



Consolidated Financial Statements

December 31, 2022



KPMG Auditores Independentes Ltda.
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
PicS Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of PicS Ltd. (the Company) as of December 31, 2022, and 2021, the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”).

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG Auditores Independentes

KPMG Auditores Independentes Ltda.

We have served as the Company’s auditor since 2019.

São Paulo, Brazil
May 05, 2023

ASSETS	Note	December 31, 2022	December 31, 2021
Cash and cash equivalents	7	6,361,401	149,291
Financial assets		5,044,434	9,115,601
Financial assets measured at fair value through other comprehensive income	8	829,750	1,856,299
Financial investments		829,750	1,856,299
Financial investments at fair value through profit or loss	8	740,019	-
Financial investments		740,019	-
Financial assets measured at amortized cost		3,474,665	7,259,302
Financial investments	8	-	4,637,289
Trade receivables	9	3,404,933	2,554,258
Other receivables	10	69,732	67,755
Prepaid expenses	11	45,871	26,696
Other assets		3,684	1,207
Tax assets	25.1	204,852	56,426
Current income tax assets		198,010	56,426
Deferred tax assets		6,842	-
Legal deposits		320	70
Investments		-	11
Property, plant and equipment	12	34,834	43,381
Right of use – leases	12	44,837	51,709
Intangible assets	13	409,927	253,720
TOTAL ASSETS		12,150,160	9,698,112
LIABILITIES	Note	December 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost		10,545,831	9,026,073
Third-party funds	14	10,172,578	6,510,209
Loans	15	-	228,279
Trade payables	16	373,253	323,985
Obligations to FIDC quota holders	17	-	1,963,600
Labor obligations	18	339,267	192,471
Taxes payable	25.2	42,969	43,836
Lease liability	19	52,953	58,911
Provision for legal and administrative claims	20	6,912	1,461
Total Liabilities		10,987,932	9,322,752
Equity		1,162,228	375,360
Share capital	21	1,687	272
Additional paid-in capital	21	1,749,566	894,883
Capital reserve	21c	525,289	502,027
Fair value reserve	21	(265)	(1,349)
Other Comprehensive Income		194,910	-
(-) Accumulated losses		(1,201,648)	(1,155,956)
Non-Controlling interests		(107,311)	135,483
TOTAL EQUITY AND LIABILITIES		12,150,160	9,698,112

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

PicS Ltd.**Consolidated statements of profit or loss**

For the years ended December 31, 2022 and 2021

(Thousands of Brazilian Reais, except loss per share)



	Note	Year ended December 31	
		2022	2021
Net revenue from transaction activities and other services	23a	833,318	226,282
Financial income	23b	2,101,981	918,428
Total revenue and financial income		2,935,299	1,144,710
Cost of sales and services	24	(756,346)	(572,228)
Selling expenses	24	(853,750)	(1,260,280)
Administrative expenses	24	(707,848)	(488,062)
Financial expenses	24	(1,259,646)	(445,392)
Other (expenses) income, net	24	(56,594)	(279,258)
Loss before income taxes		(698,885)	(1,900,510)
Income taxes	25.3	5,988	387
Loss for the period		(692,897)	(1,900,123)
Loss attributable to the Company's shareholders		(45,692)	(1,557,956)
Loss attributable to non-controlling interests		(647,205)	(342,167)
Loss per share – basic and diluted (R\$)	21d	(39.241)	(1,423.076)

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

PicS Ltd.

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

(Thousands of Brazilian Reais)



	Year ended December 31	
	2022	2021
Net loss for the period	(692,897)	(1,900,123)
Other comprehensive income (OCI)		
- Items that can be subsequently reclassified to profit or loss		
Net change in fair value of financial assets at fair value through other comprehensive income	1,084	(1,626)
Adjustment to fair value transferred to income statement	(242)	-
Gain/loss with sale of NCI without a change in control	194,910	-
Total comprehensive loss	(497,145)	(1,901,749)
Comprehensive loss attributable to the Company's shareholders	150,040	(1,559,582)
Comprehensive loss attributable to non-controlling interests	(647,185)	(342,167)

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

PicS Ltd.

Consolidated statements of changes in equity

For the years ended December 31, 2022 and 2021

(Thousands of Brazilian Reais)



	Note	Share capital	Additional paid-in capital	Capital reserve	Fair value reserve	Other Comprehensive Income	Accumulated losses	Non Controlling interest	Total
Balances as of December 31, 2020 - PicPay		841,246	-	652,766	277	-	(1,183,691)	-	310,598
Other comprehensive income for the period		-	-	-	(267)	-	-	-	(267)
Capital increase	21a	177,201	-	-	-	-	-	-	177,201
Capital reserve		-	-	250,906	-	-	-	-	250,906
Net loss for the period		-	-	-	-	-	(402,004)	-	(402,004)
Balances as of April 18, 2021 - PicPay		1,018,447	-	903,672	10	-	(1,585,695)	-	336,434
Restructuring of April 19, 2021		(1,018,394)	336,424	(903,672)	-	-	1,585,695	-	53
Balances as of April 19, 2021 - PicS		53	336,424	-	10	-	-	-	336,487
Other comprehensive income for the period		-	-	-	(1,359)	-	-	-	(1,359)
Capital increases	21a	18	104,810	-	-	-	-	-	104,828
Sale of NCI without a change in control	21a	-	-	-	-	-	-	931,500	931,500
Acquisition of NCI without a change in control	21a	201	453,649	-	-	-	-	(453,850)	-
Capital reserve		-	-	502,027	-	-	-	-	502,027
Net loss for the period		-	-	-	-	-	(1,155,956)	(342,167)	(1,498,123)
Balances as of December 31, 2021- PicS		272	894,883	502,027	(1,349)	-	(1,155,956)	135,483	375,360
Other comprehensive income for the period		-	-	-	1,084	-	-	-	1,084
Capital increases	21a	107	59,001	-	-	-	-	-	59,108
Sale of NCI without a change in control	21a	-	-	-	-	-	-	1,396,311	1,396,311
Gain/loss with sale of NCI without a change in control		-	-	-	-	194,910	-	(194,910)	-
Acquisition of NCI without a change in control	21a	1,308	795,682	-	-	-	-	(796,990)	-
Capital reserve	21c	-	-	23,262	-	-	-	-	23,262
Net loss for the period		-	-	-	-	-	(45,692)	(647,205)	(692,897)
Balances as of December 31, 2022 - PicS		1,687	1,749,566	525,289	(265)	194,910	(1,201,648)	(107,311)	1,162,228

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

PicS Ltd.**Consolidated statements of cash flows**

For the years ended December 31, 2022 and 2021

(Thousands of Brazilian Reais)



	Note	2022	2021
Loss for the period		(692,897)	(1,900,123)
Adjustments for			
Related party transactions		23,262	752,929
Labor provisions		33,141	34,774
Depreciation/amortization	12/13	74,381	49,449
Provision for legal and administrative claims	20	7,660	3,716
Chargeback provision	9	(350)	3,274
Impairment loss on trade receivables		4,091	-
Impairment of intangible assets	13	-	852
Loss or gain on disposal of property, plant and equipment	12/13	3,821	413
Interest accrued on loans	15	18,733	3,277
Interest accrued on FIDC senior quotas		-	105,642
Interest accrued on financial investments		334,115	80,406
Variations in operating assets and liabilities			
- financial investments		4,590,788	(5,269,964)
- trade receivables and other receivables		(763,535)	(1,833,809)
- prepaid expenses		(19,175)	(7,924)
- other assets		(158,792)	(50,437)
- third-party funds		4,190,063	5,462,925
- labor obligations and taxes payable		117,585	146,470
- change in trade payables and other obligations		50,952	258,720
- legal and administrative claims	20	(2,209)	(2,613)
Interest paid		(640,969)	(347,238)
Net cash (used in) from operating activities		7,170,665	(2,509,261)
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	28	-	(54,824)
Cash received in common control transactions	2	154,530	-
Acquisition of investments		11	(1)
Acquisition of property, plant and equipment		(5,328)	(24,805)
Acquisition of intangible assets		(212,442)	(219,050)
Net cash used in investing activities		(63,229)	(298,680)
Cash flows from financing activities			
Share capital increase		59,108	282,083
Issuance of non-controlling interests		1,248,200	931,500
Proceeds from FIDC senior quotas		190,672	977,770
Repurchase of FIDC senior quotas	17	(2,154,272)	-
Proceeds from loans		-	228,279
Payment of loans		(228,279)	-
Payment of leases		(10,755)	(8,849)
Related party funding payments		-	(245,755)
Related party funding receipt		-	680,330
Net cash (used in) from financing activities		(895,326)	2,845,358
Net increase in cash and cash equivalents		6,212,110	37,417
Cash and cash equivalents at the beginning of the period		149,291	111,874
Cash and cash equivalents at the end of the period		6,361,401	149,291

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

1. Operating context

PicS Ltd. ("PicS" or "Company", and together with its subsidiaries, "PicPay Group" or "Group") is a Cayman Island exempted company with limited liability, incorporated on April 16, 2021. On April 19, 2021, PicPay Instituição de Pagamento S.A. (formerly PicPay Serviços S.A., the company changed its name on October 26, 2021) ("PicPay") which was, at that time, directly controlled by J&F Participações ("J&F Participações") completed its corporate reorganization process ("the Restructuring"). Prior to the Restructuring PicS was a non-operating company with no material assets, liabilities or contingencies. The controlling shareholders of PicPay contributed their shares to PicS receiving shares of PicS in exchange and, in this way, became the holders of 100% of the shares of PicS. As a result, J&F Participações and PicS become, respectively, the indirect and direct controlling entities of PicPay. The ultimate shareholders of PicPay and its voting and non-voting interest were the same before and after the Restructuring.

The Group accounted for the Restructuring as a common control transaction, and the pre-restructuring carrying amounts of PicPay were included in the PicS consolidated financial statements at book value (carryover basis). Thus, these consolidated financial statements reflect:

1. The historical operating results, cash flows and financial position of PicPay prior to the Restructuring;
2. The contribution of PicPay's consolidated assets and liabilities at book value on April 19, 2021;
3. The consolidated operating results, cash flows and financial position of the Group following the Restructuring;

PicPay is a privately held company, constituted on July 10, 2015, with its principal place of business in the city of São Paulo, State of São Paulo, Brazil, which provides financial, communication and consumer services. On September 30, 2020 PicPay was authorized by Central Bank of Brazil ("BACEN") to operate as a Payment Institution.

In order to allow PicPay to offer its users the ability to make or accept certain payments in installments (e.g. payment of bank issued payment slips), the Company structured the Fundo de Investimentos em Direitos Creditórios Não-Padronizados PicPay I ("FIDC") domiciled in the city of Rio de Janeiro, State of Rio de Janeiro, Brazil, whose quotas were initially all held by its controlling quota holder, Banco Original S.A. ("Banco Original"). On February 23, 2021, the quotas held by Banco Original in FIDC PicPay I were converted into 1,023,000,000 senior quotas and FIDC PicPay I issued 113,668,226 subordinated quotas to PicPay in exchange for R\$ 97,800, which was settled in cash. PicPay began to consolidate FIDC PicPay I in February, 2021 which had a balance of cash and cash equivalents of R\$ 145,140 such that the net effect was an increase of R\$ 47,340 in cash and cash equivalents.

FIDC acts by acquiring from PicPay the scheduled series of monthly receivables generated when an individual makes a payment in installments using an on-boarded credit card or when a self-employed individual or merchant offers their customers the opportunity to make their payments in installments through PicPay.

On July 20, 2021 PicPay acquired 100% of the share capital of Guiabolso Correspondente Bancário e Serviços Ltda. ("Guiabolso") and its subsidiary Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.) ("Just") for R\$ 110,000, which was settled in cash. PicPay began to consolidate both entities in July, 2021 which had a consolidated balance of cash and cash equivalents of R\$ 7,836 such that the net effect was a decrease of R\$ 102,164 in cash and cash equivalents.

On December 31, 2021 the Group incorporated a new Brazilian entity named PicPay Holding Ltda. ("PicPay Holding"). As a result of the transaction described in Note 21a on December 31, 2021 this entity became an intermediate holding company that directly controls PicPay and is controlled by PicS.

On February 25, 2022 J&F Participações contributed its shares of PicPay Bank – Banco Múltiplo S.A. (formerly Banco Original do Agronegócio S.A., the company's change of name was approved by BACEN on May 26, 2022) ("PicPay Bank") to PicPay Holding. J&F Participações contributed 102,192,983 shares free and clear of any encumbrances representing 100% of the share capital of PicPay Bank, in exchange for the issuance by PicPay Holding of 146,900,768 common shares with a total par value of R\$ 146,901. PicPay Holding began to consolidate PicPay Bank in February, 2022 when there was a net increase in cash and cash equivalents of R\$ 153,380.

On September 14, 2022 J&F Participações contributed its shares of Crednovo Sociedade de Empréstimo Entre Pessoas S.A. ("Crednovo") to PicPay Holding. It contributed 26,000,000 shares free and clear of any encumbrances representing 100% of the share capital of Crednovo, in exchange for the issuance by PicPay Holding of 1,209,523 common shares with a total par value of R\$ 1,210. PicPay Holding began to consolidate Crednovo in September, 2022 when there was a net increase in cash and cash equivalents of R\$ 1,150.

2. Presentation and preparation of the Consolidated Financial Statements

2.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements of the Company were prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Board of Directors at the meeting held on Maio 05, 2023.

The Group's future strategy is expected to continue to focus on acquiring users and developing new products and services, there is a pipeline of new products in all business segments for the coming years. The Group's expectation is that the existing user base, products and features will begin to generate results and that retained users will not require significant additional costs and will generate more revenue, as they transact more often and in more products. For 2023 onwards, our main focus is to grow with profitability and continue to scale our products and services to our clients, increasing our portfolio of financial services and pursuing a closer relationship with our client base, willing to become the primary

Until it reaches the maturity of its user base, and has a complete portfolio of products, the Group will continue to require contributions from its shareholders. The contribution needs are projected through periodic monitoring of the Group's cash flow. Contributions need to be approved by the Board of Directors and by BACEN. The current shareholders have committed to support all actions required for continuing as a going concern, with the commitment to invest additional funds as considered necessary by management.

The consolidated financial statements were prepared on a historical cost basis, unless otherwise stated.

2.2 Basis of consolidation

These consolidated financial statements include PicS and all entities over which it has control (subsidiaries). Control is when the Group is exposed or has rights to variable returns from its involvement with the investee, has existing rights that give it the ability to direct the relevant activities and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the entity and ceases when the Group loses control. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group obtains control until the date the Group loses control. Intragroup transactions between parent company and its subsidiaries are eliminated in full on consolidation.

As described in Note 1, starting from the date of acquisition of the subordinated quotas the Group consolidates FIDC PicPay I, as it obtained control over it. The bylaws of the FIDC grant the Group significant decision-making authority over it, such as the right to determine which credits rights are eligible to be acquired by the FIDC. In addition, FIDC's senior quota holders receive a remuneration and must be fully redeemed by the Group at the maturity date. As sole holders of the subordinated quotas, the Group is exposed to the residual value in the FIDC after the senior quota holders have received their defined return. The senior quotas, when held by entities outside of the Group, are accounted for as a financial liability under "Obligations to FIDC quota holders" and the remuneration accrued to senior quota holders is recorded as "financial expenses". The Group obtained control over FIDC PicPay I in a transaction between entities under common control which was accounted for at cost.

The Company acquired 100% of the share capital of Guiabolso and its subsidiary, Just, which are both consolidated in these consolidated financial statements from the date control was obtained (July 20, 2021), refer to Note 28 for further details.

The Company consolidates 100% of the share capital of PicPay Bank in these consolidated financial statements from the date control was obtained (February 25, 2022). PicPay Bank was an entity under common control when J&F Participações contributed the totality of its shares to PicPay Holding. The Group accounting policy is to account for common control transactions at book value. As a result, on February 25, 2022, the Group consolidated the following assets and liabilities: cash and cash equivalents R\$153,380, tax assets R\$ 1,396, taxes payable R\$ 4,682 and provision for legal and administrative claims R\$ 2,515.

The Company consolidate 100% of the share capital of Crednovo in these consolidated financial statements from the date control was obtained (September 14, 2022). Crednovo was a entity under common control when J&F Participações contributed its shares to PicPay Holding. The Group accounting policy is to account for common control transactions at book value. As a result, on February 25, 2022, the Group consolidated the following assets and liabilities: cash and cash equivalents R\$ 2,782, intangible assets R\$ 1,130, labor obligations R\$ 1,584, taxes payables R\$ 329 and loans R\$ 1,500.

The consolidated financial statement includes PicPay and the following subsidiaries:

<u>Entity</u>	<u>Country</u>	<u>Principal activities</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Direct or Indirect Control</u>
<i>PicPay Holding Ltda.</i>	Brazil	Holding	92.42%	63.91%	Direct
<i>PicPay Instituição de Pagamento S.A.</i>	Brazil	Financial services	100.00%	100.00%	Indirect
<i>Fundo de Investimentos em Direitos Creditórios Não-Padronizados PicPay I (1)</i>	Brazil	Receivable investment fund	100.00%	100.00%	Indirect
<i>Guiabolso Correspondente Bancário e Serviços Ltda.</i>	Brazil	Bank correspondent	100.00%	100.00%	Indirect
<i>Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.)</i>	Brazil	Bank correspondent	100.00%	100.00%	Indirect
<i>PicPay Bank – Banco Múltiplo S.A. (formerly Banco Original do Agronegócio S.A.)</i>	Brazil	Bank services	100.00%	0.0%	Indirect
<i>Crednovo Sociedade de Empréstimo Entre Pessoas S.A.</i>	Brazil	Financial services	100.00%	0.0%	Indirect

(1) The % interest represents the percentage of the subordinated quotas issued by the FIDC and held by the Group.

Accounting policies have been applied uniformly to all consolidated entities.

3. Significant accounting policies

3.1 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which it operates and reflects the underlying transactions, events and conditions that are relevant to it. PicS is a holding company and does not have any direct operations. The only material asset is its indirect investment in PicPay which operates in Brazil, has the Brazilian Real (R\$) as its functional currency and determines its distributable profits, if any, in Brazilian Real. As a result, the currency that best reflects the economic substance of the underlying economic events that affect the Company, and therefore its functional currency, is the Brazilian Real. The Group uses the Brazilian real as its presentation currency.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments, which are redeemable within 90 days at a known amount of cash and are subject to an insignificant risk of change in value. Cash equivalents are held in order to meet short-term cash commitments, and not for investment or for other purposes.

3.3 Trade receivables

Amounts receivable from financial transactions processed by acquirers and card issuers

Composed of the amounts receivable from acquirers and card issuers for payment transactions with credit cards and debit cards made by users on the Group's payment platform. Receivables from debit card transactions are settled in 1 day and receivables from normal credit card transactions are settled on or prior to 32 days following the transaction. Payments on credit cards in installments generates a series of receivables due from the acquirer at monthly intervals for up to 12 months. These installments are generally either: (i) transferred to the FIDC via a pass-through arrangement under which the FIDC has recourse to PicPay; (ii) assigned to Banco Original. Prior to consolidation of the FIDC (starting on February 23, 2021 as described in Note 1), when the receivables were transferred to the FIDC, they were not derecognized as PicPay retained substantially all the risks and rewards of the receivables via the recourse mechanism. The amounts resulting from installment transactions are presented at present value and are net of provisions for credit and fraud risk (chargeback).

Amounts receivable from service provision

Primarily composed of receivables related to business partner commissions and intermediation fees charged for processing transactions receivable from commercial establishments.

3.4 Financial assets and liabilities

Financial assets

Financial assets are classified into the following categories: (i) at fair value through other comprehensive income (FVOCI); (ii) amortized cost; and (iii) measured at fair value through profit or loss (FVTPL). The classification is made based both on the Group's business model, for the management of the financial asset, and on the characteristics of the contractual cash flows of the financial asset.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets the "principal and interest only" criteria, that is, cash flows that exclusively constitute principal and interest payments, and that is maintained in a model businesses whose objective is achieved both by obtaining contractual cash flows and by selling the financial asset.

Upon initial recognition, the Group may make an irrevocable choice to present, in other comprehensive income, subsequent changes in the fair value of investment in an equity instrument.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss, fair value gains and losses are recognized in Other Comprehensive Income. Upon derecognition, accumulated gains and losses in Other Comprehensive Income are reclassified to profit or loss.

Amortized cost

They are instruments maintained within the business model whose objective is to maintain financial assets in order to receive contractual cash flows and in contractual terms give rise to cash flows that constitute, solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). The amortized cost is reduced by impairment losses, interest revenue, exchange gains and losses and impairment are recognized in profit or loss.

Financial assets at fair value through profit or loss

A financial instrument is measured at fair value through profit or loss when the assets do not meet the classification criteria of the other categories. Additionally, the Group may, upon initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if, in doing so, it can eliminate or significantly reduce a measurement or recognition inconsistency.

Financial assets recognized in this category is to maintain exclusively to manage cash flow, is not expected received contract cash flow in this financial instrument.

Derecognition

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group transferred its contractual rights to receive cash flows from the asset or assumed a contractual obligation to pay the received cash flows, without material delays, to a third party; and, either the Group transferred substantially all the risks and benefits of the asset, or the Group did not transfer nor retained substantially all the risks and benefits of the asset, but transferred control of the asset.

When the Group transfers its contractual rights to receive cash flows from an asset, it assesses whether, and to what extent, it retained the risks and benefits of ownership. When it has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continued involvement.

In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company maintained.

Expected credit loss

The Group's credit risk arises from exposures to other financial institutions or acquirers, including cash operations, cash equivalents, investments, financial assets and deposits. As a prepaid payment institution, PicPay does not carry out credit operations for its users. To calculate the expected credit loss, we use the following parameters: PD (Probability of Default) — probability of default of the credit obligation. LGD (Loss Given Default) — amount lost due to default and EAD (Exposure at Default) — amount exposed at the time of default.

Financial liabilities

Financial liabilities are measured at amortized cost.

Amortized cost

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method, with interest expenses recognized using the effective interest rate.

A financial liability is derecognized when it is settled, canceled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

3.5 Other assets

Measured at cost of acquisition or investment plus, when applicable, indexation calculated on a *pro rata die* basis up to the reporting date.

3.6 Property, plant and equipment

Measured at historical cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line method and considers the estimated useful life of the assets. The estimated useful life, residual values and depreciation methods are reviewed annually and the effect of any changes in estimates is accounted for prospectively.

The useful lives of fixed assets are estimated as follows:

- Machinery and equipment — 10 years
- Right of use — leases — 5 to 10 years
- Computers and equipment — 5 years
- Furniture and fixtures — 10 years
- Improvements — 5 to 12 years
- Facilities — 10 years

Items of property, plant and equipment are written off after disposal or when there are no future economic benefits arisen from the continuing use of the asset. Any gains or losses from the sale or write-off of the assets are determined by the difference between the amounts received in sale and the carrying amount and are recognized in profit or loss.

3.7 Intangible Assets

Intangible assets refer to software licenses and software developed internally or externally, have a defined useful life and are recorded at cost, less amortization and accumulated impairment losses. Amortization is recognized by the straight-line method, based on the estimated useful life of the assets. The estimated useful life and the amortization method are revised yearly, and the effects of any changes in estimates are recorded prospectively. The amortization term of all significant intangible assets is of 5 to 10 years, being amortized at the rate of 20% per year.

Development expenditures are capitalized only if they can be reliably measured, if future economic benefits are likely, and if the Group has sufficient intent and resources to complete development and use or sell the asset. Other development expenses are recognized in profit or loss as incurred. After initial recognition, capitalized development expenses are measured at cost, less accumulated amortization and any losses due to impairment.

3.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations. A long-term growth rate is calculated and applied to project future cash flows.

3.9 Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, including assets transferred and liabilities assumed, measured at fair value.

Any contingent consideration to be transferred by the Group is recognized at fair value on acquisition date. Subsequent changes in the fair value of the contingent consideration treated as an asset or liability are recognized in profit or loss.

Goodwill is measured as the excess of the consideration transferred over the fair value of net assets acquired. If the consideration transferred is smaller than the fair value of net assets acquired, the difference is recognized as a gain on bargain purchase in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is tested for impairment annually.

The amount recognized as a provision for post-combination service for executives and employees is calculated on a straight-line method and considers vested period established in contract.

Business Combination under common control

A business combination involving entities under common control is one in which all entities of the combination are controlled by the same ultimate partners, both before and after the combination, and that control is not transitory. In this situation, the pre-combination carrying amounts of the assets and liabilities are merged into the Group, without any fair value measurements. The Group does not recognize goodwill arising from these combinations.

Post-combination service payment

Payments made to shareholders of acquired entities which are contingent on the shareholders remaining as an employee of the Group for a defined period are recognized as personnel expenses over this defined period.

3.10 Leases

For lease agreements with a term of more than one year, the Group recognizes: (i) a lease liability that corresponds to the sum of the consideration of the agreement at present value and (ii) a right-of-use asset. The values of the lease liability and the right-of-use asset are remeasured when changes and/or adjustments in the agreements occur, and the right-of-use asset is evaluated, at least annually (and/or when there is evidence) for impairment.

Lease agreements are recognized as follows:

Lease liabilities

Initially measured at the present value of lease payments that were not paid on the start date, discounted using the Group's incremental financing rate.

Lease term

The Group recognizes the lease agreements in accordance with the respective contractual terms, including optional renewals when this renewal is reasonably certain.

Incremental loans interest rate

To calculate the present value of the payments, the Group determines the interest rate that would be paid to finance the acquisition of the leased assets, based on the rates practiced in the most recent fundraising at the time of recognition of the lease.

Interest expense

Interest expenses are recognized as a financial expense and allocated to each period during the term of the agreement.

Depreciation of right-of-use assets

The useful life of the right-of-use assets is defined as the total term of the agreement, considering, if applicable, any reasonably certain renewals, with its depreciation being recognized in a straight line over the period of its useful life.

3.11 Third party funds

They refer to the balance of the users' pre-paid accounts and time deposits which can be redeemed at any time by the user. Such amounts are measured at the redeemable amount and consider the interest payable up to the reporting date, recognized on a *pro rata die* basis.

3.12 Funding from related parties

The amounts refer to installment receivables which have been transferred to the FIDC under a pass-through arrangement. As, prior to the consolidation of the FIDC, the installment receivable were not derecognized, a financial liability was recognized for the consideration received at the date of transfer.

3.13 Provisions

Provisions are recognized for present obligations (legal or constructive) resulting from past events, for which it is possible to estimate the amounts reliably and for which settlement is probable.

The amount recognized as a provision is the best estimate of the amount required to settle the obligation at the end of each year, considering the risks and uncertainties related to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized when, and only when, the reimbursement is virtually certain and the amount can be measured reliably.

Expenses for the recognition of, or increase in, provisions are recognized in the statement of profit or loss, net of any reimbursement, when applicable.

3.14 Provisions for legal and administrative claims

The recognition, measurement and disclosure of provisions are as follows:

- Contingent assets — They are not recognized in the financial statements, except when their realization is virtually certain;
- Contingent liabilities — They are only disclosed in the financial statements because they are possible obligations, since there are still uncertainties as to whether the Group has an obligation that could lead to an outflow of resources that incorporate economic benefits;
- Provisions — They are recognized as a liability in the financial statements because they are present obligations and it is probable that an outflow of benefits will be necessary to settle the obligation;
- Legal obligations (tax and social security) — Liabilities arising from agreements, legislation or other legal action in which the entity has no option but to settle the obligation are recognized as a liability in the financial statements.

3.15 Income taxes

Income taxes in Brazil consist of Corporate Income Tax (IRPJ) and Social Security Contribution (CSLL). Current income tax is calculated based on the taxable income and a 15%, plus an additional 10% rate on taxable income exceeding R\$ 240/year for Corporate Income Tax, and 9% to 20% on taxable income for Social Security Contribution. Tax losses are carried forward indefinitely and can be used to offset current tax amounts, limited to 30% of taxable income for the year.

On April 28, 2022 a new law was approved (MP nº 1115) that increased Social Security Contribution by 1% from August 1, 2022 to December 31, 2022, which was applicable to in PicPay Bank. During this period the total rate of CSLL was 21%.

Income tax expense comprises current and deferred Corporate Income Tax and Social Security Contribution and are recognized in the statement of profit or loss, unless they are related to business combination or items directly recognized in equity or in other comprehensive income.

Current tax expense is the amount of Corporate Income Tax and Social Security Contribution payable or recoverable related to the taxable income for the period.

Cayman Islands local laws do not impose corporate income tax or tax capital gains and therefore there is no income tax impact from this jurisdiction on the Group.

Deferred taxes are amounts of tax assets to be recovered and tax liabilities to be paid in future periods. Deferred tax liabilities comprise taxable temporary differences and deferred tax assets result from income tax loss carryforwards and temporary differences. Deferred tax assets are recognized only when it is probable that there will be taxable profit against which it can be realized, based on technical studies prepared by the Group.

3.16 Revenue recognition

Revenue from service provision

The Group earns revenues from transaction services and other services that it provides to its customers.

Revenue is recognized in according to the following steps: identification of the contract and the performance obligation, determination and allocation of the transaction price and recognition of revenue when the performance obligation is satisfied.

Revenue from contracts with customers is recognized at the point of time when control of the services is transferred to the customer. Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. The Company generally acts as an agent in the provision of services as its role is to arrange for another entity to provide the goods or services.

The Group provides incentives with a variety of characteristics to users to promote its platform. The following criteria are assess to determine if the incentives are considered to be a component of revenue or are separately presented as marketing expenses: (i) whether the payments are to the customer in exchange for a distinct good or service; (ii) the existence of a performance obligation of the Group to the end user; (iii) whether there is an expectation of specific future contracts as a result of the incentive and (iv) whether the incentives are in substance a payment on behalf of the merchants or other parties involved in the arrangement.

The Group's financial and payment products are consolidated into the following groups:

- Person-to-Person ("P2P"): product intended for use between registered users (individuals), for non-commercial purposes, which allows the instant receipt of payments, made via the payer's on-boarded credit card or pre-paid account balance, to the receiver's PicPay account. When payment is made by credit card, PicPay act as a sub-acquirer.
- Professional ("PRO"): product intended for registered users, self-employed individuals and individual microentrepreneurs ("MEI"), for commercial purposes (sale of products/services), which enables instant receipt of payments made using the balance or on-boarded credit card of other registered users. When payment is made by credit card, PicPay act as a sub-acquirer.
- Person-to-Business ("P2B"): product intended for corporates for commercial purposes. In this product when payment is made using an on-boarded credit card, PicPay act as a sub-acquirer. The following modalities are considered in this product:
 - *Business* ("BIZ"): Intended for physical stores;
 - Electronic Funds Transfer ("EFT"): Intended for large networks;
 - E-commerce: Intended for online sales stores;
 - Signatures: Intended for recurring sales products (i.e. subscriptions).
- Cash withdrawal: enables users to withdraw money from automated teller machines ("ATM's"). PicPay currently offers one free withdrawal per month and charge a fee for each subsequent withdrawal.
- PicPay Store: Marketplace service on PicPay where third party products sold include cell phone top-ups, transport credits, credits on digital platforms, games, clothes, accessory and other digital goods.
- Bill Payment: product intended for settlement of bills and other charges usually paid via bank issued bank slips.
- Person-to-Machine ("P2M"): product in which individual users are able to make payments to merchants not accredited by PicPay, but by other acquirers with whom PicPay has an agreement with for this type of transaction, by scanning a QR-Code on the credit card machines.
- Loans: through PicPay's platform, users may obtain loans from financial institutions subject to the repayment of the principal amount plus interest. As a bank correspondent, PicPay receives commissions through the origination of loans in its platform. In the event of a default on the loan, PicPay is not required to return the commission.
- PicPay Card: product intended for individuals, for use in debit and credit card machines from other acquirers. In this product there are two modalities:
 - PicPay Debit Card: accepted in the network of Mastercard accredited establishments;
 - PicPay Credit Card: provided through the Company's banking correspondent agreement with Banco Original.
- Pix: instant payments system launched by the BACEN, enabling users to make and receive instant payments and transfer funds instantaneously at any time.
- P2P lending: one-on-one and collective (multiple investors to multiple borrowers).

Revenue from payment transaction activities and other services:

Substantially all of this type of revenue derives from the intermediation of electronic payments in which, generally, PicPay acts as a sub-acquirer. The registered users are charged a variable fee based on the transaction amount. These fees are charged on transactions which normally involve the use of on-boarded cards within the following products: P2P, PRO and P2B (BIZ, EFT, Signatures and E-commerce). PicPay's performance obligation is to act as an agent in capturing details of the transaction originated by the registered users and transfer this information to the acquirer who is responsible for processing and settling the transaction through the card payment scheme. In these transactions, PicPay does not bear the significant risks and rewards of the ultimate services provided to the client, is not responsible for the authorization, processing and settlement of the transactions within the card payment scheme, does not have the ability to establish the fees charged by other parties involved in the card payment scheme to the customer and does not bear the credit risk of the cardholder. The performance obligation is fulfilled when the customer uses PicPay's platform for any of these transactions and revenue is recognized on that date. These charges are deducted directly from the transaction amount. The related transaction costs are also recognized on the transaction date.

In December 2022, PicPay began operating as an acquirer in the intermediation of certain payments made on Mastercard and Elo card. The PicPay's performance obligation is to act as an agent in the transaction originated by the registered users and to process and settle the payment. PicPay does not bear the significant risks and rewards of the services provided to the client, with responsible for the authorization, processing and settlement of the transactions within the card payment scheme, does not have ability to establish the fees charged by other parties involved in the card payment scheme to the customer and does not bear the credit risk of the cardholder. These charges are deducted directly from the transaction amount.

• **Bill payment:** These revenues are generated when the customer uses an on-boarded credit card to pay a bill in a single installment. In these transactions, PicPay has two performance obligations, as follows:

1) to act as an agent in settling the customer's bill through the partner bank. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. These charges are a fixed amount per bill paid and are received on a monthly basis from the partner bank;

2) to act as an agent (sub-acquirer) in capturing details of the credit card transaction originated by the customer and transfer this information to the acquirer who is responsible for settling the transaction through the credit card payment scheme. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. The registered users are charged a variable fee based on the transaction amount. These charges are deducted directly from the transaction amount. The related transaction costs are also recognized on the transaction date.

Revenue from Commission — banking correspondent and marketplace

Revenue from commissions derive substantially from the following types of services:

• **Store:** PicPay acts as an agent in offering the good or services of the marketplace partners and facilitating the settlement either using cash in the customers' wallet or an on-boarded card. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. The amounts charged are variable based on the transaction amount and are received on a monthly basis from the marketplace partners.

• **Other services:** The revenues generated by other services including P2M, Loans, PicPay Card (Debit and Credit), Insurance brokerage, Crypto currency brokerage and fee to intermediate service payment bills from users to Banco Original. All revenues of other services are not individually material.

Financial income and expenses

The Group's financial income comprises interest income. Interest income is recognized using the effective interest rate method on the principal amount. The effective interest rate is the rate that discounts estimated future cash receipts during the estimated useful life of the financial asset to the initial measurement amount of that asset.

Financial expenses comprise interest on liabilities related to transfer of assets not derecognized, losses on assignment of assets that are derecognized and remuneration on the balances held by users in their payment accounts. It also includes bank fees and interest on late payments, when applicable.

3.17 Transactions with related parties

Transactions with related parties measured at fair value are accounted as follows:

3.17.1 PicPay Brand

On May 2, 2019 (as amended on May 30, 2019 and June 7, 2019), PicPay entered into a trademark sale agreement (Instrumento Particular de Cessão de Titularidade e Exploração de Marcas e Domínios) with J&F Participações, pursuant to which PicPay sold the trademark "PicPay" and certain other trademarks and domain names to J&F Participações. Pursuant to this trademark sale agreement, PicPay may continue to use the trademark and domain names for a period of four years, which can be extended by an additional period of four years upon mutual agreement of the parties. In exchange for its continued use of the trademarks and domain names during the term of the trademark sale agreement, PicPay agreed to pay J&F Participações royalties in an amount equal to 1% of its net revenues as from May 1, 2021.

On November 1, 2019 (as amended on May 15, 2020, August 31, 2020 and November 30, 2020), PicPay entered into a trademark management agreement (Acordo Operacional para Gestão da Marca PicPay) with J&F Participações, pursuant to which J&F Participações agreed to provide ongoing brand promotion and development services in connection with the "PicPay" trademark. In consideration for the services provided by J&F Participações pursuant to this trademark management agreement, PicPay agreed to pay to J&F Participações a fixed amount per each new user that registered for the PicPay app, as well as variable compensation based on PicPay's semi-annual net revenue in excess of a specified amount.

On March 18, 2021, the PicPay and J&F Participações entered into a termination agreement with respect to the trademark management agreement (the "Termination Agreement"), but the effects of this contract were subject to the completion of the Company's initial public offering. Even though the Company had not yet completed its IPO, on September 20, 2021, the parties decided to proceed with the Termination Agreement, with the transfer from J&F Participações of the trademark "PicPay" and certain other trademarks and domain names to PicPay for no consideration, and the financial obligations of the parties pursuant to the trademark management agreement and the trademark sale agreement were terminated, pursuant to terms of the Termination Agreement. The Group accounted for the reacquisition transaction at the amount agreed by the parties, which is zero. As no consideration was paid and the value of the trademark on a stand-alone basis is considered to be limited, no intangible asset was recognized.

In addition, as a result of the termination agreement, the financial obligations of the parties pursuant to the trademark management agreement and the trademark sale agreement ended on September 20, 2021. Accordingly, since that date, no royalty fees have been paid by the Company and the Company has been responsible for all of its brand promotion and development expenses in connection with the "PicPay" trademark. However, since the Company was already recognizing these expenses in profit or loss as described above, this did not have a significant impact on the financial statements of the Company.

3.17.2 Credit right transferred to FIDC and to Banco Original S.A.

Among the various products and features offered by the Group to its users, the payment in installments using the products Bill Pay and P2P have a high level of adherence and acceptance by users.

Credit rights arising from payments made in installments, that include amounts paid by acquirers to PicPay acting as sub-acquirer, until March 2022 were transferred to the FIDC, via a passthrough arrangement, or Banco Original.

The Group transferred the receivables at face value, without generating a gain or a loss on transfer, and is remunerated on a monthly basis by Banco Original. Due to the fact that these transactions were carried out between the Group and counterparties under common control (related parties), the Group has adjusted the amounts recognized to reflect amounts it estimates it would have received under similar agreements with unrelated parties:

- The monthly remuneration paid by Banco Original was reverted;
- For transfers to the FIDC, the expense on the related financing was adjusted to reflect an estimated market rate for similar financing (CDI + 2.08% per year).

This adjustment was made during the period when PicPay did not hold the subordinated quotas of the FIDC. Following the acquisition of the subordinated quotas on February 23, 2021 all the transactions between PicPay and FIDC were eliminated in the consolidation process and the expense recognized reflects the interest payable on the senior quotas issued. For the transactions with Banco Original, the adjustments were made throughout the periods presented.

3.18 Cripto Currency

The Group launched a platform, In July 2022, which allows customers to trade crypto assets, in partnership with a specialized company. Although, legally, the custody activity is carried out by the agent, the Group concluded, that the transaction related to crypto assets has some legal, regulatory and technological of the activities. As of December 31, 2022, users held crypto assets on the platform with a fair value of R\$ 12,740 (R\$ 0 as of December 31, 2021).

3.19 Derivative instruments

Derivatives are contracts or agreements whose value is derived from one or more underlying indices or assets referenced in the contract or agreement, which require little or no initial net investment and are settled at a future date.

The Group uses derivatives only for economic hedging purposes and not as speculative investments. However, derivatives that do not meet the hedge accounting criteria are classified as at fair value through profit or loss.

4. Operating segments

Operating segments are determined based on information reviewed by the Board of Directors, which is responsible for allocating resources and assessing business performance.

The Board of Directors analyzed results and made strategic decisions based on an unsegmented measure of profit or loss, therefore, the Group operates as a single reportable segment, which is payment transaction services.

There are no assets or revenues outside of Brazil.

5. Adoption of new and revised IFRSs

5.1 New standards and amendments effective for annual periods beginning on January 1, 2022

The following amended standards and interpretations did not have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 37 - Clarify that for the purpose of assessing whether a contract is onerous.
- Amendments to IAS 16 – Proceeds before Intended Use - improve transparency by clarifying the accounting requirements from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IFRS 3 - Updated the reference to the Conceptual Framework.

5.2 New standards and amendments effective for annual periods beginning after January 01, 2022, and that are available for early adoption

There are a series of new standards/amendments to standards effective for annual periods beginning after January 1, 2022 that have not been early adopted. The Group does not expect significant impact on its consolidated financial statements from their adoption.

6. Critical accounting judgments and key estimates and assumptions

In applying the Group's accounting policies, management must exercise judgment and make estimates which impact the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The underlying estimates and assumptions are reviewed at least annually. The effects arising from the revisions made to the accounting estimates are recognized in the period in which they are revised.

The following are the principal judgments and estimates made by Management during the process of applying the Group accounting policies and which significantly affect the amounts recognized in the financial statements.

6.1. Useful life of plant, property and equipment and intangible assets

The Company reviews the estimated useful life of plant, property and equipment and intangible assets annually and the rates currently used are considered representative of their useful lives.

6.2. Provision for fraud risk (chargeback)

To determine the need for a provision for fraud risk (chargeback), the Group evaluates the transactions for which cancellations were requested and estimates the provision based on the history of loss.

6.3. Fair value of transactions with related parties

The Group had to estimate the market rates for transfers of credit rights to the FIDC and Banco Original and expenses for the promotion of the PicPay brand incurred by J&F Participações prior to September 20, 2021. Judgment was required to estimate the terms of these transactions as if the same transactions had been made with third parties.

6.4. Consolidation of FIDC

When assessing whether or not the Group controls FIDC, management placed more emphasis on factors other than voting or similar rights as FIDC voting rights relate mainly to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

6.5. Goodwill

The Goodwill includes the value of expected synergies and other benefits from combining the assets and activities of the business acquired with those of the Group. It was initially measured as the difference between the consideration transferred and the fair value of the identified assets and the assumed liabilities of the acquired company on the date of acquisition which involved significant judgment.

6.6. Impacts of COVID-19 on the Financial Statements

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) was a global health emergency. On March 11, 2020, the same organization raised the pandemic outbreak rating due to its global reach. This outbreak triggered significant decisions by governments and private sector entities, which added to its potential impact, increased the degree of uncertainty for economic agents and generated relevant impacts on the amounts recognized in the financial statements.

Since the beginning of the outbreak management has been continually assessing its impact on the Group's operations and equity and financial position, with the aim of implementing appropriate measures to mitigate the impacts of the outbreak on its operations and financial results.

During the pandemic, the digital wallet has proved to be an important aid tool for citizens who are in social isolation, especially for the most sensitive communities. PicPay created a Donation Center to connect people with causes linked to COVID-19. Users can make donations to different entities that today are raising funds to fight the crisis and support people. In addition, PicPay, through integration with municipal governments, has become a facilitating means for emergency aid benefits to reach citizens efficiently, quickly and safely, which increased the number of active users, transactions volumes and the balances in the portfolio.

For the year ended December 31, 2022, Brazil observed a decrease in the number of infected people and deaths by COVID-19, and the industry was back to normal activity level to that observed before the pandemic. These two factors helped also increasing TPV and revenues for the company along with new products and services launched during the year. Moreover, there were no significant impacts observed on intangible assets, fixed assets and provisions and/or contingent liabilities.

7. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and banks	134,250	148,574
Reverse repurchase agreements ⁽¹⁾	6,227,151	-
Automatic investments - current account	-	717
Cash and cash equivalents	6,361,401	149,291

Values that are automatically transferred by the bank to an "investment" account overnight are presented as automatic investments - current account, where the balance plus income returns to the original checking account on a daily basis.

(1) Investments with highly liquid and consist mainly of investments in Brazilian Treasury Bonds ("LFTs") with an average return of 100% of the basic interest rate.

8. Financial Investments and Derivative Instruments

a) Financial Investments

As of December 31, 2022

	From 31 to 60 days	From 181 to 365 days	Over 365 days	Cost value	Adjustment to fair value	Fair value
Securities measured at fair value through other comprehensive income	189,347	633,903	6,765	830,015	(265)	829,750
Government Bonds - LFT	189,347	633,903	6,765	830,015	(265)	829,750
Financial investments at fair value through profit or loss	529,056	192,007	19,045	740,108	(89)	740,019
Government Bonds - LFT	529,056	192,007	-	721,063	(89)	720,974
Other investments	-	-	19,045	19,045	-	19,045
Total	718,403	825,910	25,810	1,570,123	(354)	1,569,769

As of December 31, 2021

	Up to 30 days	From 31 to 60 days	From 181 to 365 days	Over 365 days	Cost value	Adjustment to fair value	Fair value
Securities measured at fair value through other comprehensive income	-	596,558	617,632	643,458	1,857,648	(1,349)	1,856,299
Government Bonds - LFT	-	596,558	617,632	643,321	1,857,511	(1,349)	1,856,162
Other investments	-	-	-	137	137	-	137
Financial investments with resale agreement - Amortized cost	4,637,289	-	-	-	4,637,289	-	4,637,289
Reverse repurchase agreements:							
Government Bonds - LTN	700,001	-	-	-	700,001	-	700,001
Government Bonds - NTN-B	3,937,288	-	-	-	3,937,288	-	3,937,288
Total	4,637,289	596,558	617,632	643,458	6,494,937	(1,349)	6,493,588

b) Derivative instruments

Nominal values by risk factor and maturity as of December 31, 2022

	Nominal value	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
Future contracts - Sale commitments ^{(1) (2)}						
CDI rate	2,640,820	752,235	957,022	-	616,728	314,835
Total	2,640,820	752,235	957,022	-	616,728	314,835

Nominal values by risk factor and maturity as of December 31, 2021

	Nominal value	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
Future contracts - Sale commitments ^{(1) (2)}						
CDI rate	2,461,224	593,088	525,285	404,678	603,923	334,251
Total	2,461,224	593,088	525,285	404,678	603,923	334,251

(1) Sale commitments refer to future contract that pay fixed and receive floating.

(2) As of December 31, 2022 and 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

9. Trade receivables

	December 31, 2022	December 31, 2021
Financial transactions processed by acquirers ⁽¹⁾	2,921,615	2,381,788
Financial transactions processed by card issuers ⁽²⁾	390,872	-
Services provided to related parties ⁽³⁾	79,695	163,712
Other trade receivables	12,751	8,758
Total ^{(4) (5)}	3,404,933	2,554,258

(1) Amounts receivable from acquirers as a result of processing transactions in the role of sub-acquirer.

(2) Accounts receivable from card issuers, net of interchange fees, as a result of processing transactions with clients in the role of acquirer.

(3) It primarily refers to amounts receivable for financial transactions processed by Banco Original in the role of acquirer referring to the PicPay Card product.

(4) Amount net of provisions for credit and fraud risk (chargeback) in the amount of R\$ 1 and R\$ 7,044, respectively, as of December 31, 2022 (R\$ 796 and R\$ 7,394, respectively, in the year end of December 31, 2021), (Note 26).

(5) As of December 31, 2022 R\$ 2,449,427 (R\$ 2,341,576, on December 31, 2021) of these receivables are held by the FIDC.

There are no past due receivables on December 31, 2022 and 2021. Contractual maturities of trade receivables are:

	December 31, 2022	December 31, 2021
Maturity up to 30 days	1,767,280	628,483
From 31 to 60 days	512,692	630,994
From 61 to 90 days	341,115	425,099
From 91 to 180 days	514,644	549,632
From 181 to 365 days	269,202	320,050
Total	3,404,933	2,554,258

10. Other receivables

	December 31, 2022	December 31, 2021
Receivables - related parties ⁽¹⁾	69,354	67,480
Advance to suppliers	377	93
Other receivables	1	182
Total	69,732	67,755

(1) Mainly refers to amount receivable from J&F Participações for marketing expenses paid by PicPay under the reimbursement agreement related to PicPay brand, according Note 21c.

11. Prepaid expenses

The total recognized on December 31, 2022 as prepaid expenses was R\$ 45,871 (R\$ 26,696 on December 31, 2021) which mainly relates to software licenses for user relationship and data analysis software.

12. Property, plant and equipment

The Group has no contractual commitments to purchase property, plant and equipment.

	December 31, 2022			December 31, 2021		
	Cost Value	Accumulated Depreciation	Total	Cost Value	Accumulated Depreciation	Total
Right of use - leases ⁽¹⁾	64,399	(19,562)	44,837	64,230	(12,521)	51,709
Computers and equipment	36,108	(17,297)	18,811	35,125	(10,211)	24,914
Improvements on leasehold properties	17,135	(6,212)	10,923	17,135	(4,172)	12,963
Furniture and fittings	3,790	(1,011)	2,779	3,743	(642)	3,101
Machinery and equipment	3,948	(1,687)	2,261	3,562	(1,228)	2,334
Facilities	89	(29)	60	89	(20)	69
Total	125,469	(45,798)	79,671	123,884	(28,794)	95,090

The table below demonstrates the changes during the periods presented:

As of December 31, 2022

	December 31, 2021	Additions	Remeasurement contract	Additions through acquisitions ⁽²⁾	Write-offs	Depreciation for the period	December 31, 2022
Right of use - leases ⁽¹⁾	51,709	3,979	(3,810)	-	-	(7,041)	44,837
Computers and equipment	24,914	892	-	83	-	(7,078)	18,811
Improvements on leasehold properties	12,963	-	-	-	-	(2,040)	10,923
Furniture and fittings	3,101	62	-	8	(9)	(382)	2,779
Machinery and equipment	2,334	396	-	-	(2)	(466)	2,261
Facilities	69	-	-	-	-	(9)	60
Total	95,090	5,328	(3,810)	91	(11)	(17,016)	79,671

As of December 31, 2021

	December 31, 2020	Additions	Additions through acquisitions ⁽²⁾	Write-offs	Depreciation for the period	December 31, 2021
Right of use - leases ⁽¹⁾	42,781	14,881	-	-	(5,953)	51,709
Computers and equipment	22,253	8,657	-	(305)	(5,691)	24,914
Improvements on leasehold properties	14,843	144	-	-	(2,024)	12,963
Furniture and fittings	2,864	611	-	(105)	(269)	3,101
Machinery and equipment	2,118	28	484	(1)	(294)	2,334
Facilities	78	-	-	-	(9)	69
Total	84,937	24,321	484	(411)	(14,240)	95,090

(1) The Group's lease agreements are detailed in Note 19.

(2) Additions through business combination and common control transactions

13. Intangible assets

	December 31, 2022			
	Cost Value	Accumulated Amortization	Accumulated Impairment	Total
Trademarks and patents	100	-	(100)	-
Internally developed software ⁽¹⁾	336,341	(60,501)	-	275,840
Software licenses	25,562	(14,636)	(128)	10,798
Computer Software or Programs - Purchased	41,133	(11,291)	(624)	29,218
Software acquired through business combination ⁽²⁾	61,033	(12,207)	-	48,826
Goodwill ⁽²⁾	45,245	-	-	45,245
Total	509,414	(98,635)	(852)	409,927

	December 31, 2021			
	Cost Value	Accumulated Amortization	Accumulated Impairment	Total
Trademarks and patents	100	-	(100)	-
Internally developed software ⁽¹⁾	143,194	(23,747)	-	119,447
Software licenses	27,761	(13,612)	(128)	14,021
Computer Software or Programs - Purchased	19,240	(4,642)	(624)	13,974
Software acquired through business combination ⁽²⁾	61,033	-	-	61,033
Goodwill ⁽²⁾	45,245	-	-	45,245
Total	296,573	(42,001)	(852)	253,720

The table below demonstrates the changes during the periods presented:

As of December 31, 2022

	December 31, 2021	Additions	Reclassification	Additions through acquisitions ⁽³⁾	Amortization for the period	December 31, 2022
Internally/Externally developed software ⁽¹⁾	119,447	178,560	13,437	1,130	(36,734)	275,840
Software licenses	14,021	11,366	(13,437)	-	(1,152)	10,798
Computer Software or Programs - Purchased	13,974	22,516	-	-	(7,272)	29,218
Software acquired through business combination ⁽²⁾	61,033	-	-	-	(12,207)	48,826
Goodwill ⁽²⁾	45,245	-	-	-	-	45,245
Total	253,720	212,442	-	1,130	(57,365)	409,927

As of December 31, 2021

	December 31, 2020	Additions	Additions through acquisitions ⁽³⁾	Write-offs	Amortization for the period	Impairment for the period	December 31, 2021
Trademarks and patents	-	-	100	-	-	(100)	-
Internally/Externally developed software ⁽¹⁾	60,847	76,940	-	-	(18,340)	-	119,447
Software licenses	-	27,458	-	-	(13,309)	(128)	14,021
Computer Software or Programs - Purchased	9,886	7,500	774	(2)	(3,560)	(624)	13,974
Software acquired through business combination ⁽²⁾	-	61,033	-	-	-	-	61,033
Goodwill ⁽²⁾	-	45,245	-	-	-	-	45,245
Total	70,733	218,176	874	(2)	(35,209)	(852)	253,720

(1) The useful life of the internally and externally developed software is defined as being between 5 to 10 years and the amortization is recognized as "cost of sales and services".

(2) Goodwill recognition is detailed in Note 28.

(3) Additions through business combination and common control transactions

The Group has no contractual commitments for the acquisition or development of intangibles.

14. Third-party funds

	December 31, 2022	December 31, 2021
User balance - Payment accounts (Individuals) ⁽¹⁾	753,129	6,346,770
User balance - Time deposits ⁽²⁾	9,187,225	-
Balance of commercial establishments - corporates ⁽³⁾	165,266	137,406
Bank slips to be processed ⁽⁴⁾	66,958	26,033
Total	10,172,578	6,510,209

(1) Refers to the balance of the payment account held by users backed by financial investments (as disclosed in note 26.1a) and amounts referring to withdrawals pending processing at the recipient's bank.

(2) Beginning July, 2022, Picpay Bank started to offer time deposits to its users. These are indexed to the CDI and can be redeemed at any time by the user. There is no regulatory requirement to maintain the amounts deposited in this product in specifically identified assets.

(3) Refers to balances payable to commercial establishments related to the processing of sales via the PicPay arrangement.

(4) Bank slips paid with the PicPay application outside the bank clearing period.

15. Loans

	December 31, 2022				December 31, 2021		
	Currency	Nominal interest rate p.a	Maturity	Amount	Book Value	Amount	Book Value
CCB (Bank Credit Notes)	-	-	-	-	-	224,997	228,279
				-	-	224,997	228,279

Amounts borrowed through the issuance of CCBs which do not have any covenants. The total of interest expense was R\$ 14,680 in the year ended December 31, 2022 (R\$ 6,559, in the year ended December 31, 2021).

16. Trade payables

	December 31, 2022	December 31, 2021
Service providers and consumables	140,636	135,195
Trade payables – related parties (Note 22)	164,664	117,372
Operational suppliers	64,577	68,915
Other suppliers	3,376	2,503
Total	373,253	323,985

17. Obligations to FIDC quota holders

	December 31, 2022	December 31, 2021
FIDC		
Senior quotas	-	1,963,600
Total	-	1,963,600

The obligations to FIDC quota holders relates to amounts due on senior quotas issued with the securitization of credit card receivables using the FIDC. This account includes the outstanding amount due to senior quotas (unpaid original contribution plus unpaid accrued interest expense).

The senior quotas accrue a remuneration of CDI + 0.80% (CDI + 3% in the year ended December 31, 2021) per annum, and are fully redeemable at the maturity date in February 2024. In the year ended December 31, 2022, PicPay Bank amortized R\$ 409,328 (Banco Original subscribed R\$ 977,770 in the year ended December 31, 2021) of senior quotas of the FIDC that was presented as cash flows from financing activities. In the year ended December 31, 2022 the interest accrued for the period was of R\$ 172,409 (R\$ 105,642 in the year ended December 31, 2021) recorded as "financial expenses".

In July and August, 2022, PicPay Bank purchased from Banco Original the totality of senior quotas issued by the FIDC (1,023,000,000 quotas) for R\$ 2,231,543. Following this purchase, there are no senior quotas held by entities outside of the Group.

17.1 Summarized financial information of FIDC PicPay I

	December 31, 2022	December 31, 2021 ⁽¹⁾
Current Assets	3,049,852	2,469,123
Total Assets	3,049,852	2,469,123
Current Liabilities	254	11,363
Non-current Liabilities	1,842,142	1,917,330
Total Liabilities	1,842,396	1,928,693
Equity	284,561	58,508
Accumulated profit for the period	922,895	481,922
Total Equity and Liabilities	3,049,852	2,469,123
Interest income from receivables	1,196,000	585,553
Other Income	501,418	16,243
Total Revenues	1,697,418	601,796
Other expenses	(486,653)	(14,232)
Interest accrued attributable to the redeemable senior quotas	(287,870)	(105,642)
Net cash used in operating activities	715,761	(1,363,029)
Net cash generated from financing activities	(710,328)	1,355,752
Net decrease in cash and cash equivalents	5,433	(7,277)

(1) The acquisition of the subordinated quotas occurred on February 23, 2021.

There are statutory restrictions over the transfer of FIDC's net assets to PicPay as the FIDC's statute requires that the FIDC maintains a minimum mandatory proportion of 10% of subordinated quotas in relation to the total of outstanding quotas in order to protect the payments due to the senior quotaholders.

18. Labor obligations

	December 31, 2022	December 31, 2021
Personnel expenses payable	261,171	151,286
Social security charges payable	78,096	41,185
Total	339,267	192,471

19. Leases

The table below shows the lease balances payable by maturity.

	December 31, 2022	December 31, 2021
Year of maturity		
2022	-	6,446
2023	7,247	7,118
2024	6,423	6,372
2025	6,997	6,942
2026	7,623	7,563
Over 5 years	24,663	24,470
Lease liabilities	52,953	58,911

Additionally, the amount of R\$ 4,628 in the year ended December 31, 2022 (R\$ 4,511 in the year ended December 31, 2021) was recorded in financial expenses related to interest on the lease and R\$ 7,041 in the year ended December 31, 2022 (R\$ 5,953 in the year ended December 31, 2021) was registered in administrative expenses related to depreciation of the right of use asset (Note 12). In year ended December 31, 2022 total cash payments of R\$ 10,755 (R\$ 8,849 in the year ended December 31, 2021) were made under the lease contracts.

20. Provision for legal and administrative claims

	Civil Claim		Labor Claim		Total	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Opening balance	1,418	358	43	-	1,461	358
Constitution	6,897	4,428	966	43	7,863	4,471
Constitution through acquisitions	-	113	2,590	-	2,590	113
Reversal	(2,229)	(868)	(564)	-	(2,793)	(868)
Reversal due to payment	(2,209)	(2,613)	-	-	(2,209)	(2,613)
Closing balance	3,877	1,418	3,035	43	6,912	1,461

a) Civil claims

As of December 31, 2022, the Group recognized provisions of R\$ 3,877 (R\$ 1,418, in the year ended December 31, 2021) for civil claims, the majority of which are brought by PicPay users claiming compensation for moral and/or material damages. The amount considered as possible loss risk, where no provision is recognized, totals R\$ 40,458 (R\$ 12,459, in the year ended December 31, 2021). The Group estimates that the expected disbursement schedule is 18 months, however due to the uncertainty in the conclusion of the proceedings, the disbursement occurs according to the development of the claim.

b) Labor claims

As of December 31, 2022, the Group recognized a labor provision of R\$ 3,035 (R\$ 43, in the year ended December 31, 2021), considered with probable risk of loss where the plaintiffs claim the subsidiary conviction, as well as labor indemnities. The amount considered as a possible risk of loss, where no provision is required, is R\$ 3,783 (R\$ 1,124, in the year ended December, 2021). The Group estimates that the expected disbursement schedule is 24 months, however due to the uncertainty in the conclusion of the proceedings, the disbursement occurs according to the development of the claim.

c) Tax claims

As of December 31, 2022 and 2021, the Group did not have tax claims classified as a probable risk of loss. The amount considered as a possible loss, where no provision is required, is of R\$ 11,650 (R\$ 0, in the year ended December 31, 2021).

21. Equity

Share capital and additional paid in share capital

As of December 31, 2022 the total authorized share capital is US\$ 905 thousand (US\$ 200 thousand in December 31, 2021) divided into 90,500,000 (40,000,000,000 as of December 31, 2021) shares of a nominal or par value of US\$ 0.01 each comprised of (i) 750,000 Class A Common Shares; (ii) 86,000,000 Class B Common Shares and (iii) 3,750,000 remaining shares which are undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares.

As of December 31, 2022 the share capital subscribed is R\$ 1,687 (R\$ 272 as of December 31, 2021) and paid-in share capital is R\$ 1,749,566 (R\$ 894,883 as of December 31, 2021) which is represented by 34,154,137 (12,336,007,736 as of December 31, 2021) shares of which 131,400 (262,800,000 as of December 31, 2021) are class A common shares and 34,154,137 (12,073,207,736 as of December 31, 2021) are class B common shares without voting rights and with priority in the distribution of dividends, all nominative.

Additional paid-in capital relates to amounts contributed by shareholders over the par value at the issuance of shares.

a) Changes in share capital and additional paid-in share capital

	Number of shares		Total number of shares	Total amount
	Common Shares	Preferred Shares		
Changes in share capital and additional paid-in share capital - prior to the Restructuring				
Balance of shares on December 31, 2020	220,031	220,031	440,062	841,246
Shares subscribed on January 29, 2021	76,921	76,921	153,842	129,500
Shares subscribed on March 31, 2021	37,788	37,788	75,576	47,701
Total as of April 18, 2021	334,740	334,740	669,480	1,018,447
	Number of shares		Total number of shares	Total amount
	Class A Common Shares	Class B Common Shares		
Changes in share capital and additional paid-in share capital - following the Restructuring				
Balance of shares on April 19, 2021	42,570,000	857,430,000	900,000,000	336,478
Shares converted on April 29, 2021	9,990,000	(9,990,000)	-	-
Shares subscribed on August 18, 2021	-	3,378,069	3,378,069	523
Shares subscribed on August 27, 2021	-	674,350,427	674,350,427	104,304
Shares subscribed on September 30, 2021	-	2,433,869,508	2,433,869,508	274,200
Share split on December 01, 2021	210,240,000	3,389,760,000	3,600,000,000	-
Shares subscribed on December 21, 2021	-	4,724,409,732	4,724,409,732	179,650
Total as of December 31, 2021	262,800,000	12,073,207,736	12,336,007,736	895,155
Shares subscribed on May 17, 2022	-	23,883,522,726	23,883,522,726	395,082
Shares subscribed on June 30, 2022	-	4,101,097,815	4,101,097,815	59,108
Reverse share split on October 10, 2022	(262,668,600)	(40,037,799,363)	(40,300,467,963)	-
Shares subscribed on October 27, 2022	-	13,993,823	13,993,823	401,908
Total as of December 31, 2022	131,400	34,022,737	34,154,137	1,751,253

PicPay Instituição de Pagamento S.A. - Before restructuring

In the AGE held on January 29, 2021, a share capital increase of R\$ 129,500 was approved, through the issue and subscription of 153,842 shares, of which 76,921 were common shares, and 76,921 were preferred shares, all nominative and without par value.

On February 19, 2021, José Batista Sobrinho sold all their shares in PicPay to J&F Participações, representing 130,610 common shares and 271,095 preferred shares. At the same date, Banco Original also sold all their shares to J&F Participações, representing 134,793 common shares and therefore, J&F Participações became the Parent Company of PicPay.

In the AGE held on March 31, 2021, a share capital increase of R\$ 47,701 was approved, through the issue and subscription of 75,576 shares, of which 37,788 were common shares, and 37,788 were preferred shares, all nominative and without par value.

On March 31, 2021, J&F Participações sold some of its shares of PicPay to Anderson Andrade Chamon do Carmo and José Antônio Batista Costa, representing 22,294 preferred shares and 9,373 preferred shares respectively. The sale agreement with Anderson Andrade Chamon do Carmo requires that he serves as an executive of PicPay or one of its affiliates for at least 15 years, during which the restricted shares will vest in accordance with a defined schedule. If Anderson Andrade Chamon do Carmo ceases providing services, J&F Participações is required to repurchase all unvested shares for the original sale price.

PicS Ltd. - Restructuring

On March 30, 2021, PicS was incorporated as an exempt company under the laws of the Cayman Islands, headquartered at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

On April 19, 2021, J&F Participações contributed the totality of its shares of PicPay to PicS. It contributed 637,811 shares (consisting of 334,739 common shares and 303,072 preferred shares) free and clear of any encumbrances representing 95.26% of the share capital of PicPay, in exchange for the issuance by PicS of 857,430,000 class B common shares.

On April 19, 2021, José Antonio Batista Costa contributed the totality of his shares of PicPay to PicS. He contributed 9,373 preferred shares free and clear of any encumbrances representing 1.40% of the total share capital of PicPay, in exchange for the issuance by PicS of 12,600,000 Class A common shares received by JAB Holding B.V. (wholly owned by José Antônio Batista Costa) became the direct shareholder of PicS.

On April 19, 2021, Anderson Andrade Chamon do Carmo contributed the totality of his shares of PicPay to PicS. He contributed 22,294 preferred shares free and clear of any encumbrances representing 3.33% of the total share capital of PicPay, in exchange for the issue by PicS of 29,970,000 Class A common shares received by Bellami Holding B.V. (wholly owned by Anderson Andrade Chamon do Carmo) became the direct shareholder of PicS.

On April 29, 2021, J&F International B.V. sold 9,990,000 of their Class B common shares of PicS to AGR Holdings B.V. representing 1.11% of the total share capital of PicS. AGR Holdings B.V. became the direct shareholder of PicS.

On April 29, 2021, J&F Participações contributed all of its shares of PicS to J&F International B.V., representing 94.14% of the total share capital of PicS. J&F International B.V. became the a direct shareholder of PicS.

On June 16, 2021, JAB Holding B.V. contributed all its shares of PicS to JAB Capital SP Fund, representing 1.40% of the total share capital of PicS. JAB Capital SP Fund became the direct shareholder of PicS.

On June 16, 2021, Bellami Holding B.V. contributed all its shares of PicS to Belami Capital SP Fund, representing 3.33% of the total share capital of PicS. Belami Capital SP Fund became the direct shareholder of PicS.

On June 16, 2021, AGR Holding B.V. contributed all its shares of PicS to AGR Capital SP Fund, representing 1.11% of the total share capital of PicS. AGR Capital SP Fund became the direct shareholder of PicS.

On June 30, 2021, J&F Participações and Anderson Chamon do Carmo agreed to terminate the share purchase agreement dated March 31, 2021. On termination of the agreement Anderson Andrade Chamon do Carmo transferred the totality of this shareholdings in Belami Capital SP Fund to J&F International B.V., as registered on September 30, 2021. There was no payment on the dissolution, as Anderson Chamon do Carmo had not yet paid for the shares. Belami Capital SP Fund have 29,970,000 Class A common shares of PicS, representing 3.33% of the total share capital of PicS.

Changes in non-controlling interest without a change in control

On July 02, 2021 J&F Participações invested R\$ 108,000 in PicPay, through the issue and subscription of 370,662 shares, of which 185,331 are common shares, and 185,331 are preferred shares, all nominative and without par value.

On July 30, 2021 J&F Participações invested R\$ 96,000 in PicPay, through the issue and subscription of 516,712 shares, of which 258,356 are common shares, and 258,356 are preferred shares, all nominative and without par value.

On August 18, 2021, a share capital increase of R\$ 523 was approved through the issue and subscription of 3,378,069 Class B common shares by J&F International B.V.

On August 27, 2021, a share capital increase of R\$ 104,304 was approved through the issue and subscription of 674,350,427 Class B common shares by J&F International B.V.

On September 21, 2021 J&F Participações invested R\$ 157,500 in PicPay, through the issue and subscription of 923,103 shares, of which 461,551 are common shares, and 461,552 are preferred shares, all nominative and without par value.

On September 30, 2021, J&F Participações contributed the totality of its shares of PicPay to PicS It contributed 1,810,477 total shares (consisting of 905,238 common shares and 905,239 preferred shares) free and clear of any encumbrances representing 60.67% of the share capital of PicPay, in exchange for the issuance by PicS of 2,433,869,508 class B common shares which had a book value of R\$ 274,200, according to PicPay Holding's accounts at the date.

On October 27, 2021 J&F Participações invested R\$ 140,000 in PicPay, through the issue and subscription of 1,073,043 shares, of which 536,522 are common shares, and 536,521 are preferred shares, all nominative and without par value.

On November 21, 2021 J&F Participações invested R\$ 210,000 in PicPay, through the issue and subscription of 2,441,292 shares, of which 1,220,646 are common shares, and 1,220,646 are preferred shares, all nominative and without par value.

On December 1, 2021, an ordinary resolution amended the authorised share capital of PicS from US\$ 50,000 divided into 2,000,000,000 shares to US\$ 50,000 divided into 10,000,000,000 shares through the share split of 52,560,000 issued Class A Common Shares of par value US\$ 0.000025 each into 262,800,000 Class A Common Shares of a par value of \$ 0.000005 each; and the share split of 847,440,000 issued Class B Common Shares of par value US\$ 0.000025 each into 4,237,200,000 Class B Common Shares of a par value of \$ 0.000005 each. As a result of this share split, there was an increase of 210,240,000 Class A Common Shares and 3,389,760,000 Class B Common Shares.

On December 21, 2021, J&F Participações contributed the totality of its shares of PicPay to PicS. It contributed 3,514,335 shares (consisting of 1,757,168 common shares and 1,757,167 preferred shares) free and clear of any encumbrances representing 54.07% of the share capital of PicPay, in exchange for the issuance by PicS of 4,724,409,732 class B common shares which had a book value of R\$ 179,650, according to PicPay Holding's accounts at the date.

On December 23, 2021 J&F Participações invested R\$ 220,000 in PicPay, through the issue and subscription of 3,514,335 shares, of which 1,835,168 are common shares, and 1,835,169 are preferred shares, all nominative and without par value.

On December 31, 2021, an ordinary resolution amended the authorised share capital of PicS from US\$ 50,000 divided into 10,000,000,000 shares to US\$ 200,000 divided into 40,000,000,000 shares of a nominal or par value of US\$ 0.000005 each which comprise (i) 1,500,000,000 Class A Common Shares; (ii) 31,000,000,000 Class B Common Shares; and (iii) 7,500,000,000 remaining shares which are presently undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares.

On December 31, 2021, J&F Participações and PicS transferred all of their shareholding in PicPay to PicPay Holding which became the sole shareholder of PicPay. PicS received of 352,883,015 shares representing 63.91% and J&F Participações received of 199,309,694 shares representing 36.09% of PicPay Holding. In this transaction, it was established in PicPay Holding's bylaws that control of PicPay Holding will be exercised by PicS, independently of the quantity of voting shares it holds.

On January 28, 2022 J&F Participações signed a private instrument of advances for future capital increases with PicPay Holding with a total commitment of up to R\$ 500,000 until December 31, 2022 under which any advances made will be converted to shares at their par value of R\$ 1.00.

On January 31, 2022 J&F Participações invested as advances for future capital increases R\$ 160,000 in PicPay Holding. PicPay Holding immediately invested the same amount in PicPay through the issue and subscription of 3,757,632 shares, of which 1,878,816 are common shares, and 1,878,816 are preferred shares, all nominative and without par value.

On February 25, 2022 J&F Participações invested as advances for future capital increases R\$ 177,000 in PicPay Holding. PicPay Holding immediately invested the same amount in PicPay through the issue and subscription of 5,633,354 shares, of which 2,816,677 are common shares, and 2,816,677 are preferred shares, all nominative and without par value.

On February 25, 2022 J&F Participações contributed its shares of PicPay Bank to PicPay Holding. It contributed 102,192,983 shares free and clear of any encumbrances representing 100% of the share capital of PicPay Bank, in exchange for the issuance by PicPay Holding of 146,900,768 common shares totalling R\$ 146,901.

On March 30, 2022 J&F Participações invested as advances for future capital increases R\$ 99,000 in PicPay Holding. PicPay Holding immediately invested the same amount in PicPay through the issue and subscription of 4,029,304 shares, of which 2,014,652 are common shares, and 2,014,652 are preferred shares, all nominative and without par value.

On April 27, 2022 J&F Participações invested as advances for future capital increases R\$ 180,000 in PicPay Holding. PicPay Holding immediately invested the same amount in PicPay through the issue and subscription of 9,766,684 shares, of which 4,883,342 are common shares, and 4,883,342 are preferred shares, all nominative and without par value.

On April 29, 2022 the shareholders of PicPay Holding approved the increase of share capital related to the amounts received under the private instrument of advances for future capital increases on January 31, 2022 and February 25, 2022 a total of 337,000,000 shares, all of nominative and with R\$ 1.00 par value to J&F Participações were issued to J&F Participações.

On May 17, 2022, J&F Participações contributed its shares of PicPay Holding to PicS. It contributed 683,210,461 shares free and clear of any encumbrances representing 65.94% of the share capital of PicPay Holding, in exchange for the issuance by PicS of 23,883,522,726 class B common shares which had a book value of R\$ 395,082, according to PicPay Holding's accounts at the date.

On May 31, 2022 J&F Participações invested as advances for future capital increases R\$ 125,000 in PicPay Holding. PicPay Holding immediately invested R\$ 124,950 in PicPay through the issue and subscription of 8,252,954 shares, of which 4,126,477 are common shares, and 4,126,477 are preferred shares, all nominative and without par value.

On June 24, 2022 the shareholders of PicPay Holding approved the increase of share capital related to the amounts received under the private instrument of advances for future capital increases on March 30, 2022 and April 27, 2022 a total of 279,000,000 shares, all of nominative and with R\$ 1.00 par value to J&F Participações were issued to J&F Participações.

On June 30, 2022, an ordinary resolution amended the authorised share capital of PicS from US\$ 50 divided into 40,000,000,000 shares to US\$ 200 divided into 41,000,000,000 shares of a nominal or par value of US\$ 0.000005 each which comprise (i) 1,500,000,000 Class A Common Shares; (ii) 32,000,000,000 Class B Common Shares; and (iii) 7,500,000,000 remaining shares which are presently undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares.

On June 30, 2022 J&F International B.V. invested R\$ 59,108 through the issue and subscription of 4,101,097,815 Class B Common Shares in PicS. PicS immediately invested the same amount in PicPay Holding through the issue and subscription of 59,108,000 shares. On the same date J&F Participações invested R\$ 255,000 in PicPay Holding through the issue and subscription of 255,000,000 shares, resulting in a total investment received by PicPay Holding of R\$ 314,109. PicPay Holding invested R\$ 313,881 in PicPay through the issue and subscription of 23,028,654 shares, of which 11,514,327 are common shares, and 11,514,327 are preferred shares, all nominative and without par value.

On August 31, 2022 J&F Participações invested R\$ 100,000 in PicPay Holding through the issue and subscription of 100,000,000 shares. PicPay Holding immediately invested R\$ 99,900 in PicPay through the issue and subscription of 8,215,460 shares, of which 4,107,730 are common shares, and 4,107,730 are preferred shares, all nominative and without par value.

On September 14, 2022 J&F Participações contributed its shares of Crednovo to PicPay Holding. It contributed 26,000,000 shares free and clear of any encumbrances representing 100% of the share capital of Crednovo, which had a book value of R\$ 1,210, according to Crednovo's account at the date in exchange for the issuance by PicPay Holding of 1,209,523 common shares.

On September 29, 2022 J&F Participações invested R\$ 2,200 in PicPay Holding through the issue and subscription of 2,200,000 shares. PicPay Holding immediately invested R\$ 2,200 in Crednovo through the issue and subscription of 2,200,000 shares, of which 1,100,000 are common shares, and 1,100,000 are preferred shares, all nominative and without par value.

On October 10, 2022, an ordinary resolution approved a reverse share split and amended the authorised share capital of PicS from US\$ 405 divided into 81,000,000,000 shares to US\$ 905 divided into 90,500,000 shares of a nominal of par value of US\$ 0.01 each which comprise (i) 750,000 Class A Common Shares; (ii) 86,000,000 Class B Common Shares; and (iii) 3,750,000 remaining shares which are undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares. As a result of this reverse share split, there was a reduction of 262,668,600 to 131,400 Class A Common Shares and a reduction of 40,037,799,363 to 20,028,914 Class B Common Shares.

On October 27, 2022, J&F Participações contributed its shares of PicPay Holding to PicS. PicPay Holding contributed 760,209,523 shares free and clear of any encumbrances representing 40.97% of the share capital of PicPay Holding, in exchange for the issuance by PicS of 13,993,823 class B common shares which had a book value of R\$ 401,908, according to PicPay Holding's accounts at the date.

On December 29, 2022 J&F Participações invested R\$ 150,000 in PicPay Holding through the issue and subscription of 150,000,000 shares. PicPay Holding immediately invested R\$ 150,000 in PicPay through the issue and subscription of 12,355,848 shares, of which 6,177,924 are common shares, and 6,177,924 are preferred shares, all nominative and without par value, pending approval by the Central Bank of Brazil.

	PicS	J&F Participações	Total
Changes in composition share capital - PicPay			
April 19, 2021	99.9997%	0.0003%	100.0000%
April 29, 2021	99.9997%	0.0003%	100.0000%
May 13, 2021	99.9997%	0.0003%	100.0000%
July 02, 2021	64.3641%	35.6359%	100.0000%
July 30, 2021	43.0020%	56.9980%	100.0000%
August 18, 2021	43.0938%	56.9062%	100.0000%
August 27, 2021	56.9443%	43.0557%	100.0000%
September 21, 2021	39.3291%	60.6709%	100.0000%
September 30, 2021	99.9999%	0.0001%	100.0000%
October 27, 2021	73.5517%	26.4483%	100.0000%
November 21, 2021	45.9202%	54.0798%	100.0000%
December 21, 2021	99.9997%	0.0003%	100.0000%
December 23, 2021	63.9058%	36.0942%	100.0000%
December 31, 2021	63.9058%	36.0942%	100.0000%
Changes in composition share capital - PicPay Holding			
January 31, 2022	63.9058%	36.0942%	100.0000%
February 25, 2022	50.4772%	49.5228%	100.0000%
March 30 2022	50.4772%	49.5228%	100.0000%
April 27, 2022	34.0590%	65.9410%	100.0000%
May 17, 2022	99.9999%	0.0001%	100.0000%
May 31, 2022	99.9999%	0.0001%	100.0000%
June 24, 2022	78.7848%	21.2152%	100.0000%
June 30, 2022	67.2232%	32.7768%	100.0000%
August 31 2022	59.0659%	40.9341%	100.0000%
September 14, 2022	59.0274%	40.9726%	100.0000%
September 29, 2022	58.9575%	41.0425%	100.0000%
October 27, 2022	99.9999%	0.0001%	100.0000%
December 29, 2022	92.4189%	7.5811%	100.0000%
December 31, 2022	92.4189%	7.5811%	100.0000%

b) Composition of share capital

As of December 31, 2022

	Number of Class A common Shares	Class A %	Number of Class B common shares	Class B %	Total number of shares	Total shares %
Shareholder						
J&F International B.V.	-	0.0000%	34,022,737	100.0000%	34,022,737	99.6153%
JAB Capital SP Fund	31,500	23.9726%	-	0.0000%	31,500	0.0922%
Belami Capital SP Fund	74,925	57.0206%	-	0.0000%	74,925	0.2194%
AGR Capital SP Fund	24,975	19.0068%	-	0.0000%	24,975	0.0731%
Total	131,400	100.0000%	34,022,737	100.0000%	34,154,137	100.0000%

As of December 31, 2021

	Number of Class A common Shares	Class A %	Number of Class B common shares	Class B %	Total number of shares	Total shares %
Shareholder						
J&F International B.V.	-	0.0000%	12,073,207,736	100.0000%	12,073,207,736	99.6153%
JAB Capital SP Fund	63,000,000	23.9726%	-	0.0000%	63,000,000	0.0922%
Belami Capital SP Fund	149,850,000	57.0206%	-	0.0000%	149,850,000	0.2194%
AGR Capital SP Fund	49,950,000	19.0068%	-	0.0000%	49,950,000	0.0731%
Total	262,800,000	100.0000%	12,073,207,736	100.0000%	12,336,007,736	100.0000%

c) Capital Reserve

The effects of measuring the fair value of transactions carried out between the Company and shareholders were recognized in the capital reserve, as shown in the table below:

	December 31, 2022	December 31, 2021
Opening balance	502,027	652,766
Financial income Original ⁽¹⁾	-	(86,384)
Financial income FIDC ⁽¹⁾	-	34,062
Financial expenses ⁽¹⁾	-	8,291
Selling expenses ⁽²⁾	-	714,493
Cost of sales and services ⁽²⁾	-	82,467
Restructuring of April 19, 2021	-	(903,668)
Post-combination expenses ⁽³⁾	23,262	-
Closing balance	525,289	502,027

(1) Effects related to the transfer of receivables to FIDC and Banco Original.

(2) Effects related to the exploitation of the PicPay brand domain.

(3) Effects related to the expenses of the Guiabolso expenses at the business combination, according Note 28.

As owner of the "PicPay" trademark, J&F Participações incurred brand promotion and development expenses in 2021. These amounts exceeded the fees paid by PicPay under the trademark management agreement. As these transactions were entered into between PicPay and one of its shareholders (a related party), we adjusted the amounts paid under the trademark management agreement to recognize the aggregate amounts that PicPay estimates that it would have paid pursuant to a similar agreement with unrelated third parties in the market, recording the effects of this adjustment in our capital reserve account. This adjustment was based upon the brand promotion and development expenses actually incurred by J&F Participações following its acquisition of the "PicPay" trademark. J&F Participações incurred an aggregate of brand promotion and development expenses for the "PicPay" trademark of R\$ 0 in the year ended December 31, 2022 and R\$ 796,960 in the year ended December 31, 2021. The Group recognized the difference between these expenses incurred by J&F Participações and the fee paid by PicPay to J&F Participações as an expense with a corresponding capital increase in an equivalent amount. These amounts were recognized as selling expenses in our statement of profit and loss in an amount equal to R\$ 0 in the year ended December 31, 2022 (R\$ 714,493 in the year ended December 31, 2021) and cost of sales and services in an amount equal to R\$ 0 in the year ended December 31, 2022 (R\$ 82,467 in the year ended December 31, 2021).

As a result of the termination agreement, the financial obligations of the parties pursuant to the trademark management agreement and the trademark sale agreement ended on September 20, 2021. Accordingly since that date, no royalty fees have been paid by the Company, and the Company has been responsible for all of its brand promotion and development expenses in connection with the "PicPay" trademark. However, since the Company was already recognizing these expenses in profit or loss as described above, this did not have a significant impact on the consolidated financial statements of the Group.

Credits rights transferred to FIDC and to Banco Original

These amounts were recognized in the statement of profit and loss as financial income R\$ 0 in the year ended December 31, 2022 (R\$ 86,384 in the year ended December 31, 2021) and financial expenses R\$ 0 in the year ended December 31, 2022 (R\$ 8,291 in the year ended December 31, 2021). The net impact in the year ended December 31, 2022 and 2021 was R\$ 0 and R\$ 78,093, respectively, with a corresponding amount recognized in the capital reserve account.

d) Earnings (loss) per share

	Year ended December 31	
	2022	2021
Loss for the period	(692,897)	(1,900,123)
Weighted average quantity of shares	17,657,635	1,335,222
Loss per share – basic and diluted (R\$)	(39.241)	(1,423.076)

There is no difference between the calculation of basic and diluted loss per share as there are no potentially dilutive shares in issuance.

Earnings (loss) per share for all periods presented has been calculated to reflect the capital structure of the Group following the Restructuring. As such, for periods prior the Restructuring, the assumed quantity of shares issued is based on the quantity of shares issued by PicS on the date of the restructuring, adjusted proportionately to reflect capital increases made in PicPay during those periods.

On October 10, 2022 the Company effected a reverse stock split in the proportion of 2,000 to 1. The quantity of shares used in the earnings per share calculation was adjusted retrospectively.

22. Transactions with related parties

Transactions involving related parties are carried out based on conditions negotiated between the Group and the related parties. Outstanding balances at period end are not guaranteed. On December 31, 2022 and 2021, the Group did not record any impairment loss on trade receivables related to the amounts owned by related parties as it understands that there is no significant credit risk on outstanding balances.

For the year ended December 31, 2022, the amount paid as compensation includes short and long-term benefits to key management personnel was R\$ 16,645 (R\$ 17,068 in the year ended December 31, 2021).

	J&F Participações	Banco Original	Crednovo S.A.	Key Personnel / Others (a)(b)	Total
As of December 31, 2022					
Assets					
Cash and cash equivalents	-	800,424	-	-	800,424
Trade receivables	-	79,695	-	-	79,695
Other receivables	67,480	1,870	-	-	69,350
Total	67,480	881,989	-	-	949,469
Liabilities					
Trade payables	-	164,787	-	-	164,787
Third-party funds	-	-	-	74	74
Total	-	164,787	-	74	164,861
In the year ended December 31, 2022					
Revenues and expenses					
Commission – banking correspondent and marketplace	-	197,561 ⁽²⁾	842 ⁽⁸⁾	-	198,403
Revenue from financial investments	-	78,929 ⁽⁴⁾	-	-	78,929
Cost of sales and services	-	(37,358) ⁽⁵⁾	-	-	(37,358)
Financial expenses	-	(187,459) ⁽⁶⁾	-	-	(187,459)
Administrative expenses	-	(5,728)	-	(16,645)	(22,373)
Total	-	45,945	842	(16,645)	30,142

	J&F Participações	Banco Original	FIDC (Subsidiary) (c)	Key Personnel / Others (a)(b)	Total
As of December 31, 2021					
Assets					
Cash and cash equivalents	-	26,032	-	-	26,032
Trade receivables	-	163,712	-	-	163,712
Financial investments	-	1,000,000	-	-	1,000,000
Other receivables	67,480	-	-	-	67,480
Total	67,480	1,189,744	-	-	1,257,224
Liabilities					
Loans	-	91,949	-	-	91,949
Trade payables	929	116,442	-	-	117,371
Third-party funds	-	-	-	1,674	1,674
Obligations to FIDC quota holders	-	1,963,600	-	-	1,963,600
Total	929	2,171,991	-	1,674	2,174,594
In the year ended December 31, 2021					
Revenues and expenses					
Commission – banking correspondent and marketplace	-	80,092 ⁽²⁾	-	-	80,092
Interest income from receivables	-	49,095 ⁽³⁾	676,954 ⁽⁷⁾	-	726,049
Revenue from financial investments	-	17,627 ⁽⁴⁾	-	-	17,627
Cost of sales and services	-	(38,354) ⁽⁵⁾	-	-	(38,354)
Financial expenses	-	(151,647) ⁽⁶⁾	(8,291) ⁽⁷⁾	-	(159,938)
Administrative expenses	(9,943) ⁽¹⁾	-	-	(17,068)	(27,011)
Total	(9,943)	(43,187)	668,663	(17,068)	598,465

(a) Includes C-suite, Board of Directors and close family members of key personnel.

(b) It includes other related parties and their close family members.

(c) The Group obtained control over FIDC PicPay I at February, 2021 in a transaction between Banco Original.

Assets and liabilities with related parties

Cash and cash equivalents and financial investments: The amount refers to the current account balance and financial investments at Banco Original.

Trade receivables: primarily refers to amounts receivable for financial transactions processed by Banco Original in the role of acquirer referring to the PicPay Card product.

Other trade receivables: refers to amounts receivable as provided for in the agreement for the reimbursement of marketing expenses related to the PicPay brand.

Trade payables: the amount payable to Banco Original is related to the cost of issuing, processing and settling the bank slips, the cost of producing the PicPay Card, the withdrawal cost and the transfer of the amount transacted in P2M.

Third-party funds: refers to the balance in the pre-paid accounts of related parties.

Obligations to FIDC quota holders: refer to the amount payable to on the senior quotas.

Revenues and expenses with related parties

(1) The “PicPay” brand was sold to J&F Participações on May 2, 2019. The transaction price was based on the discounted cash flows of the related contracts determined by an independent appraisal report. With the sale of the brand, the Company transferred ownership of all rights and obligations over the brand and its promotion, continuing to have the right to use the brand by making fee payments to J&F Participações based on net revenue and paying additional amounts for the provision of marketing services based on the number of new users and the growth in revenue, as disclosed in Note 21c this trademark agreement was terminated on September 20, 2021. In the year ended December 31, 2022, the amount of R\$ 0 (R\$ 9,943 in the year ended December 31, 2021) were paid as fees.

(2) Revenues related to the agreements with Banco Original.

PicPay and Banco Original entered into an Application Programming Interface Agreement (Contrato de Uso de API de Pagamento), pursuant to which the terms and conditions were established governing PicPay's use of Banco Original's application programming interface. The Application Programming Interface Agreement grants PicPay a temporary and limited license to use, access and copy Banco Original's application programming interface. The term of the agreement is for an indefinite period and either party may terminate the agreement upon 90 days' notice. In addition, Banco Original can suspend, modify, revoke or otherwise terminate this license and its right of access and technical specifications to its application programming interface services upon providing PicPay 30 days' or 60 days' notice, the amount of notice depending on what is being suspended, modified, revoked or terminated. Under this agreement, Banco Original pays PicPay for the use of the API PAG for settlement of slips. The revenues PicPay generated due to this agreement with Banco Original were recognized in the statement of profit and loss as “commission — banking correspondent and marketplace” was of R\$ 15,160 in the year ended December 31, 2022 (R\$ 8,731 in the year ended December 31, 2021).

On September 11, 2018, PicPay and Banco Original entered into a Banking Correspondent Services Agreement (Contrato de Prestação de Serviços de Correspondente Bancário), pursuant to which PicPay provides certain services to Banco Original relating to receipts, payments and other activities relating to third parties and receiving and forwarding proposals for Banco Original credit cards. The term of the agreement is for 24 months and may be terminated by either party by providing 30 days' notice. Under this agreement, Banco Original pays to PicPay a fee per active credit card the amount paid year ended December 31, 2022 was R\$ 0 (R\$ 2,809 in the year ended December 31, 2021); a percentage of the total amount of credit contracted and other percentage related to the installments, the amount paid in the year ended December 31, 2022 was R\$ 62,979 (R\$ 41,503 in the year ended December 31, 2021). Also, due to the fact that this agreement is linked with the Application Programming Interface Agreement (Contrato de Uso de API de Pagamento), PicPay is remunerated for the use of the API PAG for settlement of bank slips, as described above.

PicPay and Banco Original entered into a Credit Card Partnership Agreement (Contrato de Parceria para Emissão de Cartão de Pagamento), pursuant to which the parties agreed to develop, promote and offer a co-branded PicPay credit card to our customers under a revenue-sharing scheme. The Credit Card Partnership Agreement has a term of 10 years and will be automatically renewed for another five years, unless either party objects at least six months before the original term expires. Either party may terminate the agreement: (1) by providing 180 days' notice to the other party; or (2) upon the breach of a provision by the other party and such failure continues for more than 30 days by providing notice. Under this agreement, Banco Original pays a percentage of credit and debt card's interchange fee to PicPay. The revenues PicPay generated due to those agreements with Banco Original regarding PicPay Card were recognized in the statement of profit and loss as financial income of R\$ 119,422 in the year ended December 31, 2022 (R\$ 19,190 in the year ended December 31, 2021).

PicPay and Banco Original entered into a Corporate Credit Card Issuance Agreement (Contrato de Emissão de Cartão de Crédito Virtual Corporativo), pursuant to which Banco Original agreed to issue virtual credit cards to PicPay's customers. The term of the contract is indefinite and either party may terminate the agreement by providing 30 days' notice. Under this agreement, Banco Original pays a percentage of the interchange fee to PicPay. The revenue PicPay generated under this agreement with Banco Original were recognized in the statement of profit and loss as “commission — banking correspondent and marketplace” of R\$ 0 in the year ended December 31, 2022 and (R\$ 3,744 in the year ended December 31, 2021).

(3) According to the agreement signed (Convênio de Cessão de Créditos), PicPay's users assign their installment transactions electronic currency credit rights to Banco Original. PicPay acts as a representative of the assignors and intermediary of the operations, but the payment of PicPay to Banco Original is made by the creditor's balance. In the year ended December 31, 2022, these operations totaled R\$ 0 (R\$ 49,095 in the year December 31, 2021) presented in “Financial Income”.

(4) In the year ended December 31, 2022 PicPay had financial investments placed with Banco Original, which generated financial income of R\$ 78,929 (R\$ 17,627 in the year ended December 31, 2021) Note 8.

(5) Expenses related to the agreements with Banco Original recognized as “cost of sales and services”:

PicPay pays to Banco Original for the use of the eletronic transference and issued of bank slips (API TED Envio e API Emissão de Boleto). The expense PicPay incurred due to this agreement with Banco Original were recognized in the financial statement was of R\$ 0 and in the year ended December 31, 2022 (R\$ 32 in the year ended December 31, 2021).

PicPay and Banco Original entered into a QR Code Service Agreement (Contrato de Prestação de Serviços Saque QR Code). According to the terms of this agreement, Banco Original agreed to provide certain services to PicPay, allowing PicPay to provide to its users the ability to withdraw amounts in their accounts by using a QR Code at ATMs. The term of this agreement is for an indefinite period. Either party may terminate the agreement: (1) by providing 90 days' notice; and (2) upon the breach of a provision by the other party by providing at least 10 days' notice commencing on the date that notice of the breach is received by the defaulting party.

Under this agreement, PicPay pay a fee to Banco Original, according to the amount of withdrawals made per month. The expense PicPay incurred due to this agreement with Banco Original were recognized in the financial statements as Cost of sales and services in the amount of R\$ 37,358 in the year ended December 31, 2022 (R\$ 38,322 in the year ended December 31, 2021).

(6) Expenses related to the agreements with Banco Original recognized as “financial expenses”:

PicPay may assign credit rights generated from its users installment transactions to Banco Original without retention of substantially all the risks and rewards. In year ended December 31, 2022 the sum of the credits transferred from the assigned totaled R\$ 0 (R\$ 8,368,377 in the year ended December 31, 2021). The net result of credit assignments is shown in “Financial expenses” in the amount of R\$ 9,049 in the year ended December 31, 2022 (R\$ 38,196 in the year ended December 31, 2021).

Under agreements signed on June 4, 2020 and on December 18, 2020, Banco Original granted PicPay a 90-day revolving credit facility. The amounts withdrawn from this credit line incurred interest of 2% per month as used. This credit line is automatically renewed for equal periods and can be terminated by either party at any time. The total interest paid for the use of this credit to Banco Original in the year ended December 31, 2022 was of R\$ 969 (R\$ 11 in the year ended December 31, 2021).

The Group recognized R\$ 172,409 of interest due to FIDC senior quota holders due to Banco Original in the year ended December 31, 2022 (R\$ 105,642 in the year ended December 31, 2021) Banco Original held the totality of senior quota issued until they were purchased by PicPay Bank on August, 2022.

PicPay signed a loan agreement with Banco Original for R\$ 90,000 with maturity date of 92 days and nominal interest of 4.66% + CDI. Interest accrued on this loans was R\$ 5,032 in the year ended December 31, 2022 (R\$ 4,267 in the year ended December 31, 2021).

(7) The FIDC is the investment fund the Group may use to offer installment payment solutions to its users. Prior to the acquisition of FIDC in February 2021 (for more detail, see Note 1) the PicPay transferred credit rights generated from its users installment transactions to the FIDC, under a pass-through arrangement but retaining substantially all risks and rewards. Credit rights transferred to FIDC at a nominal amount from assignments amounted to R\$ 0 in the year ended December 31, 2022 (R\$ 761,692 through February 23, 2021, the amount was the same in the year ended December 31, 2021) of which the net amount of R\$ 0 was collected in 2022 (R\$ 676,954 through February 23, 2021, the amount was the same in the year ended December 31, 2021). The amount presented in "Financial Income" referring to interest income from these receivables totals R\$ 0 in the year ended December 31, 2022 (R\$ 37,289 through February 23, 2021, the amount was the same in the year ended December 31, 2021). The amount presented in "Financial Expenses" referring to the interest expense for the funding provided by FIDC for the year ended December 31, 2022 amounted to R\$ 0 (R\$ (8,291) through February 23, 2021, the amount was the same in the year ended December 31, 2021).

(8) Crednovo is the entity that intermediates P2P lending matching multiple investor to multiple borrowers, under this agreement, Crednovo pays to PicPay an intermediation fee. The amount paid to PicPay from January 1, 2022 to September 2022 when Crednovo began to be consolidated by the Group was R\$ 812 (R\$ 0 in the year ended December 31, 2021).

23. Revenue and financial income

a) Net revenue from payment transaction activities and other services

	Year ended December 31	
	2022	2021
Revenue from payment transaction activities and other services ⁽¹⁾	648,074	129,747
Commissions - banking correspondent and marketplace ⁽²⁾	185,244	96,535
Total	833,318	226,282

(1) Refers to fee income charged for the intermediation of electronic payments it includes P2P, PRO, P2B, and Bill Payments products, net of reversal revenue chargebacks and incentives considered component of revenues.

(2) It includes agreements signed between PicPay and Banco Original and commission on the transactions carried out in the app store (marketplace partners) (Note 22).

b) Financial income

	Year ended December 31	
	2022	2021
Interest income from receivables	1,324,719	726,049
Revenue from financial investments	777,262	192,196
Other revenues	-	183
Total	2,101,981	918,428

24. Expenses by nature

	Year ended December 31	
	2022	2021
Marketing expenses ⁽¹⁾	(532,930)	(1,004,032)
Transactions expenses ⁽²⁾	(480,338)	(679,106)
Personnel expenses	(932,847)	(610,656)
Financial expenses ⁽³⁾	(1,257,291)	(446,186)
Technology expenses ⁽⁴⁾	(283,444)	(151,631)
Administrative expenses ⁽⁵⁾	(72,417)	(101,483)
Depreciation and amortization ⁽⁶⁾	(74,361)	(49,326)
Tax expenses	(556)	(2,800)
Total	(3,634,184)	(3,045,220)
Classified as:		
Cost of sales and services	(756,346)	(572,228)
Selling expenses	(853,750)	(1,260,280)
Administrative expenses	(707,848)	(488,062)
Financial expenses	(1,259,646)	(445,392)
Other (expenses) income net	(56,594)	(279,258)
Total	(3,634,184)	(3,045,220)

(1) The composition of the amount spent was mainly: in promotional campaigns (user incentives to promote increased user engagement and new user acquisition) R\$ 300,951 in the year ended December 31, 2022 (R\$ 587,309 in the year ended December 31, 2021); in advertising R\$ 124,646 in the year ended December 31, 2022 (R\$ 172,262 in the year ended December 31, 2021); and in media and production R\$ 106,181 in the year ended December 31, 2022 (R\$ 199,433 in the year ended December 31, 2021), and tax credits of R\$ (22,141) (R\$ (8,250) in the year ended December 31, 2021);

(2) It relates mainly to credit card issuance in the amount of R\$ 61,625 in the year ended December 31, 2022 (R\$ 100,049 in the year ended December 31, 2021), chargeback expenses of R\$ 88,374 in the year ended December 31, 2022 (R\$ 257,898 in the year ended December 31, 2021), expenses related to verification and prevention of fraud in registration and transactions with users of R\$ 252,010 in the year ended December 31, 2022 (R\$ 251,312 in the year ended December 31, 2021), write off related to operational failures that occur during payment processing of R\$ 26,240 in the year ended December 31, 2022 (R\$ 58,388 in the year ended December 31, 2021), processing fees charged by the liquidating banks of R\$ 49,998 in the year ended December 31, 2022 (R\$ 54,904 in the year ended December 31, 2021), and tax credits of R\$ (23,675) (R\$ (43,630) in the year ended December 31, 2021);

(3) Relates mainly to the expenses with interest to time deposits of R\$ 439,074 (R\$ 0 in the year ended December 31, 2021) interest on advance of receivables of R\$ 92,858 in the year ended December 31, 2022 (R\$ 79,155 in the year ended December 31, 2021), remuneration of the balance of the users portfolio of R\$ 527,694 in the year ended December 31, 2022 (R\$ 241,492 in the year ended December 31, 2021), interest to fund FIDC senior quota holders of R\$ 172,409 in the year ended December 31, 2022 (R\$ 105,642 in the year ended December 31, 2021) and interest on lease agreements of R\$ 4,628 in the year ended December 31, 2022 (R\$ 4,511 in the year ended December 31, 2021). Interest accrued to loans R\$ 14,680 in the year ended December 31, 2022 (R\$ 6,559 in the year ended December 31, 2021) and fair value changes of derivative instruments R\$ (480) in the year ended December 31, 2022 (R\$ 2,941 in the year ended December 31, 2021) also comprise part of the balance. In addition, includes taxes on financial transactions, default interest (interest paid on late payments to our suppliers), and bank fees (including transfer fees we pay in connection with payments to our suppliers);

(4) Technology expenses are related to server infrastructure in the amount of R\$ 181,021 in the year ended December 31, 2022 (R\$ 88,770 in the year ended December 31, 2021), data analysis and control in the amount of R\$ 37,559 in the year ended December 31, 2022 (R\$ 24,085 in the year ended December 31, 2021), maintenance/monthly payments of systems in the amount of R\$ 45,428 in the year ended December 31, 2022 (R\$ 17,950 in the year ended December 31, 2021) and software license in the amount of R\$ 31,118 in the year ended December 31, 2022 (R\$ 13,372 in the year ended December 31, 2021), and tax credits of R\$ (15,996) (R\$ (5,424) in the year ended December 31, 2021);

(5) These expenses primarily relate to consulting, advice and building expenses.

(6) The depreciation and amortization expenses are segregated between Cost of sales and services and Selling expenses and Administrative expenses as shown below:

	Year ended December 31	
	2022	2021
Depreciation		
Cost of sales and services	(6,766)	(4,882)
Selling expenses	(2,119)	(1,812)
Administrative expenses	(8,125)	(8,195)
	(17,010)	(14,889)
Amortization		
Cost of sales and services	(40,142)	(23,902)
Selling expenses	(1,037)	(2,051)
Administrative expenses	(16,135)	(9,288)
	(57,314)	(35,241)
Depreciation and amortization	(74,324)	(50,130)
PIS and COFINS credits ⁽¹⁾	(37)	804
Depreciation and amortization	(74,361)	(49,326)

(1) PicPay has a tax benefit on PIS and COFINS that allows it to reduce the depreciation and amortization expenses when incurred.

25. Taxes

25.1 Tax assets

	December 31, 2022	December 31, 2021
Income tax to offset ⁽¹⁾	198,010	56,426
Deferred tax assets ⁽²⁾	6,842	-
Total	204,852	56,426

(1) Primarily relates to withholding income taxes on income from financial investments which can be used to settle other federal tax amounts due.

(2) Relates to subsidiary PicPay Bank.

25.1.1 Deferred tax assets

	December 31, 2021	Additions through acquisitions	Additions	December 31, 2022
Temporary differences related to other liabilities	-	1,132	1,143	2,275
Tax loss and social contribution negative basis	-	-	4,567	4,567
Total	-	1,132	5,710	6,842

25.2 Taxes payable

	December 31, 2022	December 31, 2021
Withholding tax on interest paid to users	4,047	18,580
Tax and charges on payroll	22,481	17,464
Social contribution on revenues	13,686	4,713
Other taxes	2,755	3,079
Total	42,969	43,836

25.3 Income Tax

	Year ended December 31	
	2022	2021
Loss before income taxes	(698,885)	(1,900,510)
Tax expense at the combined rate	247,417	416,809
Effects of current year losses for which no deferred tax is recognized and permanent differences	(241,429)	(416,422)
Total⁽¹⁾	5,988	387

(1) Credit related to subsidiary PicPay Bank.

25.4 Unrecognized deferred tax assets

Deferred tax assets and liabilities, shown in the table below, were calculated on tax loss / base negative social contribution on net income and temporary differences at the rate of 34% for Picpay, PicPay Holding, FIDC PicPay I, Guiabolso and its subsidiary and Crednovo and 46% for PicPay Bank. According described at Note 3.15

For the year ended December 31, 2022, the Group had tax losses of R\$ 502,517 and accumulated tax losses of R\$ 2,178,957 (R\$ 1,676,440 on December 31, 2021). No deferred tax assets were recognized. Under Brazilian tax legislation carry-forward tax losses do not expire but their use is limited to 30% of the taxable profit in each year:

	December 31, 2021	Additions	December 31, 2022
Unrecognized deferred tax assets			
Corporate Income Tax	419,110	125,629	544,739
Social Security Contribution	150,880	45,226	196,106
Total	569,990	170,855	740,845

26. Risk management

26.1 Risk management

The Group has a specific structure for risk management, including policies and procedures, covering the evaluation and monitoring of operational, credit and liquidity risks (including cash flow and investments of funds held in payment accounts) incurred by the institution.

This process is continuous, continuously reviewed and serves as the basis for the Group's strategies, the primary risks related to financial instruments are:

Credit risk

Credit risk is the possibility that a counterparty will not comply with its obligations, whether under an agreement or a financial instrument, leading to a drop in expected cash receipts or financial loss.

The Picpay is a prepaid payment institution and does not make loans to its users. The Group's credit risk arises from its cash, cash equivalents, financial investments, acquirer receivables and other receivables and the Picpay Bank still doesn't provide credits to its customers.

• Cash and cash equivalents

Credit risk related to bank account balances and investments in financial institutions are managed by Risks and Treasury areas, with priority being given to institutions with "AAA" assessment by rating agencies (Moody's, S&P or Fitch). Based on Group risk assessment, the expected credit loss is not material since the accounts receivable are mainly comprised of high liquidity investments and operational accounts, approved by large financial institutions that have a low overall risk level based on ratings received from major credit rating agencies. Additionally, these financial institutions are the legal obligors to the accounts receivable.

• Financial investments

These primarily relate to bonds issued by the Brazilian government and reverse repos collateralized by bonds issued by the Brazilian government. There is no significant expected credit loss recognized for these assets.

• Acquirer receivables and card issuers

The Group recognizes amounts to receive from acquirers related to its activity as a sub-acquirer and from card issuers related to its activities as an acquirer and also when its users use its app to settle bank slips or make other payments using an on-boarded credit card. These receivables are due in up to twelve monthly installments. As a result the Group is exposed to the risk of default by the acquirers and card issuers.

In its role as a sub-acquirer, The Group uses national acquirers (Stone, Cielo and Getnet) seeking to avoid concentration in any single acquirer and increase financial efficiency. In its role as an acquirer, the Group processes transactions with a number of card issuers.

The Group transfers all receivables related to installment payment to either the FIDC (with recourse) or to PicPay Bank and Banco Original (without recourse) related to receivables for cash payment, effectively advancing their settlement.

The Group uses only acquirers authorized to operate by the BACEN, which are supervised and monitored by BACEN, including the minimum equity level for the operation, and which have a national "AAA" rating by the rating agencies (S&P or Fitch). The acquirers may default on their financial obligations due to lack of liquidity, operational failure or other reasons, situations in which Group can be held responsible for making the payment of receivables to commercial establishments without the receipt of the amounts by the acquirer. Until now, The Group has not suffered losses on receivables from acquirers.

The Group management does not expect any significant losses from non-performance by these counterparties in addition to the amounts already recognized as chargebacks.

Credit card issuers are supervised by BACEN. The payments arrangement (Visa, Mastercard, Elo and others) have their own risks and guarantee models to evaluate and mitigate the default risk of the issuers, which mitigate the risk of the acquires and the systemic risk of Brazilian payment arrangements. Additionally, the acquires and issuers have others risks mitigation such as:

- Amounts due within 27 days of the original transaction, including those that fall due with the first installment of installment receivables, are guaranteed by the payment arrangement in the event that the legal obligors do not make payment.

- Processes for mitigating operational failures, such as fraud prevention, limitations anticipating the agenda, among others.

As of December 31, 2022, the Group had an amount receivable totaling R\$ 2,289,552 (R\$ 2,625,074 on December 31, 2021) from the acquirers and R\$ 463,982 (R\$ 0 on December 31, 2021) from card issuers, based on the probabilities of default attributed by the rating agencies and the risk mitigation processes presented above, the Group made a provision for expected credit losses in the amount of R\$ 1 (R\$ 791 on December 31, 2021).

• Other receivables

Other receivables relate mainly to transactions involving related parties that are based on conditions negotiated between Group and related companies. At December 31, 2022, the Group did not record any impairment loss on accounts receivable related to the amounts due from related parties as it understands that there is no significant credit risk on outstanding balances.

Market Risk

Market risk is defined as the possibility that the market value of financial instruments or investments will increase or decrease as a result of volatility and unpredictable movements in market valuations.

As of December 31, 2022 the Group had derivative financial instruments for economic hedge purpose. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

a) Interest rate risk

PicPay has sovereign debt securities and reverse repos to comply with BACEN "BCB No. 80", which requires that payment institutions at a minimum total value of their users' balances in payment accounts: government bonds with a term of less than 540 days, reverse repos collateralized by government bonds, and / or balance in a specific account with BACEN. Investments in government bonds are classified at fair value through other comprehensive income. In this portfolio, the Company is primarily exposed to fluctuations in the SELIC (basic interest rate in Brazil).

The table below shows the composition of the portfolio allocated to comply with the requirements of BCB No. 80:

	Index	Maturity	Amount
As of December 31, 2022			
Type			
Government Bonds - LFT	SELIC	01/03/2023	718,351
		01/09/2023	825,608
		01/03/2024	6,210
		01/09/2024	555
Total			1,550,724
As of December 31, 2021			
Type			
Government Bonds - LFT	SELIC	01/03/2022	596,320
		01/09/2022	617,592
		01/03/2023	642,250
Reverse repurchase agreements - Government Bonds - LTN	Fixed Rate	03/01/2022	700,001
Reverse repurchase agreements - Government Bonds - NTN-B	Fixed Rate	03/01/2022	3,937,288
			6,493,451

The Group performed a sensitivity analysis regarding the interest rates to which its is exposed as a result of the financial assets held and financial liabilities issued on December 31, 2022 and 2021. As a premise, impacts of 10% upwards or downwards were adopted, both in the SELIC rate and in the CDI rate. As a result, financial income and liability from short-term investments and sovereign debt securities would be impacted as follows on the annual results assuming no alterations in any other variables. The table below shows the impact on profit or loss and other comprehensive income from these changes in interest rates. For financial instruments measured at amortized cost, the impact is for a 12 month period with cashflow impact, and assumes no alterations in any other variables. For financial instruments measured at fair value, the impact, is the change in fair value of such a change in interest rates.

	Rate risk	Total portfolio amount	Basic interest rate shock	
			+10%	-10%
As of December 31, 2022				
Type				
Financial assets				
Government Bonds - LFT	SELIC	1,550,724	19,151	(19,151)
Reverse repurchase agreements - Financial Treasury Bills (LFT)	Fixed Rate	2,416,701	29,919	(29,919)
Reverse repurchase agreements - National Treasury Note (NTN-B)	Fixed Rate	3,810,450	32,805	(32,805)
Financial liabilities				
Payment accounts ⁽¹⁾	CDI	(985,353)	(12,199)	12,199
Time deposits	CDI	(9,187,225)	(113,738)	113,738
Futures Contract - CDI Rate ⁽²⁾	CDI	2,640,820	32,693	(32,693)
As of December 31, 2021				
Type				
Financial assets				
Government Bonds - LFT	SELIC	1,856,162	1,429	(1,429)
Financial liabilities				
Senior quotas	CDI+3%	(1,963,600)	(14,609)	14,609
Third party funds ⁽¹⁾	CDI	(6,510,209)	(28,905)	28,905
Futures Contract - CDI Rate ⁽²⁾	CDI	2,461,224	10,928	(10,928)

(1) As a business strategy for the purpose of attracting and maintaining its user base, PicPay use the "CDI rate" (meaning Brazilian interbank deposit rate) to daily remunerate the wallet balance of PicPay users. Although, there is no set deadline for termination, PicPay can end the remuneration of its's users balances, at any time, since there is no legal requirement. Such lack of obligation serves as a risk mitigator in case of high interest rate movements, allowing PicPay to cease it at its own convenience.

(2) Futures Contract - CDI Rate to hedge interest rate risk of the assets and liabilities of the FIDC. The "Total portfolio amount" represents the notional amount.

b) Foreign exchange risk

The Group has some contracts with suppliers in foreign currency. These commitments refer to services provided and software licenses, among others. The Group monitors these payments and exposures to foreign currency.

As of December 31, 2022 the Group have no amount exposed in foreign currency. The table below shows the sensitivity to a shock in the US dollar quotation, with all other variables kept constant, as of December 31, 2021.

	Rate risk	Total exposure on December 31, 2021	+10%	-10%
Type				
Trade payables	Dolar	2,638	264	(264)

Liquidity risk

Liquidity Risk is the possibility that the Group does not have sufficient liquid resources to honor its financial commitments, due to a mismatch in terms of volume between the receipts and payments provided for in its cash flow.

PicPay's liquidity management processes include:

- Cash liquidity monitoring: daily update of the administrative and operational cash flow, detailing the inflows and outflows, including the cash projection and stress scenario.
- Minimum cash limits: establishing minimum cash limits, which allow preemptive actions to be taken to ensure sufficient resources to meet financial commitments.

The Company's projected cash flow is generated and monitored daily by the treasury to ensure that the Company has the necessary resources to meet financial commitments and operational needs. For the projection of cash, growth assumptions and stress factors are used, which include increased losses and expenses.

The information on financial liabilities is essential information for the projection and management of cash flow, ensuring that the Company has the necessary resources to settle its obligations. The table detailing the contractual maturity of lease liabilities is presented in Note 19.

As a cash management procedure, the treasury invests surplus funds in highly liquid and low risk assets. PicPay does not have assets pledged as guarantees for loans, financial operations or contractual obligations.

The table below shows the contractual maturity:

Assets

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
As of December 31, 2022							
Cash and cash equivalents	6,361,401	-	-	-	-	-	6,361,401
Financial investments	27,918	718,403	-	-	823,448	-	1,569,769
Trade receivables	1,767,280	512,692	341,115	514,644	269,202	-	3,404,933
Other trade receivables	2,252	-	-	-	-	67,480	69,732
Total	8,158,851	1,231,095	341,115	514,644	1,092,650	67,480	11,405,835
As of December 31, 2021							
Cash and cash equivalents	149,291	-	-	-	-	-	149,291
Financial investments	4,637,289	596,320	-	-	617,592	642,387	6,493,588
Trade receivables	628,483	630,994	425,099	549,632	320,050	-	2,554,258
Other trade receivables	275	-	-	-	-	67,480	67,755
Total	5,415,338	1,227,314	425,099	549,632	937,642	709,867	9,264,892

Liabilities

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
As of December 31, 2022							
Third-party funds - payment accounts	827,977	-	-	-	-	-	827,977
Third-party funds - time deposits (1)	-	-	-	-	-	9,344,601	9,344,601
Trade payables	366,667	31	1,140	199	5,216	-	373,253
Total	1,194,644	31	1,140	199	5,216	9,344,601	10,545,831
As of December 31, 2021							
Third-party funds	6,500,169	7,046	2,994	-	-	-	6,510,209
Funding from related parties	297,127	19,003	1,900	3,741	2,214	-	323,985
Trade payables	91,949	-	136,330	-	-	-	228,279
Obligations to FIDC quota holders (2)	-	-	-	-	-	1,963,600	1,963,600
Total	6,889,245	26,049	141,224	3,741	2,214	1,963,600	9,026,073

(1) Third-party funds - time deposits have a contractual maturity of five years, however they can be withdrawn immediately at the discretion of the depositor.

(2) The contractual maturity of the obligations to FIDC quota holders are presented considering that they will be redeemed at the maturity date, however, extraordinary early payment of the senior quotas of the FIDC may be required in the following cases: (i) through the General Meeting of Quotaholders, exclusively for purposes of ensuring compliance of the FIDC's assets with the Minimum Allocation requirements or (ii) due to non-compliance with the Minimum Allocation requirements due to insufficiency of assignment of Credit Rights.

Third-party funds - payment accounts are classified as due in 'up to 30 days' as they can contractually be withdrawn immediately. However historic behavior of clients suggests that these amounts will not be withdrawn in this time period. Additionally in PicPay the related government bonds, purchased to comply with BACEN standart BCB No. 80 and recognized as Financial investments, may have a maximum maturity term of 540 days but have historically had a high liquidity in the Brazilian market.

Fraud Risk

The Group is exposed to several operational risks, the most relevant being the risk of fraud, which is an undue, illegal or criminal activity that causes a financial loss for one of the parties involved in a financial transaction within the PicPay arrangement. Credit card fraud includes unauthorized use of lost, stolen, fraudulent, counterfeit, or altered cards, as well as misuse of the PicPay user payment account. Within this scenario, the Group is exposed to losses due to transaction chargeback (cancellations).

The chargeback process starts when a user makes a transaction via credit card in the PicPay application and, for reasons unrelated to PicPay, decides to contest the transaction with the card issuer who forwards it to the acquirer who performs the transaction cancellation, reducing the amount of payables it has outstanding with PicPay.

The Group has areas dedicated to preventing fraud with the development of anti-fraud processes and strategies and real-time monitoring of transactions using payment account balance or credit card for bank slips, withdrawals or transfers between users, identifying, approving or declining transactions.

26.2 Capital Management

The Group has implemented processes and controls to ensure that the Group meet the minimum adjusted equity capital adjusted by the results (equity capital plus profit/losses into the period) thresholds required under BACEN regulations. Pursuant to such regulations, PicPay's minimum adjusted equity capital must be equivalent to the greater of:

- 2% of the monthly average of payment transactions for the last 12 months; or
- 2% of the balance in the portfolio at the end of the month.

Adjusted equity capital is calculated as the share capital, plus the value of future capital increase and excluding the costs and expenses and the accumulated loss for the year.

The Risk area calculates these values on a monthly basis.

As of December 31, 2022 PicPay's capital requirement based on 2% of the monthly average transactions in the last 12 months was R\$ 255,501 PicPay's adjusted equity capital was R\$ 878,778 thus covering 344% of the required amount.

26.3 Financial instruments

As of December 31, 2022 the carrying amount of the Group's financial instruments not measured at fair value in the statement of financial position is a reasonable approximation of their fair value, as they are mainly represented by short-term items and are indexed to market rates.

The financial assets held by PicPay relate to:

- Receivables generated by its activities as a payment arrangement institution;
- Investments made with available liquidity; and
- Regulatory investments to cover the amounts of third-party funds (i.e. the amount of electronic currency issued) as required by Circular 3,681;
- Derivative instruments to hedge floating interest rate risk of the senior FIDC quotas and fixed rate of government securities.

26.3.1. Financial instruments by category

Financial assets

	Amortized Cost	FVTPL ⁽¹⁾	FVOCI ⁽²⁾	Total
As of December 31, 2022				
Cash and cash equivalents	6,361,401	-	-	6,361,401
Amounts receivable from acquirers	2,921,615	-	-	2,921,615
Amounts receivable from card issuers	390,872	-	-	390,872
Government Bonds - LFT	-	720,974	829,750	1,550,724
Other investment	-	19,045	-	19,045
Futures Contract - CDI Rate ⁽³⁾	-	-	-	-
Trade receivables	92,446	-	-	92,446
Other receivables	69,732	-	-	69,732
Total	3,474,665	740,019	829,750	5,044,434
As of December 31, 2021				
Cash and cash equivalents	149,291	-	-	149,291
Amounts receivable from acquirers	2,381,788	-	-	2,381,788
Government Bonds - LFT	-	-	1,856,162	1,856,162
Reverse repurchase agreements - Government Bonds - LTN	700,001	-	-	700,001
Reverse repurchase agreements - Government Bonds - NTN-B	3,937,288	-	-	3,937,288
Other investment	-	-	137	137
Futures Contract - CDI Rate ⁽³⁾	-	-	-	-
Trade receivables	172,470	-	-	172,470
Other receivables	67,755	-	-	67,755
Total	7,259,302	-	1,856,299	9,115,601

(1) FVTPL: fair value through profit or loss;

(2) FVOCI: fair value through other

(3) As of December 31, 2022 and 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

Financial liabilities

	Amortized Cost	FVTPL ⁽¹⁾	Total
As of December 31, 2022			
Third-party funds - payment account	827,977	-	827,977
Third-party funds - time deposits	9,344,601	-	9,344,601
Trade payables	373,253	-	373,253
Total	10,545,831	-	10,545,831
As of December 31, 2021			
Third-party funds	6,510,209	-	6,510,209
Trade payables	323,985	-	323,985
Obligations to FIDC quota holders	1,963,600	-	1,963,600
Loans from related party	228,279	-	228,279
Total	9,026,073	-	9,026,073

(1) FVTPL: fair value through profit or loss;

26.3.2. Measurement of Fair Value

The following table shows the level in the hierarchy of fair value measurements of the Group's financial assets measured at fair value.

	December 31, 2022			December 31, 2021		
	Carrying amount	Fair value	Hierarchy Level	Carrying amount	Fair value	Hierarchy Level
Financial assets						
Government Bonds - LFT ⁽¹⁾	1,550,724	1,550,724	level I	1,856,162	1,856,162	level I
Other investment ⁽²⁾	19,045	19,045	level I	137	137	level I
Futures Contract - CDI Rate ⁽³⁾	-	-	level I	-	-	level I
Total	1,569,769	1,569,769		1,856,299	1,856,299	

(1) Due to their high liquidity and the short-term nature, the carrying amount of financial investments is a reasonable approximation of their fair value.

(2) Other investment is a fixed income investment, with daily liquidity where the carrying amount is considered to be a reasonable approximation of the fair value.

(3) As of December 31, 2022 and 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

The carrying amounts of related parties, prepaid expenses, advances to suppliers and trade payables are measured at amortized cost and are recorded at their original value. Settlement periods do not exceed 60 days and therefore the carrying amounts are considered reasonable approximations of the fair values. Due to the high liquidity and the short-term nature of reverse repurchase agreements, the carrying amounts are considered to be a reasonable approximation of the fair values.

As of December 31, 2022 and 2021, there were no transfers between the fair value measurements of Level I and Level II or between Level II and Level III.

26.3.3 Offsetting of financial instruments

The balances of financial assets and liabilities can be offset (net amount) if there is a legally enforceable document in which the parties agree to offset the recognized amounts and intend to settle on a net basis, or to realize the asset and settle the liability simultaneously. As of December 31, 2022 and 2021 the Group does not have financial instruments that meet the conditions for recognition at net value.

27. Reconciliation of changes in equity and liabilities with cash flows from financing activities

	Liability		Equity	
	Obligations to FIDC quota holders	Loans	Share Capital and additional paid in share capital	Capital Reserve (21c)
Balances as of December 31, 2021	1,963,600	228,279	895,155	502,027
Variations with effect on cash	(2,136,010)	(243,733)	856,098	-
Capital Contribution	-	-	856,098	-
Funding receipt	-	50,000	-	-
Funding paid	-	(275,000)	-	-
Interest paid on loans	-	(18,733)	-	-
Proceeds of FIDC senior quotas ⁽¹⁾	190,672	-	-	-
Repurchase of FIDC senior quotas ⁽³⁾	(2,326,682)	-	-	-
Variations without effect on cash	172,410	15,454	-	23,262
Transactions with related parties	-	-	-	23,262
Interest accrued on FIDC senior quotas	172,410	-	-	-
Interest accrued on loans	-	15,454	-	-
Balances as of December 31, 2022	-	-	1,751,253	525,289

	Liability			Equity	
	Obligations to FIDC quota holders	Related party funding	Loans from related party	Share Capital and additional paid in share capital	Capital Reserve (Note 21c)
Balances as of December 31, 2020	-	385,573	-	841,246	652,766
Variations with effect on cash	977,770	409,911	221,720	1,072,303	-
Capital contributions	-	-	-	1,072,303	-
Related party funding payment	-	(245,755)	-	-	-
Related party funding receipt	-	680,330	224,997	-	-
Interest paid on related party funding	-	(24,664)	(3,277)	-	-
Proceeds of FIDC senior quotas ⁽¹⁾	977,770	-	-	-	-
Variations without effect on cash	985,830	(795,484)	6,559	(1,018,394)	(150,739)
Transactions with related parties	-	37,289	-	-	752,933
Restructuring of april 19, 2021	-	-	-	(1,018,394)	(903,672)
FIDC aquisition effects ⁽²⁾	880,188	(832,773)	-	-	-
Interest accrued on FIDC senior quotas	105,642	-	-	-	-
Interest accrued on loans	-	-	6,559	-	-
Balances as of December 31, 2021	1,963,600	-	228,279	895,155	502,027

(1) Refers to senior quotas purchased by Banco Original subscribed after the acquisition date of the FIDC by PicPay.

(2) Represents the carrying amount of FIDC senior quotas held by Banco Original and accounted for as a financial liability as of the acquisition date of the FIDC and initial consolidation.

(3) Represents the carrying amount of FIDC senior quotas held by PicPay Bank.

28. Business combination

On July 20, 2021 PicPay acquired 100% of the share capital for total consideration of R\$ 110,000, which was settled in cash, and obtained control of Guiabolso, including its subsidiary Just. Guiabolso offers to its users personal financial management and access to products and services, according their profile, in a marketplace with credit cards, insurance, investments and other financial products.

The fair value of net assets acquired and liabilities assumed in this business combination was R\$ 64,755, included a separately identified intangible software asset with a fair value of R\$ 61,033 which was valued using the replacement cost method and has an estimated useful life of 5 years. The purchase price allocation (PPA) was completed in January, 2022 resulting in a goodwill recognized of R\$ 45,245.

Also, the contract includes a payment for post-combination services as follows: (i) for shareholders who are executives - payment in shares or in cash, at the discretion of the Group in the amount of R\$ 13,500 with a vesting of 12 months after acquisition date and R\$ 38,500 with a vesting period of 24 months after acquisition date; and (ii) in the amount of R\$ 15,000 paid in cash for employees of Guiabolso with a vesting period of 12 months after acquisition date.

Arising from these contracts, as of December 31, 2022, the Group recorded under "Labor Obligations", a liability in the amount of R\$ 18,077 (R\$ 14,614 in the year ended December 31, 2021). The corresponding expense recorded under "Administrative Expenses" was R\$ 26,726 in the year ended December 31, 2022 (R\$ 14,614 in the year ended December 31, 2021).

As of December 31, 2021 the amount of individual net revenue since date of acquisition was R\$ 2,872 and the individual loss for the period since acquisition was R\$ (41,452). The revenue of the combined entity if the acquisition date had been of January 01, 2021 would have been approximately R\$ 1,150,314 and consolidated loss of the combined entity if the acquisition date had been January 01, 2021 would have been approximately R\$ (1,935,270).

Also J&F International B.V paid the amount corresponding to part of vesting period of executives, in total of R\$ 13,500. The effect relative to amount paid by the shareholder was consider as increase in capital reserve, refer to Note 21c.

This acquisition aggregated products and services in the Group's marketplace and is expected to yield synergies in the combining of operations.

29. Subsequent events

On January 06, 2023 PicPay Holding Ltda. changed its Company name to PicS Holding Ltda.

On January 24, 2023 PicPay acquired 100% of the share capital of Liga Invest distribuidora de títulos e valores mobiliários Ltda ("Liga Invest") for R\$ 27,395, which was settled in cash. Liga Invest was an entity under common control when J&F Participações contributed the totality of its shares to PicPay. The Group accounting policy is to account for common control transactions at book value. On the acquisition date, Liga Invest had a consolidated balance of cash and cash equivalents of R\$ 364, other assets with a carrying amount of R\$ 42,403 and liabilities with a carrying amount of R\$ 8,040.

On January 24, 2023 PicPay invested R\$ 25,000 in Liga Invest through the issue and subscription of 25,000,000 shares all nominative and without par value.

On February 02, 2023 the subsidiary Guiabolso acquired 100% of the share capital of BX Negócios Inteligentes Ltda. ("BX Blue") for R\$ 9,500, which was settled in cash. The Group is in the process of performing a purchase price allocation in order to determine the amounts to be included in the consolidated financial statements.