustments to the fair value of transactions with financial assets measured at fair value through other comprehensive income.

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

There are also unrecognized tax credits on provisions for civil contingencies in the amount of R$7,098 (R$5,581 in 2022) due to the uncertainty of their realization within a period of less than 10 years.

**e. Taxes payable**

| | **2023** | **2022** |
|---|---|---|
| Income tax and social contribution | 90,480 | 81,216 |

| | | |
|---|---|---|
| | 90,480 | 81,216 |

**f. Taxes to offset**

| | **2023** | **2022** |
|---|---|---|
| IRPJ advances not offset | 19,259 | 13,429 |
| CSLL advances not offset | 11,581 | 7,503 |
| Other taxes and contributions to offset | 1,237 | 1,058 |
| | 32,077 | 21,990 |

## 15 Equity

### a. Share capital

The share capital is represented by common shares, worth one *Real* (R$1.00) each, thus distributed:

| | **Number of shares** | |
|---|---|---|
| | **2023** | **2022** |
| Sumitomo Mitsui Banking Corporation (Japan) | 1,559,697 | 1,559,697 |
| Shareholders domiciled in Brazil | 2 | 2 |
| | 1,559,699 | 1,559,699 |

### b. Dividends

Corporate legislation and the bylaws state that a minimum of 25% of net income for the year shall be distributed to shareholders in the form of dividends. On December 31, 2023, a decision was made not to set up a provision for dividends, and income for the year was allocated to the statutory reserve for future distribution.

### c. Legal reserve

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

### d. Statutory Reserve

The statutory reserve corresponds to the transfer of the balance of retained earnings, subsequently to the mandatory distributions. The remaining balance in the amount of R$613,365 (R$538,364 in 2022) will be transferred to the following year, or will be allocated as proposed by the Executive Board, and approved by the general meeting.

## 16 Interest income calculated using the effective interest method

| | **2023** | **2022** |
|---|---|---|
| Securities | 234,082 | 247,024 |
| Loans and advances to clients | 289,366 | 243,874 |
| | 523,448 | 490,898 |

## 17 Other interest income

| | **2023** | **2022** |
|---|---|---|
| Securities and repo transactions | 369,778 | 303,554 |
| | 369,778 | 303,554 |

## 18 Interest and similar expenses

| | 2023 | 2022 |
|---|---|---|
| Deposits from financial institutions | (4,740) | (8,327) |
| Deposits from clients | (225,624) | (221,436) |
| Securities borrowed and repo transactions | (173,985) | (65,023) |
| Debt issued and other funds borrowed | (16,706) | (1,496) |
| | (421,055) | (296,282) |

## 19 Net income from commissions and services provided

| | 2023 | 2022 |
|---|---|---|
| **Net revenue from commissions and services provided** | | |
| Financing intermediation | 28,291 | 23,035 |
| Income from guarantees provided | 68,359 | 47,815 |
| Other fees received | 5,269 | 22,194 |
| **Expenses for fees and commissions** | 101,919 | 93,044 |
| Fees paid | (2,589) | (3,172) |
| | (2,589) | (3,172) |

## 20 Gains (losses) on financial instruments

| | 2023 | 2022 |
|---|---|---|
| Income from derivative operations | 6,410,576 | 9,130,339 |
| Expenses for derivative operations | (6,756,475) | (9,485,919) |
| Result of funds | 3,832 | - |
| | (342,067) | (355,580) |

## 21 Exchange rate variations (net)

Exchange rate variations show gains or losses on trades indexed in foreign currencies in conversions to SMBCB’s functional currency, in the amount of R$39,588 (R$167,711 in 2022).

## 22 Personnel expenses

| | 2023 | 2022 |
|---|---|---|
| Salaries | (81,239) | (63,527) |
| Pension costs | (29,906) | (23,570) |
| Benefits | (17,604) | (9,585) |
| Other personnel expenses | (369) | (354) |
| | (129,118) | (97,036) |

## 23 Administrative expenses

| | 2023 | 2022 |
|---|---|---|
| Properties, facilities and materials | (7,244) | (7,108) |

| | | |
|---|---|---|
| Technology and systems | (25,320) | (25,559) |
| Communications | (8,444) | (7,802) |
| Technical reports | (6,466) | (10,527) |
| Third-party services | (904) | (846) |
| Travel, transport | (2.112) | (2,176) |
| Advertising and marketing | (109) | (146) |
| Other administrative expenses | (4,066) | (1,054) |
| | (54,665) | (55,218) |

**24 Tax expenses**

| | 2023 | 2022 |
|---|---|---|
| ISS / PIS / COFINS | (29,725) | (19,537) |
| Other taxes | (1,538) | (1,111) |
| | (31,263) | (20,648) |

**25 Other operating revenues**

| | 2023 | 2022 |
|---|---|---|
| Recovery of charges and expenses | 1,057 | 1,403 |
| Exchange rate variations | 260,206 | - |
| Reversal of operational provision | 5,332 | 5,169 |
| Reversal of provision for contingent liabilities | 3,855 | 17,856 |
| Other | 330 | 265 |
| | 270,780 | 24,693 |

**26 Other operating expenses**

| | 2023 | 2022 |
|---|---|---|
| Civil, tax and labor proceedings | (2,434) | (6,251) |
| Other | - | (1,336) |
| | (2,434) | (7,587) |

**27 Related Parties**

**a. Transactions with controlling shareholders (direct and indirect)**

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

| | Assets / (liabilities) | | Revenue / (expense) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cash and cash equivalents - foreign currency deposits | 71,232 | 68,270 | - | - |
| Investments in foreign currency abroad | 246,984 | 125,241 | (4,911) | 21,535 |

| | | | | |
|---|---|---|---|---|
| Amounts receivable - commission for business intermediation | 7,952 | 6,178 | 28,291 | 23,036 |
| Obligations for loans abroad | (545,297) | (830,006) | 14,359 | 20,472 |
| Foreign on-lending | (2,880,745) | (3,308,293) | 110,488 | 111,051 |
| **Total** | **(3,099,874)** | **(3,938,610)** | **148,227** | **176,093** |

**B. Compensation of key management personnel**

SMBCB's key personnel was defined as all members who make up its Executive Board.

The global compensation amount is paid to Executive Officers in accordance with the Bylaws of Banco Sumitomo Mitsui Brasileiro S.A.

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

***Short-term benefits to executive officers***

| | **2023** | **2022** |
|---|---|---|
| Salaries | 6,184 | 5,493 |
| Variable compensation | 4,189 | 3,382 |
| Contributions to INSS (Social Security Contribution)/FGTS (Unemployment Fund) | 2,849 | 2,443 |
| **Total** | **13,222** | **11,318** |

***Post-employment benefits***

As of December 31, 2023 and 2022, no loans, financing or any other advance were made by SMBCB to the Executive Board or any of their family members.

The members of the Executive Board did not hold any shareholding in SMBCB.

**28 Sponsored post-employment benefits**

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

IAS 19 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 plan's assets (appreciations and devaluations). The adoption of the aforementioned Standard applies to years started as from January 1, 2015, and the effects are recorded retrospectively in the books, as changes in accounting practices. Adopting this practice will basically lead to full recognition, as liabilities, of actuarial losses (actuarial deficit) not recognized to date, against an equity account.

**a. Retirement plan**

The Bank sponsors Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência Privada ("Entity"), established on April 20, 1992, and primarily engaged in granting lump sum benefits and/or supplemental income to the Bank's employees and officers 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, 2023, we had no significant variations in actuarial update parameters.

| | RETIREMENT PLAN | |
|---|---|---|
| | **2023** | **2022** |
| **Description** | | |
| Present value of actuarial obligations | 40,152 | 36,731 |
| Fair value of plan's assets | (32,945) | (29,727) |
| Deficit/ (Surplus) for covered plans | 7,207 | 7,004 |
| Adjustments for permitted deferrals | | |
| Net actuarial liabilities/ (assets) | 7,207 | 7,004 |
| Actuarial assumptions: | | |
| Nominal discount rate for actuarial obligation | 9.56% p.a. | 10.91% p.a. |
| Estimated rate of nominal salary increase | 4.00% p.a. | 4.50% p.a. |
| Estimated rate of nominal benefit increase | 4.52% p.a. | 5.02% p.a. |
| Estimated inflation rate | 4.00% p.a. | 4.50% p.a. |
| Biometric table of general mortality | AT-2000 reduced by 10% and segregated by gender | AT-2000 reduced by 10% and segregated by gender |
| Biometric table for classification as disabled | "Mercer" table | "Mercer" table |
| Expected turnover rate | 0.31/ (length of service+1) | 0.31/ (length of service+1) |
| Chance of entering retirement | 10% on the first date of eligibility for early retirement; 3% between first eligibility for early and normal retirement; 100% on the date of eligibility for the normal retirement. | |

***Sensitivity Analysis***

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

| | **Sensitivity Analysis** | |
|---|---|---|
| **Present Value of the Obligations** | **2023** | **2022** |
| Discount Rate: 0.25% decrease | 851 | 756 |
| Discount Rate: 0.25% increase | (819) | (728) |

**B. Health Plan**

The Health 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 the Company's former employees and retired employees, in accordance with current regulations. Contributions to the plan were interrupted in December 2017, although there remains a group of employees who are entitled to this coverage, presenting the following actuarial liabilities:

| **Description** | **Health Plan** | |
|---|---|---|
| | **2023** | **2022** |

| | | |
|---|---|---|
| Net actuarial liabilities/ (assets) | 34,146 | 23,352 |
| Total | 34,146 | 23,352 |
| **Actuarial Assumptions/Actuarial Hypotheses** | | |
| Nominal discount rate for actuarial obligation | 9.71% p.a. | 10.96% pa |
| Estimated inflation rate | 4.00% p.a. | 4.50% pa |
| Biometric Turnover Table | Until 9 years SVC: 0.5/(Length of Service +1)<br>From 10 years SVC: 0.075/(Length of Service) +1) | Until 9 years SVC: 0.5/ (Length of Service +1)<br>From 10 years SVC: 0.075/ (Length of Service) +1) |
| Biometric retirement entry table | 55 years | 55 years |
| Biometric table of general mortality | AT-2000 segregated by gender and reduced by 10% | AT-2000 segregated by gender and reduced by 10% |
| Health Care Cost Trend Rate (HCCTR) | 7.12% p.a. 3.00% p.a. actual rate | 7.63% p.a. 3.00% p.a. actual rate |
| 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%<br>Termination: 100% | Retirement: 100%<br>Termination: 100% |
| Aging Factor | 3.00% (per year - age) | 3.00% (per year - 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 |

## 29 Other disclosures

### a. Assets pledged as collateral

The amounts of financial assets pledged as collateral for repo transactions agreed with other banks or clients and margin guarantee deposits for SMBCB operations at B3 SA - Brasil, Bolsa, Balcão correspond to:

| | **2023** | **2022** |
|---|---|---|
| Margin for B3 S.A. - Brasil, Bolsa, Balcão operations | 1,260,727 | 489,726 |
| Other assets pledged as collateral - surety | 110,702 | 76,957 |
| | 1,371,429 | 566,683 |

### B. Relevant client operations

No revenue from transactions with a single external client or counterparty reached 10% or more of SMBCB's total revenue in 2023 and 2022.

**30 Risk management**

SMBCB constantly seeks to assess and improve its risk management framework, influencing its culture and the way it operates. This practice is based on standardized and objective procedures, methods and techniques to monitor, measure, mitigate and report exposures to risks of any nature in the various activities and processes developed, products or services offered, in order to support the continuous sustained development of its activities.

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

SMBCB's Risk Management Framework has policies that adhere to best market practices, and is in line with the guidelines defined by the regulatory body.

**(i) Risk management methodology**

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

The risk management methodology is suitable for SMBCB's activity profile, and it is also worth highlighting that the Compliance and Internal Audit structures are important elements in improving the methodology.

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

**(ii) Risk appetite**

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

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

SMBCB is characterized by its extremely conservative profile, with the governance structure committed to defining and constantly monitoring the risk appetite adopted.

**(iii) Market Risk**

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

In line with the best corporate governance practices, with the objective of preserving and strengthening the management of market and liquidity risks at SMBCB, as well as complying with the provisions of current regulations, market risk management involves several areas, which have specific responsibilities in the process, ensuring an efficient structure for measuring and controlling market risk.

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

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

SMBCB's limit structure is defined by the risk area of its headquarters, taking into account the Bank's operating profile in the country.

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

The limits used to control Market Risk are reviewed annually. The following market risk measurement methodologies and control limits are used: exposure in foreign currency (FX), Stop Loss (methodology that aims to review positions, if accumulated losses in a given period reach a certain amount), and sensitivity to changes in the term structure of interest rates, BPV (market risk measurement methodology that verifies the change in the market value of positions after a shock of 0.01% - one basis point - in interest rates).

In addition, Stress Test reports and regulatory capital reports are produced (IRRBB - regulatory capital for interest rate risk in the Banking Book, Regulatory Capital for the Trading Book), in accordance with the requirements of the Central Bank of Brazil (Bacen);

Market risk management follows the segregation of operations in the Trading Book and Banking Book, in accordance with the criteria established by CMN Resolution 4.557 and BACEN Circular Letter 3.354 (local standards that establish requirements to be observed by financial institutions in risk management).

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

**(iv) Operational Risk**

Operational risk is defined as the risk of loss arising from deficiencies, failures or inadequacy of internal processes, involving people, systems, or external events. This definition includes the legal risk associated with inadequacy or deficiency in contracts signed by SMBCB, as well as sanctions due to non-compliance with legal provisions and compensation for damages to third parties resulting from the activities carried out by SMBCB.

***a Business continuity plan***

SMBCB, in order to be prepared to minimize the financial, operational, legal and regulatory impacts caused by the unavailability of physical and logical access, provides its clients with essential products and services, as well as the information required by official bodies and representatives in abroad, has established a Business Continuity Plan (BCP), with the objective of establishing and implementing means/mechanisms to protect the physical integrity of people and ensure the continuity of the Bank's critical business, in the face of events/incidents that may generate interruptions /outages, such as, but not limited to: fire, explosions, bomb threats, strikes, social unrest, power outage and failures in critical systems or in the Bank's technology and support infrastructure.

***b. Consolidated management of operational risk events***

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

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

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

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

**(v) Credit Risk**

***a. Introduction to credit risk treatment***

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

Under current regulations, SMBCB has a single department responsible for managing credit, market and liquidity risks. The structure is proportional in size to the risks relating to the complexity of the products offered by SMBCB, the nature of the operations and SMBCB's risk exposure guidelines.

In SMBCB's organizational structure, the risk monitoring function is represented by an independent board from the business and audit area, which is essential for having an independent vision and control of risk.

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

| **Maximum exposure to credit risk** | **2023** | **2022** |
|---|---|---|
| Credit risk related to assets recorded on the Statements of financial position: | | |
| Securities | 2,473,176 | 1,786,908 |
| Investments in repo transactions | 1,695,719 | 2,041,055 |
| Interbank deposits | 1,047,015 | 964,167 |
| Loans and receivables | 2,276,956 | 3,367,543 |
| | 7,492,866 | 8,159,673 |
| credit risk related to off balance sheet transactions*):* | | |
| Guarantees provided | 3,148,967 | 3,236,655 |
| | 3,148,967 | 3,236,655 |
| | 10,641,833 | 11,396,328 |

***b. Credit risk cycle***

SMBCB has control over the current position and potential future exposure of transactions where there is counterparty risk. Counterparty credit risk consists of the possibility of a counterparty not fulfilling its obligations, financial or otherwise, causing losses to SMBCB. All risk exposure and counterparty performance are analyzed in the credit limit granting process, forming part of the general credit limits granted to clients.

*c. Measures and measurement tools*

*c.1 Credit quality ratings (rating tools)*

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

**Quantitative:** balances from statements of financial position, statements of profit or loss and cash flows are entered into the GBR system, which automatically carries out (i) a balance sheet analysis, taking into account various parameters, such as evolution of net sales, EBITDA and respective margin, Profitability, evolution of Equity and total Assets, Gross Debt to Equity ratio and EBITDA and Equity to Total Assets ratio, among other parameters, and (ii) assignment of obligor grade.

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

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

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

The facility grade follows the same principle as the obligor grade and the value attributed to this grading must be equal to the obligor grade, when there are no guarantees attached to the loan, or better to the obligor grade, when the transaction has some form of guarantee.

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

| **Obligor** grade | **Category** |
|---|---|
| 1 | Normal debtor |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
| 13 | |
| 14 | Debtor requiring attention |
| 15 | |
| 16 | |
| 17 | Potentially bankrupt debtor |

| | |
|---|---|
| 18 | Bankrupt debtor |

The categories demonstrated above can be described as follows:

**Normal Debtor -** debtor who demonstrates good business performance and whose financial position is considered to have no specific problem;

**Debtor that Requires Attention -** debtor that needs to be monitored, with special attention. It may be a:

- Debtor who presents problems in their loans, such as reduction, forgiveness or suspension of interest payments;

- Debtor with problematic performance in relation to their loans, such as virtual delay in payment of principal and interest amounts; or

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

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

- Negative equity, although still in operation;

- Extremely poor business performance;

- Concern regarding receipt of principal and interest amounts and, therefore, a high possibility of losses for SMBCB; or

- High possibility of bankruptcy in the future;

**Bankrupt Debtor -** the debtor is legally or formally bankrupt.

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

Guarantees are considered as a second source of payment to ensure credit recovery, and their assessment is carried out individually for each client based on strict rules from the Headquarters.

In this way, the definition of credit risk mitigators is carried out individually, when granting credit, considering the payment capacity through analysis of flow and cash, understanding potential and real business conditions.

Due to SMBCB's business focus, the guarantees are mostly based on issuance of letters of guarantee from the headquarters, covering the commercial risk of its branches in Brazil.

The efficiency assessment of these instruments is carried out periodically, with the aim of ensuring their liquidity and sufficiency (coverage margin).

**• Liquidity**

In other words, the ability to convert guarantee into currency. In this sense, guarantees can be more or less liquid, impacting the currency translation price.

**• Coverage Margin**

It is the percentage between the amount of the guarantee and the amount of the debt. In addition to the cost of money, one must take into account the liquidity of the guarantee, that is, its greater or lesser convertibility.

*c.3 Distribution of credit risk*

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

***d Liquidity Risk***

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

Knowledge and monitoring of this risk are crucial, especially so that SMBCB Sumitomo can settle operations in a timely and safe manner.

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

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

Establishment of the contingency plan; and

Emergency supplementary funds for liquidity.

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

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

| | **December 31, 2023** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **In thousands of *Reais*** | | | | | | |
| | **In cash** | **Up to 3 months** | **3 to 12 months** | **Over 12 months** | **3 to 5 years** | **After 5 years** | **Total** |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 122,950 | 1,942,703 | - | - | - | - | 2,065,653 |
| Derivative financial instruments | - | 36,806 | 102,409 | 240,467 | - | - | 379,682 |
| Securities | - | 694,846 | 275,289 | 1,503,041 | - | - | 2,473,176 |
| Interbank deposits | - | - | 314,489 | 732,526 | - | - | 1,047,015 |
| Foreign currency investments | - | - | - | - | - | - | - |
| Loans | - | 105,505 | 1,399,601 | 771,850 | - | - | 2,276,956 |
| **Total assets** | **122,950** | **2,779,860** | **2,091,788** | **3,247,884** | - | - | **8,242,482** |
| **Liabilities:** | | | | | | | |
| Deposits from clients | 75,264 | - | 1,146,866 | 858,760 | - | - | 2,080,890 |
| Open market funding | - | - | 15,009 | - | - | - | 15,009 |
| Funds from acceptance and issue of securities | - | - | - | - | 114,495 | - | 114,495 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Obligations for loans and on-lending | - | - | 2,136,674 | 1,289,762 | - | - | 3,426,436 |
| Subordinated debts | - | - | - | - | - | - | - |
| **Total liabilities** | **75,264** | **-** | **3,298,549** | **2,148,522** | **114,495** | **-** | **5,636,830** |
| **Difference (assets and liabilities)** | 47,686 | 2,779,860 | (1,206,761) | 1,099,362 | (114,495) | - | 2,605,652 |

| | **December 31, 2022** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **In thousands of *Reais*** | | | | | | |
| | **In cash** | **Up to 3 months** | **3 to 12 months** | **Over 12 months** | **3 to 5 years** | **After 5 years** | **Total** |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 111,418 | 2,328,241 | - | - | - | - | 2,439,659 |
| Derivative financial instruments | - | (16,695) | (14,108) | 174,543 | - | - | 143,740 |
| Securities | - | 838,662 | 114,667 | 833,579 | - | - | 1,786,908 |
| Interbank deposits | - | 161,945 | 555,709 | 408,458 | - | - | 1,126,112 |
| Loans | - | 323,191 | 2,336,291 | 708,061 | - | - | 3,367,543 |
| **Total assets** | **111,418** | **1,594,289** | **2,992,559** | **2,124,641** | **-** | **-** | **6,822,907** |
| **Liabilities:** | | | | | | | |
| Deposits from clients | 90,076 | 584,270 | 707,650 | 757,020 | - | - | 2,139,016 |
| Open market funding | - | - | 31,006 | - | - | - | 31,006 |
| Funds from acceptance and issue of securities | - | - | - | 100,128 | - | - | 100,128 |
| Obligations for loans and on-lending | - | - | 2,585,858 | 1,557,373 | - | - | 4,143,231 |
| **Total liabilities** | **90,076** | **584,270** | **3,324,514** | **2,414,521** | **-** | **-** | **6,143,381** |
| **Difference (assets and liabilities)** | 21,342 | 1,010,019 | (331,955) | (289,880) | - | - | 409,526 |

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

### a. Reconciliation of differences between BR GAAP and IFRS on December 31, 2023 and 2022

| | | **2023** | **2022** |
|---|---|---|---|
| **Income - BRGAAP** | | 236,982 | 136,780 |
| Adjustment – Foreign Exchange | b.1 | 1,664 | (1,319) |
| Adjustment - Provision for losses | b.2 | (2,093) | 1,652 |
| Adjustment - Lease | b.3 | (85) | 873 |
| Adjustment - Deferred Taxes | b.4 | 283 | (725) |

| | | | |
|---|---|---|---|
| **Income - IFRS** | | 236,751 | 137,261 |
| **Tax effect** | | **2023** | **2022** |
| Adjustments – Equity | | 8,814 | 9,441 |
| Tax rate – Income Tax and Social Contribution | | 45% | 45% |
| **Tax effect 2023 – Equity** | | **(3,966)** | **(4,249)** |
| Tax effect 2023 – Equity | | (4,249) | (3,524) |
| **Tax effect 2023 - Income** | | **283** | **(725)** |

**b. Summary of the main differences between BR GAAP and IFRS**

***b.1 Foreign Exchange***

In BRGAAP, transactions denominated in foreign currencies are converted into the entity's functional currency (*Real*) using the "PTAX 800" rate (average charged on the day), as determined by the rules of the Central Bank of Brazil. According to IAS 21, transactions in foreign currency must be converted into the Bank's functional currency on the balance sheet closing dates using the closing rates of purchase (for assets in foreign currency) and sale (for liabilities in foreign currency).

The difference in the conversion rate of operations in foreign currency generates adjustments to accounting criteria.

***b.2 Provision for credit losses***

Under BRGAAP, SMBCB makes a provision for expected losses associated with credit risk, based on the assumptions of CMN Resolution No. 2.682.

Under IFRS, a provision for expected credit losses is created for all financial assets classified in the Amortized Cost and Fair Value categories, according to the methodology described in detail in Note No. 3(c) and developed to comply with IFRS 9.

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

***b.3 Leases***

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

The new IFRS accounting practice differs substantially from the accounting practice established under BRGAAP for the treatment of these lease contracts, according to which there is no provision for the recognition of assets and liabilities, but only the recording of lease expenses as payments are due.

***b.4 Tax effect on IFRS adjustments***

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

Deferred Income Tax and Social Contribution adjustments calculated on IFRS adjustments were reflected in the reconciliation.

## 32 Subsequent Events

On March 14, 2024, the Bank sent the amount of R$149,700 (R$130,987 net of taxes), related to interest on equity, to the controlling shareholder SMBC Japan, as previously resolved at the Extraordinary General Meeting of December 29, 2023.

On March 15, 2024, at the Extraordinary General Meeting, the capital increase in the amount of R$116,000 was approved through the recapitalization of interest on equity. This amount was received on March 14, 2024 and until the closing of these financial statements, the approval process with the Central Bank of Brazil is still under evaluation. The amount is registered in a separate account in Shareholders' Equity and will be fully paid on the date of approval.