Creditas Financial Solutions LTD.

Consolidated Financial Statements as at and for the years ended December 31, 2022

Contents

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Independent Auditors’ Report

To the Shareholders of Creditas Financial Solutions LTD.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Creditas Financial Solutions LTD. (“the Company”), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Auditores Independentes

KPMG Auditores Independentes Ltda.
São Paulo, April 27, 2023

CREDITAS FINANCIAL SOLUTIONS LTD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, unless otherwise stated)

	Notes	12/31/2022	12/31/2021
ASSETS			
Cash and cash equivalents	**6**	926,916	1,388,298
Financial assets at fair value through profit and loss	**7**	88,470	35,122
Financial assets at amortized cost		4,976,578	3,383,505
Loans to customers	**8**	4,781,517	3,200,002
Accounts receivables		22,452	22,590
Loans to related parties	**8**	55,359	60,456
Other financial assets	**8**	117,250	100,457
Inventories - vehicles	**9**	111,628	203,234
Tax credits	**10**	25,508	22,498
Other assets		115,972	79,030
Investments		5,003	6,877
Property and equipment	**12**	169,016	209,835
Intangible assets	**13**	57,163	50,561
Goodwill	**13**	476,568	531,082
TOTAL ASSETS		**6,952,823**	**5,910,042**
Accounts payable	**14**	69,852	114,824
Tax obligations		36,339	41,892
Labor and social security liabilities		87,302	85,981
Financial liabilities at amortized cost	**15**	5,354,092	4,099,844
Leases Liabilities	**18**	140,189	162,183
Convertible Notes	**17**	447,347	285,805
Other liabilities		90,405	68,549
Derivative financial instruments	**24**	147,584	110,080
TOTAL LIABILITIES		**6,373,110**	**4,969,158**
Share capital		3,623,085	2,529,337
Retained losses		(3,054,681)	(1,678,628)
Other comprehensive income		11,309	90,175
TOTAL EQUITY	**19**	**579,713**	**940,884**
TOTAL LIABILITIES AND EQUITY		**6,952,823**	**5,910,042**

The accompanying notes are an integral part of these consolidated financial statements,

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, unless otherwise stated)

	Notes	12/31/2022	12/31/2021
Interest revenue	22	1,399,419	584,869
Fees and commission revenue	22	156,058	96,367
Used car sales	22	290,712	162,530
Total revenues		**1,846,189**	**843,766**
Interest and other financial expenses	15	(695,321)	(231,958)
Allowance for expected credit losses	8	(654,133)	(168,050)
Cost of sales	23	(291,269)	(157,989)
Total costs		**(1,640,723)**	**(557,997)**
Gross profit		**205,466**	**285,769**
General and administrative expenses	23	(1,304,451)	(847,289)
Marketing expenses	23	(199,265)	(236,978)
Other expenses	23	(36,121)	(23,606)
Total operating expenses		**(1,539,837)**	**(1,107,873)**
Loss before finance Income and expenses and taxes		**(1,334,371)**	**(822,104)**
Financial income	24	71,370	24,416
Financial expenses	24	(112,851)	(134,630)
Foreign exchange gains/losses, net		10,579	(12,429)
Impairment loss on assets	13	(121,337)	-
Loss before income taxes		**(1,486,610)**	**(944,747)**
Current income taxes	25	2,872	(16,025)
Total income taxes		**2,872**	**(16,025)**
Loss for the period		**(1,483,738)**	**(960,772)**
Other comprehensive income/(loss) that are or may be reclassified subsequently to profit or loss:			
Foreign operations – Cumulative translation adjustments		(78,866)	56,154
Total comprehensive loss for the year		**(1,562,604)**	**(904,618)**
Total comprehensive loss attributable to shareholders of the Company		(1,562,604)	(904,618)
Loss per share (in Brazilian reais – BRL)			
Basic and diluted loss per share for the year attributable to shareholders of the Company	20	(0.3994)	(0.6787)

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

CREDITAS FINANCIAL SOLUTIONS LTD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, unless otherwise stated)

	Notes	Share capital	Other comprehensive Income	Retained losses	Total equity
Balances at December 31, 2020		**1,960,299**	**34,021**	**(768,408)**	**1,225,912**
Capital increase - Serie E		341,356	-	-	341,356
Capital increase through business combination (Non-cash)	**11**	260,762	-	-	260,762
Repurchase of shares		(33,208)	-	-	(33,208)
Earn-out - BCredi	**11**	-	-	16,369	16,369
Shares subscriptions - Share based payments plans exercised	**19**	128	-	-	128
Share based payments granted	**19**	-	-	34,183	34,183
Loss for the year		-	-	(960,772)	(960,772)
Foreign operations – Cumulative translation adjustments		-	56,154	-	56,154
Balances at December 31, 2021		**2,529,337**	**90,175**	**(1,678,628)**	**940,884**
Capital increase - Serie F		1,388,258	-	-	1,388,258
Capital increase through business combination (Non-cash)	**11**	73,387	-	-	73,387
Convertible Notes	**17**	(294,589)	-		(294,589)
Repurchase of shares		(73,308)	-	-	(73,308)
Share based payments granted		-	-	107,685	107,685
Loss for the period		-	-	(1,483,738)	(1,483,738)
Foreign operations – Cumulative translation adjustments		-	(78,866)	-	(78,866)
Balances at December 31, 2022		**3,623,085**	**11,309**	**(3,054,681)**	**579,713**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, unless otherwise stated)

	12/31/2022	12/31/2021
Reconciliation of loss to net cash flows from operating activities		
Loss for the year	(1,483,738)	(960,772)
Adjustments:		
- Depreciation and amortization	68,388	45,346
- Interest income	(1,399,419)	(584,869)
- Interest expenses	695,321	231,958
- Interest on lease liabilities	6,488	8,488
- Current Income taxes	(2,872)	16,025
- Allowance for expected credit losses	654,133	168,050
- Share based payments granted	107,685	34,183
- Share of profit of equity-accounted investees	3,039	(1,105)
- Derivative financial instruments - result	37,504	110,080
- Assets disposals	25,370	5,507
- Impairment loss on assets	121,337	-
Adjusted loss for the year	**(1,166,764)**	**(927,109)**
Accounts receivables and loans to customers	(1,844,991)	(2,322,701)
Tax credits	(2,931)	(9,414)
Others assets	(53,533)	(72,398)
Inventories - vehicles	91,606	(194,055)
Accounts payable	(45,189)	59,573
Labor and social security liabilities	814	38,159
Tax obligations	(3,009)	2,438
Financial liabilities at amortized cost	856,649	2,754,881
Others liabilities	(17,852)	(1,600)
Cash used in operating activities	**(2,185,200)**	**(672,226)**
Interest received	1,014,016	517,462
Interest paid	(281,182)	(173,657)
Net Cash used in operating activities	**(1,452,366)**	**(328,421)**
Cash flows from investing activities		
Purchases and sales of financial assets at fair value through profit or loss	(53,348)	3,477
Acquisition of property and equipment	(27,304)	(44,487)
Acquisition of intangible assets	(7,773)	(7,094)
Acquisition of investments	(1,165)	(5,772)
Acquisition of subsidiary, net of cash acquired	(5,923)	(230,310)
Net cash used in investing activities	**(95,513)**	**(284,186)**
Cash flows from financing activities		
Proceeds from issuance of share capital	1,093,669	341,356
Loan payment	(47,702)	-
Repurchase of shares	(73,308)	(33,208)
Proceeds from convertible Notes	161,542	285,805
Proceeds from financial liabilities at amortized cost	31,162	224,858
Net cash generated by financing activities	**1,165,363**	**818,811**
Net increase in cash and cash equivalents	**(382,516)**	**206,204**
Cash and cash equivalents at the beginning of the year	1,388,298	1,125,940
Effects of foreign exchange rate on cash and cash equivalents	(78,866)	56,154
Cash and cash equivalents at the end of the year	926,916	1,388,298

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

1 Operations

Creditas Financial Solutions, Ltd. ("the "Company") was incorporated as an exempted company under the Companies Law of the Cayman Islands on April 8, 2015 and is headquartered at Campbells Corporate SVC Limited, Floor 4, Willow House, Cricket Square, Grand Cayman – Cayman Islands operating jointly with its subsidiaries (the "Group"), as a business corporation domiciled in Brazil, Mexico and Spain, which provides intermediation of business and services in general, offering both financial and non-financial products. Currently, the Group offers four types of loans (1) Auto Equity Loan which is a personal loan with a vehicle as a collateral; (2) Home Equity Loan which is a personal loan with the real-estate property as a collateral; (3) Private Payroll Loan which is a personal loan deducted directly from payroll from the borrower's salary; and (4) Auto Financing which is a loan used to finance vehicle acquisition with the vehicle as a collateral. The Company also provides consumer solutions to its customers such as (i) Auto Solutions, a fully-integrated solution to buy and sell vehicles; (ii) Home Solutions, which offers financial services for homeowners and real estate agencies; and (iii) Creditas Store, which is a marketplace where customers can buy electronics, educational services and furniture supplied by third parties and financed through a private payroll loan and (iv) in July 2021 Company acquired Minuto Seguros starting a new operation, which is an online platform specialized in selling vehicle insurance to customers.

On January 21, 2022, the Group closed its 7th investment series round denominated series "F" of US$ 260 million settled on January 28, 2022, led by Fidelity Investment Trust.

In March 2023, Creditas Auto adopted a new strategic approach. In the coming months, we will shift our focus to C2C transactions, which involves facilitating the sale of cars between individuals. Alongside this, we will optimize our processes to support the sale of Auto Equity and Auto Fin products to our customers. This change aims to enhance our lending and insurance business, building on the successful ibuyer model developed through Creditas Auto. By leveraging our expertise, we are confident in our ability to achieve this transition smoothly and effectively.

As of December 31, 2022, the Group operates with 16 investment platforms, *Fundos de Investimento em Direitos Creditórios ("FIDC"),* an investment fund authorized by the Brazilian Securities Commission ("CVM – *Comissão de Valores Mobiliários*").

a) Fundo de Investimento em Direitos Creditórios Empírica Creditas Auto I, II, III, IV, V, VI, VII, VIII and IX, to finance both auto finance and auto equity loans;
b) Fundo de Investimento em Direitos Creditórios Empírica Home Equity, to finance its home equity loans;
c) Fundo de Investimento Creditórios Não Padronizados Creditas Tempus I, and II, the Group working capital vehicle;
d) Fundo de Investimento em Direitos Creditórios Creditas Aloha I, II and III, to finance both auto finance and auto equity loans;
e) Fundo de investimento em Direitos Creditórios Angá Creditas Consignado Privado, to finance its private payroll loans;

In addition, the Group has issued 23 Mortgage-Backed Securities - *Certificado de Recebíveis Imobiliários* - ("CRI"). These target both retail and institutional investors. The Group works with the CRIs below:

a) Issued on 2018 - Certificado de Recebíveis Imobiliários I and II– for amount BRL 50.0 million;
b) Issued on 2020 - Certificado de Recebíveis Imobiliários III, IV, V and VI– for amount BRL 324.5 million;

c) Issued on 2021 - Certificado de Recebíveis Imobiliários VII, VIII, IX, X and XI– for amount BRL 428.0 million;
d) Issued on 2022 - Certificado de Recebíveis Imobiliários XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX, XX, XXI, XXII and XIII– for amount BRL 348.0 million;

2 Presentation of the financial statements

a. Basis for preparation

The Company´s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements represent a view of the development and results of the Group. The management has evaluated the Group capacity to continue as a going concern and has concluded that they have sufficient funds to continue operations over the foreseeable future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue to operate as a going concern. Therefore, the financial statements were prepared based on this principle.

These consolidated financial statements were approved by Management on April 27, 2023.

b. Accounting judgments, estimates and assumptions

In the process of preparing the Company’s consolidated financial statements, management exercises its judgment and uses estimates. Accounting estimates and judgments are constantly evaluated and are based on historical experience and other factors, including expectations of future events considered as reasonable under the circumstances. The most significant matters that could affect these estimates and the financial statements are included in the following notes:

Provision for credit losses is obtained by multiplying the components of probability of default, exposure at default, and loss given default, for each month of life of each contract, except for probability of default which is calculated annually. There are three different applications for loss calculation based on the stage of operation and default condition: expected credit loss 12 months, expected credit loss lifetime, and loss on impaired contracts.

The fair value of financial instruments is calculated using valuation techniques based on assumptions, which consider information and market conditions. The main assumptions are historical data, information on similar transactions and pricing techniques. The methodologies used to evaluate the fair values of certain financial instruments are described in Note 16.

Deferred tax assets are recognized on tax losses to the extent that it is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets to be recognized, based on the probable flow of future taxable income coupled with tax planning strategies.

c. Consolidated financial statements

These consolidated financial statements include the accounting balances of Creditas Holdings and all those subsidiaries over which the Company exercises control, direct or indirectly. Control is achieved where the Company has (i) power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) can use its power to affect its profits.

(In thousands of Brazilian Reais, unless otherwise stated)

The Company re-assesses whether it maintains control of an investee if facts and circumstances indicate that there are changes to one or more of the three above mentioned elements of control. The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss from the date the Company gains control until the date the Company ceases to control the subsidiary.

The financial statements of the Company's subsidiaries were prepared during the same period as the Company, and consistent accounting policies were applied. These statements are fully consolidated with those of the Company, accordingly that all balances, transactions, and unrealized income and expenses between consolidated entities are eliminated during the consolidation process, except for foreign currency gains and losses resulting from the translation of intercompany loans. The profit or loss, as well as each component of other comprehensive income or loss, is attributed to the equity of the Company.

The consolidated financial statements of the Group include the following subsidiaries and structured entities:

			Equity interest	
Entity name	**Country of incorporation**	**Principal activities**	**12/31/2022**	**12/31/2021**
Creditas Financial Solutions LLC	USA	Investment company	100.00%	100.00%
Creditoo LLC	USA	Investment company	99.90%	99.90%
LGF Occidente SA de C.V. SOFOM	Mexico	Intermediation of business and services	99.90%	99.90%
Sorabil S. de R.L. de C.V.	Mexico	Intermediation of business and services	99.90%	99.90%[*]
Creditas S.L.	Spain	Intermediation of business and services	99.90%	99.90%
Creditas Soluções Financeiras Ltda.	Brazil	Intermediation of business and services	99.90%	99.90%
Creditas Administração de Imóveis e Serviços de Reformas Ltda.	Brazil	Intermediation of business and services	100.00%	100.00%
Creditas Auto Ltda.	Brazil	Intermediation of business and services	100.00%	100.00%
Creditas Sociedade de Crédito Direto S.A. - SCD	Brazil	Intermediation of business and services	100.00%	100.00%
FIDC Empírica Creditas Auto	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIDC Empírica Home Equity	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIDC Creditas Tempus	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIDC Angá Creditas Consignado Privado	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIM Creditas	Brazil	Multimarket investment fund	100.0%[1]	100.0%[1]
FIDC Creditas Auto II	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIDC Creditas Auto III	Brazil	Receivables investment fund	100.0%[1]	100.0%[1]
FIDC Creditas Auto IV	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Auto V	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Auto VI	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Auto VII	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Auto VIII	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Auto IX	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Tempus II	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Aloha I	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Aloha II	Brazil	Receivables investment fund	100.0%[1]	0.00%
FIDC Creditas Aloha III	Brazil	Receivables investment fund	100.0%[1]	0.00%
Bcredi Serviços de Crédito e Cobrança S.A.(4)	Brazil	Intermediation of business and services	0.00%	0.00%
Creditas Administração e Intermediação de Negócios Imobiliários Ltda.	Brazil	Intermediation of business and services	100.00%	0.00%
Volanty Tecnologia e Serviços Veiculares Ltda.	Brazil	Intermediation of business and services	100.00%	0.00%
Volanty LTD	USA	Investment company	100.00%	0.00%
Volanty LLC	USA	Investment company	100.00%	0.00%
Minuto Corretora de Seguros S.A.	Brazil	Intermediation of business and services	100.00%	0.00%
Kzas LTD (3)	USA	Investment company	100.00%	0.00%
Kzas LLC (3)	USA	Investment company	100.00%	0.00%
Kzas Tecnologia e Investimento Ltda (3)	Brazil	Intermediation of business and services	100.00%	0.00%
Kzas Krédito Assessoria Financeira Ltda (3)	Brazil	Intermediation of business and services	100.00%	0.00%
Participation in uncontrolled				
CLIKALIA S.A (2)	Mexico	Intermediation of business and services	44.50%	0.00%
CHP - Companhia Hipotecária Piratini	Brazil	Intermediation of business and services	12.59%	0.00%

(1) Equity interest refers to the 100% participation in the junior quotas;
(2) Clikalia are joint arrangements. Although no single party controls Creditas Delaware and Creditas Fintech, the Group has significant influence on the company's activities.

(3) Company acquired on June 30, 2022 according to note 11
(4) Company incorporated on May 31, 2022

Structured entities

A structured entity is an entity that has been designed in such way that voting or similar rights are not the dominant factor in deciding who controls the entity, namely when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. For these entities, the control is usually determined by who controls most of the economic rights (residual value) of the entity.

In the Company, securitizations to FIDCs are achieved through a true sale and no FIDC has any type of recourse to the Group. As majority holders of the junior quotas, the Group is entitled to the full residual value of the entities and thus the Group retains the variable returns of the securitization vehicles. The bylaws of the FIDCs grant the Group significant decision-making power, such as the right to determine which assets will be sold to these FIDCs if they meet the eligibility criteria. Finally, senior and mezzanine quota holders receive a fixed remuneration every month and both quotas must be fully redeemed by the securitization vehicle at maturity if there are enough cash flows from the existing portfolio of credit receivables.

The Group consolidates all controlled structured entities in the Group's financial statements. The senior and mezzanine quotas are recognized as a financial liability under "Financial Liabilities at amortized cost" and the remuneration paid to senior and mezzanine quota holders are recognized as a cost of funding under "Interest and other financial expenses".

b. Functional currency

The Group companies use the Brazilian Real/Reais (BRL) as the functional currency, since most of the Company's business transactions occur in Brazil. The consolidated financial statements are also presented in Reais.

Assets and liabilities denominated in currencies other than the Brazilian Real are translated at rates of exchange prevailing on the date of consolidated statements, while revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gain or losses on transactions in nonfunctional currencies are recognized in earnings. Gain or losses on translation of the financial statements of non-BRL operations, when the functional currency is other than the BRL, are included, net of hedges and taxes, in the consolidated statements of other comprehensive income.

The Group's foreign entities and their respective functional currencies are described below:

Entity name	Country	Functional Currency
Creditas Financial Solutions LTD	Cayman	USD
Creditas Financial Solutions LLC	USA	USD
Creditoo LLC	USA	USD
LGF Occidente SA de C.V. SOFOM	Mexico	MXN
Sorabil S. de R.L. de C.V.	Mexico	MXN
Creditas SL	Spain	EUR
Volanty LTD	Cayman	USD
Volanty LLC	USA	USD
Kzas LTD	USA	USD
Kzas LLC	USA	USD

Monetary items denominated in foreign currency are translated at the closing exchange rate as of the reporting date.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate on the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates on the date when the fair value was determined.

3 Significant accounting policies

The significant accounting policies adopted by the Group are the following:

a) Cash and cash equivalents

Cash and cash equivalents include (i) bank deposits in local institutions and abroad and highly liquid short-term investments with original maturities up to 90 days, convertible into a known amount of cash, subject to insignificant risk of change in value and used for cash management of short-term commitments and not for investment and financing purposes; and (ii) balances with central banks which are part of the Group's liquidity management activities.

b) Financial instruments

i) Initial recognition and measurement

Financial assets and liabilities are initially recognized when the Group becomes a party to the contractual terms of the instrument. The Group determines the classification of its financial assets and liabilities at initialrecognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of afinancial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

All financial assets and liabilities are recognized in accordance with the respective practices, this section describes the accounting practices arising from the adoption of IFRS 9.

ii) Classification and subsequent measurement

Financial assets and financial liabilities are classified as FVTPL where there is a requirement to do so or where they are otherwise designated at FVTPL on initial recognition.

Financial assets and financial liabilities are classified as held for trading if they are derivatives or if they are acquired or incurred mainly for the purpose of selling or being repurchased in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit-taking.

In certain circumstances, other financial assets and financial liabilities are designated at FVTPL where this results in the more relevant information. This may arise because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on a different basis, where the assets and liabilities are managed and their performance evaluated on a fair value basis or, in the case of financial liabilities, where it contains one or more embedded derivatives which are not closely related to the host contract.

Business model: The business model reflects how the Group manages the assets to generate cash flows and, specifically, whether the Group's objective is solely to (i) collect the contractual cash flows from the assets or (ii) is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an "other" business model and measured at FVTPL. To assess business models, the Group considers risks that affect the performance of the business model; how the managers of the business are compensated; and how the performance of the business model is assessed and reported to Management.

Amortized cost:

A financial asset should be measured at amortized cost if it has both of the following characteristics:

- Whether the financial asset is maintained within a business model whose objectives to maintain financial assets to collect contractual cash flows and;
- The contractual terms of the financial asset lead to cash flows on specific dates, which are composed only of payments of principal and interest. The financial assets measured at amortized cost are initially recognized at fair value including direct and incremental costs, and accounted for, subsequently, at amortized cost, using the effective interest rate method. The interest is recognized in the consolidated statements of profit or loss.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Loans to customers and Accounts receivables are classified as financial assets carried at amortized cost.

FVTPL:

All financial instruments that do not meet the criteria of measurement at amortized cost or at FVOCI (Fair value through other comprehensive income) are classified as measured at FVTPL, in addition to those assets that in the initial recognition are irrevocably designated at FVTPL, if this eliminates or significantly reduces asset-liability mismatches.

The financial assets measured at FVTPL are recorded and evaluated initially at fair value, in which the subsequent changes in fair value are recognized immediately in the statements of profit or loss.

iii) Financial assets

Financial assets are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans and government and corporate bonds.

The classification criteria and subsequent measurement for financial assets depends on the business model for their management and the characteristics of their contractual flows. The business models refer to the wayin which the Group manages its financial assets to generate cash flows. In this definition, the following factors are taken into consideration, among others:

- How management assess and report on the performance of the business model and the financial assets held in the business model;
- The risks that affect the performance of the business model (and the financial assets held in the business model) and, specifically, the way in which these risks are managed; and
- The frequency and volume of sales in previous years, as well as expectations of future sales.

Depending on these factors, the asset can be measured at amortized cost, at fair value with changes in othercomprehensive income, or at fair value with changes through profit or loss.

iv) Financial liabilities

Financial liabilities are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as liabilities associated with non-current assets held for sale or they relate to hedging derivatives or changes in the fair value of hedged items in portfolio hedges of interestrate risk, which are reported separately.

Financial liabilities are included for measurement purposes in one of the following categories:

- Financial liabilities held for trading (at FVTPL): this category includes financial liabilities incurred for the purpose of generating a profit in the near term from fluctuations in their prices and financial derivatives not designated as hedging instruments.

- Financial liabilities designated at FVTPL: financial liabilities are included in this category when they provide more relevant information, either because this eliminates or significantly reduces recognition or measurement inconsistencies (accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the management. Liabilities may only be included in this category on the date when they are incurred or originated. This classification is applied to derivatives, financial liabilities held for trading, and other financial liabilitiesdesignated as such at initial recognition. The Group has designated the instruments eligible as capital as fair value through profit or loss at its initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially in profit or loss (the remaining amount of change in the fair value of the liability).

- Financial liabilities at amortized cost: financial liabilities, irrespective of their instrumentation and maturity, not included in any of the above-mentioned categories which arise from the ordinary borrowing activities carried on by financial institutions.

c) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognized when the right to receive the cash flow of the asset expires or the right to receive cash flows from the asset is transferred or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if: (i) there is substantial transfer of all risks and benefits of the asset; or (ii) there is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.
When the Company and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement and have not substantially transferred or retained all the asset's risks and benefits, or have not transferred the control on such asset, an asset is recognized to the extent of the Company and its subsidiaries have continued involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaries.

(ii) Financial liabilities

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled, or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the carrying amount is recognized in statements of profit or loss of the year.

Expected Credit Losses

The expected credit loss ("ECL") is arrived at by the result of the multiplication the PD (probability of default), EAD (exposure at default) and LGD (loss given default) components, for each month of the life of each contract, except for the PD which is calculated on a yearly basis. There are three different applications for the calculation of loss, based on the stage of the operation and the default condition: ECL 12 months, ECL Lifetime and the loss for impaired contracts.

The definition of each of the terms is set below:

PD – The Group uses statistical models reflecting the characteristics of the client, such as the internal rating, product, guarantee and historical defaults.

LGD is the likelihood of loss if there is a default, where the cash flow net of costs (post-default event) methodology is used, discounted to present value at the effective rate, compared to the exposure at the time of default. A decision tree is applied to segment the calculated values of the LGD by contract.

The EAD of a financial asset is its gross carrying amount at the time of default. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month ECL is carried out for the 12 months following the reporting date. For impaired contracts, the account uses only the EAD and the LGD, as the default has already occurred for Stage 3.
The measurement of expected credit losses relies on significant assumptions, as described below:

- Term: The Company considers the maximum contractual period over which it will be exposed to the credit risk of the financial instrument. In addition, all contractual terms are considered when determining the expected life, including prepayment and rollover options.

- Forward-looking information: The Company uses macroeconomic information and public market information with projections drawn internally to determine the impact of these estimates in determining the expected credit loss.

- Criteria for significant increase or decrease in credit risk: at each reporting date, the Company assesses whether credit risk on a financial asset increased significantly since origination using relative and absolute indicators, according to the nature of each product.

The LGD (loss given default) parameter is intended to calculate the expected loss given the default event. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

The Company applies a three-stage approach to measuring the expected credit losses, as financial assets migrate from one stage to the other in accordance with changes in their credit risk.

Stage1: Credit losses expected over a 12-month horizon. Applicable to financial assets without a significant increase in credit risk since the initial recognition of the operation.

Stage2: Credit losses expected over the life of the financial instrument. Applicable to financial assets with significant increase in credit risk since initial recognition, but with no indication of default.

Stage3: Credit losses expected over the life of the financial instrument. Applicable to financial assets with objective evidence of impairment (default).

An asset will migrate between stages as its credit risk increases or decreases. Therefore, a financial asset that migrated to stages 2 and 3 may return to stage 1 unless it was purchased or originated as a credit impaired financial asset.

The measurement of expected credit loss requires the application of significant assumptions, such as:
- Probability-weighted loss scenarios: The Company uses weighted scenarios to determine credit loss expected over a suitable observation horizon adequate to classification in phases, considering the projection based on economic variables.
- Determining criteria for significant increase or decrease in credit risk: in each period of the consolidated financial statements, the Company assesses whether the credit risk on a financial asset has increased significantly since the initial recognition using relative and absolute triggers (indicators), which consider delay and the probability of default (PD) by product.

Stages:

- Stage 1 to stage 2: default exceeding 30 days for Auto, Home, and Individuals Payroll Portfolio;
- Stage 1 to stage 2: default exceeding 60 days for Companies Payroll Portfolio;
- Stage 2 to stage 3: default exceeding 90 days for Auto and Payroll Portfolio;
- Stage 2 to stage 3: default exceeding 180 days for Home Portfolio.

Write-off

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectation of recovering it in its entirety or a portion thereof. For unsecured loans, a write-off is made when all internal collection efforts are exhausted or theirs is no reasonable expectation of recovering further amounts. All balances are written-off and are subject to enforcement guarantees.

To determine the appropriate write-off period, Creditas evaluated the accumulated recovery curve of each product portfolio using data from the Loss Given Default (LGD) model. This model enabled the construction of a curve to track recovery values over time for each defaulted account.

Based on its analysis of recovery information for each product, Creditas has established the appropriate write-off period for each portfolio. The Auto and Payroll portfolios have a write-off period of 365 days, while the Home portfolio has a longer write-off period of 730 days. Once the collection efforts for each portfolio are exhausted and there is no reasonable expectation of further recovery, Creditas will declare a write-off to loss. These timeframes reflect the different characteristics of each portfolio and allow Creditas to manage its risk and allocate resources effectively.

d) Determining fair value

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

- Level 1: Price quotations observed in active markets for the same financial instrument;
- Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on pricing models for which the relevant parameters are based on observable active market data;
- Level 3: Pricing models for which current market transactions or observable data are not available and require a high degree of judgment and estimation.

In certain cases, the data used to determine the fair value may fall into more than one of the levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified using the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments along the different levels of fair value measurement hierarchy.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF (discounted cash flow) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

e) Derivative financial instruments

Derivatives are contracts or agreements whose value is derived from one or more underlying indexes or asset values inherent in the contract or agreement, which require little or no initial net investment and are settled at a future date. Transactions are undertaken in interest rate, cross-currency, and other index related swaps and forwards.

Derivatives are held for risk management purposes and are classified as held for trading unless they are designated as being in a hedge accounting relationship. Derivatives are recognized initially at cost (on the date on which a derivative contract is entered into) and are subsequently re-measured at their fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are estimated using valuation techniques, including discounted cash flow and option pricing models.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative, except where netting is permitted. The method of recognizing fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments and, if the latter, the nature of the risks being hedged.

f) Recognition of revenue and expenses

Revenue is recognized to the extent that it is probable that the economic benefit is transferred to the Group whether with contract signing, performance of services, transfer of property to customer and that the Revenue may be reliably measured. The criteria of recognition are specified by product as follows must be complied with before the Revenue is recognized:

(i) Interest income and expenses

For all financial instruments measured at amortized cost, the interest income or expenses are recorded using the interest method. The calculation considers all contractual terms of the financial instrument. In calculating interest income and expense, the interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset and interrupted at the moment the accrued interest of the payment delay. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(ii) Fee and commission income

Fee and commission income are recognized at the time the related service with Origination, broker insurance and fees related to business partnerships rebates is rendered, provided that the revenue can be reliably measured, it is probable that the Company will receive the economic benefits associated with the transaction.

(iii) Expenses recognition

Expenses are recorded under the accrual method and are recognized in the statement of profit or loss simultaneously, regardless of payment.

(iv) Vehicle sales
The Company recognizes revenue and its cost when their value can be reliably measured considering future safety conditions that can be met for each of its activities.

The cost of inventories is based on the cost attributed for each vehicle, considering the cost of acquisition of each unit. In addition, there is a complete review and evaluation of the sale, carried out with the cost.

The sales revenue is recognized when the significant risks and rewards of ownership of the asset are transferred to the buyer, which usually takes place on delivery.

(v) Commissions - broker insurance

Brokerage commissions for intermediation in the sale of insurance are recognized in the statement of profit or loss according to the completion of the services provided after acceptance by the contracting party and issuance of the policy.
(VI) Commissions from sales of insurance products

To a lesser extent, the Company is remunerated for offering insurance-related products, which is offered to the insured. It also received in commission mode and recognized after completion of the services provided and acceptance by the contracting party.

g) Inventories - vehicles

Inventories vehicles are measured at the lower of cost and net realizable value. The cost of inventories is based on the cost attributed for each vehicle, considering the cost of acquisition of each unit.

h) Lease liabilities

The Company leases mostly real estate to carry out its activities. Initial recognition occurs when the contract is signed, recorded in Other Liabilities, which corresponds to the total future payments at present value as a contra entry against the Right to Use Assets, amortized on a straight-line basis over the lease term and tested annually to identify possible losses by reducing the recoverable amount. The financial expense corresponding to the interest on the lease liability is recognized in the financial expense item in the Consolidated statements of profit or loss.

i) Property and Equipment

Property and equipment are accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation, and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write items down to a residual value over their estimated useful life.

Property and equipment are written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset’s disposal (calculated as the difference between the disposal proceeds and the asset's carrying amount) is recognized as ‘other operating income’ in the statements of profit or loss when the asset is disposed.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

- Furniture -10 years
- Leasehold improvement - 4 years
- Communication equipment - 10 years
- Computer equipment - 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

j) Intangibles Assets

Intangible assets are recorded at cost and include acquired assets and software. An intangible asset is recognized only when its cost can be reliably measured, and it is likely that the future economic benefits expected which are assigned to them shall be carried out.

The amortization expenses of intangible assets with definite useful lives are recognized in the statements of profit or loss in administrative expenses, consistent with the function of the intangible asset. The estimated useful lives of intangible assets for current and comparative periods are as follows:

- Customer relations - 4 years
- Software - 5 years
- Brand - 3 years

The intangible assets with indefinite useful lives are not amortized but tested annually to identify possible impairment losses, which are recognized in the statements of profit or loss by the carrying amount of the asset that exceeds its recoverable value.

k) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. The Purchase and Sale Agreement for the BCREDI, Minuto and Volanty acquisitions, provides part of payments of the acquisitions through the issuance of shares. Shares issued as part of the purchase consideration are measured at fair value at the issuance date.

Some acquisitions that includes targets for achievement of goals and the retention of key executive as conditions of part of the acquisition agreement. If the arrangement under which contingent payments are automatically forfeited if employment terminates, it should be recorded as a compensation for post-combination services, therefore should not be considered as part of acquisition price.

Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the gain on the acquisition is recognized directly in the statements of profit or loss in the year of the acquisition.

Goodwill acquired in a business combination is initially accounted at cost, representing the excess of the acquisition price of the business combination over the net fair value of the identifiable assets and liabilities assumed.

After initial recognition, goodwill is measured at cost and reduced by any accumulated impairment losses. Goodwill is reviewed for impairment annually, or even more frequently, if events or changes in circumstances indicate that the carrying amount may be below the recoverable amount.

l) Impairment of non-financial assets

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. The impairment methodology is based on the evaluation of the investee’s or cash generating units (“CGU”) results, their business plans and the return capacity of the amounts invested.

m) Contingent assets and liabilities

Contingent assets are not recognized in the consolidated financial statements, except when the Company's management believes that their realization is virtually certain.

Contingent liabilities mainly arise from administrative proceedings and lawsuits, inherent to the normal course of business. These contingencies are evaluated based on management's best estimates, under the advice of legal counsel. When it is probable that financial resources are required to settle the obligations and the amount of which can be estimated with reasonable certainty, a provision is recorded; otherwise, Management discloses the amounts and details in the notes to the financial statements.

n) Income taxes

Creditas Holding constituted in the Cayman Islands, where does not impose corporate income taxes or capital gains taxes. In Brazil, the country in which its most significant subsidiaries operate, the income tax is composed of the corporate income tax (IRPJ) and the social contribution on net income (CSLL).

Income tax expense comprises current and deferred tax. It is recognized in profit or loss, for income tax the rate used is 15% plus a 10% on annual taxable income exceeding BRL 240 and 9% for social contribution.
To determine the proper level of provisions for taxes to be maintained for uncertain tax positions, the approach applied, is that a tax benefit is recognized if it is more likely than not that a position can be sustained, under the assumptions for recognition.

Current and deferred tax assets and/or liabilities are offset only if certain criteria are met.

Current tax

Allowances for income tax and social contribution are recognized based on accounting profit adjusted as provided by tax law and is the best estimate of the tax amount expected to be paid or received.

Deferred tax

Creditas recognizes deferred income tax and social contribution on the value of temporary differences and tax loss carryforwards when the realization of those amounts is likely and when it is probable that future taxable profits will be available for their use.

The measurement of deferred tax assets and liabilities is based on the tax rates and tax laws that were enacted on the balance sheet date and is expected to be applicable in the year when the asset is realized, or the liability is settled. These assets and liabilities are reviewed at each reporting date and will be reduced if their realization is no longer probable.

Current and deferred tax related to items recognized directly in the shareholders' equity are recognized in the shareholders' equity and not in the Statement of income or loss.

p) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group does not have long-term benefits.

q) Share-based payment

Creditas Financial has granted common stock options (SOP) from 2015, under the 2015 Share Plan, dated May 6, 2015 (the "Share Plan"), to sundry employees of Credit Soluções Financeiras Ltda.

Under the 2019 Restricted Share Unit Plan, dated July 17, 2019 (the "RSU Plan"), Creditas Financial granted Restricted Share Units (RSUs) to certain executives of Credit Soluções Financeiras Ltda.

SOPs and RSUs are generally granted as part of:

(i) The basic remuneration package of employees, in addition to their respective salaries and other benefits; or
(ii) A bonus payment arrangement, rather than the basic employee compensation. Objectively, in this case, SOPs and RSUs are granted as either an incentive for certain key employees to remain on the Subsidiary's staff or a reward for their efforts to improve Credit Soluções Financeiras Ltda's performance.

The definition of Performance Condition is in accordance with each of RSU contract, there are three scenarios for RSUs, which are:

(i) Performance-based vesting condition and
(ii) Earn out vesting conditions in the SPA and RSUs will only be fully vested when they have both performance-vested
(iii) Car/GPU-based purchase condition

The RSUs will only be fully recognized when both conditions are met.
Share-based payment is booked by the value of equity instruments granted; this expense is recognized during the vesting period of the right to exercise the instruments. The total amount to be expensed is determined by reference to the fair value of the share-based payment in the date of grant and vesting conditions (in particular when an employee remains with the company for specific period of time).

The methodology used by the Company to measure the fair value of the share-based payment is the Black and Scholes model. The Black-Scholes model is used for valuing straightforward options, the management understands that this model is more adequate and will be used to reassess fair value for subsequent reporting periods.

4 Risk Management

The Group's activities expose it to a variety of financial risks and operational risk: credit risk, market risk (including cash flow or fair value interest rate risk, and Inflation sensitivity), liquidity risk, operation risk and foreign exchange rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a risk department under policies approved by the Board of Directors. The risk department identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The risk department provides policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, anti-fraud, and investment of surplus liquidity.

a) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a loan, leading to a financial loss. Credit risk arises from the Group's exposures to third parties, including cash and cash equivalents, loans to customers, deposits with banks and other financial institutions, as well as from its operating activities, primarily related to the personal loan products, including outstanding receivables and commitments. Credit risk is managed on a group basis and for its loans to customers is limited to the possibility of default by the collaterals.

The credit risk management is based on a few pillars, as described below:

- Statistical models for measuring and classifying risks and conservative collateral policy
- Monitoring the portfolio's risk profile through a prospective vision to anticipate possible risks and imbalances
- Evaluation of guarantees and other risk mitigating instruments
- Use of statistical models that include projection of default probabilities, as well, as default recovery levels

(In thousands of Brazilian Reais, unless otherwise stated)

The Group strictly controls the credit exposure of customers and counterparties, to manage expected default levels on a timely basis. Losses are based on the customer's payment history and expected payment patterns per risk and transactions profile.

The Group has a limited exposure to its obligations to FIDC and CRI quota-holders recognized, since loans are almost entirely sold to a capital market structure in a true sale (means the sale of the loans to customers to other parties) operation with no co-obligation.
The Group assets are mainly related to secured loans and are mostly based on Brazil.

Balances at December 31, 2022	**Less than one year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
Financial assets at fair value through profit and loss	84,439	-	4,031	88,470
Financial assets at amortized cost	2,224,950	1,113,132	1,638,496	4,976,578

Balances at December 31, 2021	**Less than one year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
Financial assets at fair value through profit and loss	31,091	-	4,031	35,122
Financial assets at amortized cost	426,094	601,071	2,356,340	3,383,505

b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market prices. Market risk comprises mainly two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans to customers, financial liabilities at amortized cost and deposits.

All the market risks are currently monitored by the Assets and Liabilities Committee (ALCO) chaired by the CEO, CFO and VP of Risk. This committee is held monthly and actively manages the market risk, having the mandate to mitigate theses risk through hedging structures, if deemed appropriate.

The committee also monitors and manages market risk by using the Value at Risk (VaR) methodology which is a measure of the potential loss on loans due to adverse market movements based on historical data and are used to estimate the potential financial loss incurred.

Interest rate and Inflation sensitivity

The Group’s interest rate and inflation risks arises mainly from short-term investments, loans to customers and financial liabilities at amortized cost. Short-term investments contracted in Brazilian Reais are mainly exposed to changes in the CDI rate. Loans and financial liabilities at amortized cost are mainly exposed to interest rate fluctuations in the CDI and IPCA and rates that are determined respectively by Brazilian Central Bank and Instituto Brasileiro de Geografia e Estatística (“IBGE”).

The table below presents a sensitivity analysis of the financial instruments as of December 31, 2021 , which demonstrates risks that may generate material losses to the Company, according to the assessment made by Management, the probable scenario is over a horizon of 12 months, with projected rates: CDI – 5.78% and IPCA – 14.06% per year. The remaining scenarios have been stressed by factors of 25% (possible) and 50% (remote), were used considering the scenario of the last year in Brazil where these rates practically doubled within 12 months.

(In thousands of Brazilian Reais, unless otherwise stated)

Transactions	**Carrying amount**	**Rate**	**Scenario probable**	**Scenario possible**	**Scenario remote**
Short-term investments	831,520	CDI	116,912	146,140	175,368
Financial Liabilities at amortized cost (FIDC)	(3.467.134)	CDI	(487,479)	(609,349)	(731,219)
Loans to customers (1)	1,284,433	IPCA	74,302	92,877	111,453
Financial Liabilities at amortized cost (FIDC and CRIs)	(1,072,706)	IPCA	(62,054)	(77,567)	(93,081)
Total Impact on (loss) before tax (FY impact)			**(358,319)**	**(447,899)**	**(537,479)**

Rate source: IPCA from the Focus report of the Central Bank of Brazil – BACEN, and CDI according to B3 S.A reference rates, both available on the websites of the respective institutions as at December 31, 2022.

(1) Loans to customers amount refers to the home portfolio.

The Group also maintain an amount of Cash and Cash Equivalents outside Brazil as at December 31, 2022, the table below presents a sensitivity analysis of the financial instruments as of December 31, 2022 , which demonstrates the gains material to the Company, according to the assessment made by Management, the probable scenario is over a horizon of 12 months, with projected rates increase in the current price of BRL 0.20 for the probable scenario, BRL 0.40 for the possible scenario and BRL 0.60 for the remote scenario. These rates were used after analyzes carried out internally and with the variation that occurred in recent years:

Transactions	**Carrying amount**	**Rate**	**Scenario probable**	**Scenario possible**	**Scenario remote**
Cash and bank deposits	95,396	CDI	13,413	16,766	20,119

The Group also has certain investments in foreign operations, denominated in currencies other than Group's functional currency, with net assets exposed to foreign currency translation risk (Note 6). Exposure is mainly due to the exchange variation of capital contribution made by investors in foreign currency.

c) Liquidity Risk

The Group manages liquidity risk by maintaining reserves of cash. The Group continuously monitors actual and projected cash flows and matches the maturity profile of its financial assets and liabilities to ensure that it has enough funds to honor its obligations to third parties and meet its operational needs.

The Group invests surplus cash in interest bearings financial investments, selecting instruments with appropriate maturity or enough liquidity to provide adequate margin as determined by the forecasts.

The Group's financial liabilities at amortized cost refer to senior and mezzanine quotas of FIDCs and CRIs. For each one of the securitization vehicles in the Note 15, it is only required to comply with the amortization of those amounts to the extent of the liquidation of the Group's active credit portfolio, without effecting the junior quota holders due to the non-existence of any type of recourse to the holders. Additionally, loans to customers are legally segregated in the FIDCs; cash flows from them are also maintained in segregated bank accounts to make the payments on the senior and mezzanine quotas. Hence, there is no exposure to liquidity risk.

(In thousands of Brazilian Reais, unless otherwise stated)

The table below analyzes the Group's financial liabilities through to contractual maturity.

Balances at December 31, 2022	Less than one year	Between 1 and 2 years	Over 2 years	Total
ASSETS				
Cash and cash equivalents	926,916	-	-	926,916
Financial assets at fair value through profit and loss	84,439	-	4,031	88,470
Financial assets at amortized cost	2,224,950	1,113,132	1,638,496	4,976,578
LIABILITIES				
Accounts payable	66,256	3,596	-	69,852
Tax obligations	36,339	-	-	36,339
Labor and social security liabilities	87,302	-	-	87,302
Other liabilities	72,707	-	-	72,707
Financial liabilities at amortized cost	947,901	1,750,647	2,655,544	5,354,092

Balances at December 31, 2021	Less than one year	Between 1 and 2 years	Over 2 years	Total
ASSETS				
Cash and cash equivalents	1,388,298	-	-	1,388,298
Financial assets at fair value through profit and loss	55,948	-	4,031	59,979
Financial assets at amortized cost	426,094	601,071	2,356,340	3,383,505
LIABILITIES				
Accounts payable	111,228	3,596	-	114,824
Tax obligations	41,892	-	-	41,892
Labor and social security liabilities	85,981	-	-	85,981
Other liabilities	68,549	-	-	68,549
Deferred tax liabilities	285,805	-	-	285,805
Financial liabilities at amortized cost	725,846	1,340,541	2,033,457	4,099,844

As of December 31, 2022, the Group held cash and cash equivalents of BRL 926,916 (BRL 1,388,298 as of December 31, 2021).

The Company raised 3 new FIDC's during December 2021, of which the portfolio had not been fully allocated in Financial assets at amortized cost until December 31, 2022, recognized in Cash and cash equivalents.

d) Fraud Risk

The Group's exposure to operational risk from fraud is the risk of misuse, or wrongful or criminal deception will lead to a financial loss for one of the parties involved on a transaction. Fraud involving personal loans includes subscription fraud and auto and familiar fraud (when an individual acquires one of the Group products with the intention of not paying).

The Group's fraud risk management policies are geared towards to identifying and analyzing the transactions, to set appropriate controls and monitor all risks. Fraud Risk policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

e) Foreign Exchange Rate Risk

The functional currency is the BRL. The functional currency of the subsidiaries is generally the currency of the country in which they are located. Management decided not to hedge foreign exchange exposure originated by investments in Spain, United States and Mexico. As a result, the financial statements may present significant gains or losses due to translation of the financial statements of the subsidiaries due to the significance of these operations compared to Group's.

(In thousands of Brazilian Reais, unless otherwise stated)

f) Operational Risk

Operational risk as the possibility of losses resulting from external events or failure, weakness or inadequacy of internal processes, people, or systems. It includes legal risk associated with the lack or deficiency in contracts, our failure to comply with applicable legal provisions and indemnities for damages to third parties arising from our activities.

The Group has an operational risk and internal control structure designed for the identification and assessment of operational risks, as well as the evaluation of the design and effectiveness of the internal controls structure. This structure also governs the preparation and periodic testing of the business continuity plan and for coordinating the risk assessment in new product launches and significant changes in existing processes. The Group's first line of defense and within the risk management process, includes for each business area mechanisms for identifying, measuring, evaluating, monitoring, and reporting operational risk events.

5 Operating Segments

When reviewing the Group's operating performance and resource allocation, Chief Operating Decision Maker reviews the consolidated statements of profit or loss and comprehensive income or loss.

Management considers the entire Group as a single reportable operating segment, monitoring operations, making resource allocation decisions, and evaluating performance. Management analyzes relevant financial data on a Consolidated basis for all subsidiaries.
The Group's income, results and assets for this single reportable segment can be determined by reference to the consolidated statements of profit or loss and other comprehensive income or loss, as well as the Consolidated statements of financial position and other explanatory information.

6 Cash and cash equivalent

	12/31/2022	12/31/2021
Cash and bank deposits	95,396	219,983
Short term investments	831,520	1,168,315
Total	**926,916**	**1,388,298**

The short-term investments correspond to bank Certificates of Deposit (CDBs) and fixed income, with an average yield of the Interbank Deposit Certificate (DI) and daily liquidity. The balances are distributed among the following functional currencies:

	12/31/2022	12/31/2021
BRL	904,923	1,214,782
USD	9,664	166,251
MXN	8,668	5,782
EUR	3,661	1,483
Total	**926,916**	**1,388,298**

(In thousands of Brazilian Reais, unless otherwise stated)

7 Financial assets at fair value through profit and loss

The amount of financial instruments at fair value through profit and loss are presented below:

Description	12/31/2022	12/31/2021
Federal government bonds	77,647	13,738
Money market accounts	6,533	17,100
Certificate of real estate receivables	259	253
Equity securities [1]	4,031	4,031
Total	**88,470**	**35,122**

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and between Level 2 and Level 3 fair value measurements.

[1] The Group holds, since September 2019, an investment of 5% in an early-stage startup – Black, White and Shelby (Yuca) a co-living company domiciled in Brazil carried at BRL 4,031 at December 31, 2022 (BRL 4,031 as of December 31, 2021). The fair value of this investment was categorized as Level 3 at December 31, 2022. The Group revaluated its investment in the company and as of December 31, 2022, the investment was remained classified as an early-stage startup with no new fundraisings which should impact in the amount booked in the financial statements.

8 Loans to customers

The following tables summarize outstanding loans to customers. All loans are to customers domiciled in Brazil and are denominated in BRL and accrue fixed or floating interest rates.

	12/31/2022	12/31/2021
I) Loan to customers	**5,468,253**	**3,443,644**
(-) Expected Credit Loss	(686,736)	(243,642)
Total	**4,781,517**	**3,200,002**

II) Loans by stage net of expected credit loss	12/31/2022	12/31/2021
Stage 1	4,227,016	2,947,921
Stage 2	508,565	213,564
Stage 3	45,936	38,517
Total	**4,781,517**	**3,200,002**

III) Net changes in expected credit loss	12/31/2022	12/31/2021
Initial Balance	**(243,642)**	**(76,923)**
Provisions	(698,181)	(258,238)
Write-off	199,017	31,261
Reversals	56,070	60,258
Final Balance	**(686,736)**	**(243,642)**

(In thousands of Brazilian Reais, unless otherwise stated)

IV) Reconciliation of the gross portfolio segregated by stages:

				12/31/2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at December 31, 2021	**3,075,062**	**236,217**	**132,365**	**3,443,644**
Transfer to Stage 2	(130,214)	(29,332)	(6,006)	(165,552)
Transfer to Stage 3	(135,032)	(13,523)	(1,525)	(150,080)
Transfer from Stage 2	29,332	130,214	135,032	294,578
Transfer from Stage 3	6,006	1,525	13,523	21,054
Write-off	-	-	(281,430)	(281,430)
Acquisitions/ (Settlements)	1,582,642	235,061	488,336	2,306,039
Balances at December 31, 2022	**4,427,796**	**560,162**	**480,295**	**5,468,253**

				12/31/2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at December 31, 2020	**1,105,261**	**92,360**	**49,315**	**1,246,936**
Transfer to Stage 2	(60,554)	(33,455)	(1,511)	(95,520)
Transfer to Stage 3	(42,377)	(11,451)	(2,390)	(56,218)
Transfer from Stage 2	33,455	60,554	42,377	136,386
Transfer from Stage 3	1,511	2,390	11,451	15,352
Write-off	-	-	(49,278)	(49,278)
Acquisitions/ (Settlements)	2,037,766	125,819	82,401	2,245,986
Balances at December 31, 2021	**3,075,062**	**236,217**	**132,365**	**3,443,644**

IV. Reconciliation of expected credit loss segregated by stages:

				12/31/2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at December 31, 2021	**(127,141)**	**(22,653)**	**(93,848)**	**(243,642)**
Transfer to Stage 2	(9,445)	(211)	(48)	(9,704)
Transfer to Stage 3	(113,758)	(9,866)	(57)	(123,681)
Transfer from Stage 2	(211)	(9,445)	(113,758)	(123,414)
Transfer from Stage 3	(48)	(57)	(9,866)	(9,971)
Write-off	-	-	199,017	199,017
Acquisitions/ (Settlements)	49,823	(9,365)	(415,799)	(375,341)
Balances at December 31, 2022	**(200,780)**	**(51,597)**	**(434,359)**	**(686,736)**

				12/31/2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at December 31, 2020	**(36,119)**	**(4,554)**	**(36,250)**	**(76,923)**
Transfer to Stage 2	3,998	253	24	4,275
Transfer to Stage 3	34,674	8,084	98	42,856
Transfer from Stage 2	(253)	(3,998)	(34,674)	(38,925)
Transfer from Stage 3	(24)	(98)	(8,084)	(8,206)
Write off	-	-	31,261	31,261
Acquisitions/ (Settlements)	(129,417)	(22,340)	(46,223)	(197,980)
Balances at December 31, 2021	**(127,141)**	**(22,653)**	**(93,848)**	**(243,642)**

(In thousands of Brazilian Reais, unless otherwise stated)

a) Loans to related parties

As of December 31, 2022, the Group has a BRL 55,359 loan to Clikalia SA, (BRL 60,456 as of December 31, 2021). Clikalia SA is a joint venture between Creditas Financial Solutions LLC. and Clikalia Holdco S.A. The conditions of the services use an average interest rate of 10% per year with a term of 1 year. This contract started in September 2021.

b) Other financial assets

In May 24, 2021, with the intention of being a commercial partner in the financing of electric motorcycles, the Company issued convertible promissory notes. The investment is designed to profit from the growing market for the purchase and sale of electric motorcycles, and capitalize on synergies with the Company's business profile, enabling it to access the customer base, offering financing for these vehicles, access to the insurance platform, and other services. Voltz is an intelligent mobility technology company, whose mission is to facilitate access to vehicles with reduced emission using electric technology.

As of December 31, 2022, the Group has a convertible note for its investment by Creditas in Voltz classified as a financial asset at amortized cost in the amount BRL 117,250 (BRL 100,457 as of December 31, 2021).

Features of the convertible note

Right to convert into preferred shares of the Company in the principal amount of BRL 95,000 plus interest, at the lowest price between – 20% discount on the value of the next round or BRL 241,000 divided by the total number of shares issued.

Pro rata right to subscribe for additional preferred shares in the event of issuance of new shares, in order to maintain the same participation upon conversion, under the same conditions as the Holding.
The Company can exercise the option between 03/31/2022 and 03/31/2023 additional investment of 16% of the company “post money valuation”, which will be calculated based on 5x net income of the company over the last 12 months.

The Creditas investment in Voltz was classified as a financial instrument at amortized cost, as there is a limitation on the sale of the asset for contractual reasons, the settlement at the end of the contractual term, in cash or by conversion into preferred shares of the Group.

The conversion into preferred shares will not give Creditas the right to control the company, which will continue to be executed by the current CEO.

9 Inventories - vehicles

	12/31/2022	**12/31/2021**
Vehicles for resale	110,874	203,173
Spare parts	754	61
Total (1)	**111,628**	**203,234**

(1) Comprises inventories of vehicles for resale and spare parts. As of December 31, 2022 and 2021, there is no indication of impairment.

(In thousands of Brazilian Reais, unless otherwise stated)

10 Tax credits

The balance of recoverable taxes refers to the withholding taxes on the invoices of services rendered. As of December 31, 2022, the Group has tax credits of BRL 25,508 (BRL 22,498 as of December 31, 2021).

11 Business Combination

1. BCredi Serviços de Crédito e Cobrança S.A. ("Bcredi")

On March 8, 2021, the Group acquired all the share capital and obtained the control of BCredi Serviços de Crédito e Cobrança S.A. ("Bcredi"). Bcredi is an online platform specialized in providing home equity loans to customers throughout Brazil, offering loans solutions all contracted online, with automated credit analysis and integrated with the main credit bureaus.

This acquisition strengths the structure of Creditas' vertical real estate model reinforcing its commitment to partnerships promoting the access to home equity in Brazil.

Home equity was the Company's first product and it has become a market benchmark in Brazil not only for its ability to grow at an accelerated pace but, more importantly, to create a home equity underwriting process. With Bcredi, the expectation is to further accelerate this process and move forward to create a real estate business system for both Creditas' customers and companies looking to offer product to the Brazilian consumer.

a) Consideration Transferred

The following table summarizes fair value the acquisition date of consideration transferred.

Paid in Cash	39,747
Paid in Equity [(a)]	29,787
Replacement share-based payment awards [(b)]	3,528
Contingent consideration arrangement [(c)]	16,369
Total consideration transferred	**89,431**

(a) Paid with the issuance of 38.607 shares of the Company. The fair value of the ordinary shares issued was based on share price at September 30, 2021 of USD 140 (BRL 770) per share.

(b) Represented by the new share-based payment plan valued through black-scholes.

(c) Consist of an earn-out of up to BRL 16,369 that will be paid with shares issuance. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

i) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

The Fair Value of an asset is defined as the amount by which an asset could be exchanged between interested parties in a transaction in the which both have knowledge of the asset and there is no forced sale condition to buy/sell the asset.

Customer relations: the fair value was measured using the Income Approach method, which considers the present value of future benefits generated directly or indirectly by the assessed asset, quantified in the form of cash flows.

(In thousands of Brazilian Reais, unless otherwise stated)

Platform (Software): the fair value was measured using the Cost Approach method, which values an asset based on the cost of reproducing or replacing it, less depreciation for the use the asset or due to its obsolescence.

The recognized amounts of assets acquired, and liabilities assumed at the date of acquisition were:

	Bcredi
Acquisition date	03/08/2021
Cash and Cash Equivalents	236
Accounts Receivables	118
Deferred tax assets	294
Property and equipment	1,287
Other assets	3,280
Accounts Payable	(415)
Tax obligations	(161)
Labor and social security liabilities	(1,172)
Other liabilities	(9,805)
Customer relations	41
Total identifiable net assets acquired, and liabilities assumed (b)	**(6,297)**
Paid in Cash	39,747
Paid in Equity	29,787
Replacement share-based payment awards	3,528
Contingent consideration arrangement	16,369
Total consideration transferred (a)	**89,431**
Total Goodwill (a) – (b)	**95,728**

There was no recognition of Deferred tax liabilities in the mergers and companies located abroad do not have Deferred tax liabilities. The other acquisitions, deferred tax liabilities were not recorded as there is an implementation of the incorporation of the companies.

On May 31st the company was incorporated into Creditas Soluções Financeiras LTDA.

2. Volanty Tecnologia e Serviços Veiculares Ltda. (“Volanty”)

On July 1, 2021, the Group acquired all the share capital and obtained the control of Volanty Tecnologia e Serviços Veiculares Ltda. (“Volanty”). Volanty is an online car retailer specializing in the sale of vehicles to customers in Rio de Janeiro, Brazil.

The acquisition provides the Group improvement in the business scalability in Brazil, cost synergy, access to a customer base and a qualified team, generating internal and external growth.

a) Purchase consideration

This transaction has a symbolic transfer value of BRL 5. The Company, although not yet registering an negative equity, was in a distress scenario for raising funds necessary for its continuity. For that reason, the agreement has no purchase price.

a) Bargain purchase gain

The gain recorded on the bargain purchase upon the acquisition are as follow:

Net identifiable assets and liabilities assumed	9,508
Bargain purchase gain	**9,508**

(In thousands of Brazilian Reais, unless otherwise stated)

i) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

The fair value of an asset is defined as the amount by which an asset could be exchanged between interested parties in a transaction in the which both have knowledge of the asset with no forced reason to buy/sell the asset.

Inventories - the sales history of companies, vis-à-vis the acquisition value of the vehicles by the company and also to the sales value announced on the company's website and valuated the difference between these parameters and the prices of real sale. Then, we applied these spreads in the valuation of company stocks. Once more were presented evidence by the company about the award in relation to the book value, we used this parameter as primary for the valuation, but limited to the ad value (adjusted by the discount).

The recognized amounts of assets acquired, and liabilities assumed at the date of acquisition were:

	Volanty
Acquisition date	07/01/2021
Cash and Cash Equivalents	4,188
Accounts Receivables	232
Inventories	9,179
Property and equipment	4,863
Other intangible	1,321
Other assets	853
Accounts Payable	(2,819)
Tax obligations	(709)
Labor and social security liabilities	(2,361)
Other liabilities	(5,239)
Total identifiable net assets acquired, and liabilities assumed (b)	**9,508**

3. Minuto Corretora de Seguros S.A. (“Minuto”)

On July 19, 2021, the Group acquired all the share capital and obtained the control of Minuto Corretora de Seguros S.A. (“Minuto”). Minuto is an online platform specialized in selling vehicles insurance to customers throughout Brazil.

Minuto Seguros will enable Creditas to offer a complete solution focused on people assets. The insurance operation has synergies with the other three Creditas businesses, which include mobility, home, and earnings, enabling the client to manage their assets on a single platform. The integration mainly strengthens the model of mobility vertical (vehicles) as it will allow contracts, within the same application, with a complete package of services: asset-backed loans, financing, purchase, sale, and exchange, and now, insurance. Minuto Seguros customers will have access to a complete package of products and services, reducing the rates for lending and facilitating the exchange of vehicles in a more agile, digital, and integrated manner.

a) Consideration Transferred

The total purchase price was BRL 375,735, of which: (i) BRL 144,760 paid in cash upon acquisition and; (ii) Company issued 235.550 shares equivalent to BRL 230,975 at the closing of the transaction in July 2021. The fair value of the common shares issued was based on share price of the Company at March 31, 2021 of USD 196 per share

The following table summarizes the fair value at the acquisition date of consideration transferred.

(In thousands of Brazilian Reais, unless otherwise stated)

Paid in Cash	144,760
Paid in Equity	230,975
Total consideration transferred	**375,735**

i) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

The Fair Value of an asset is defined as the amount by which an asset could be exchanged between interested parties in a transaction in the which both have knowledge of the asset and there is no special reason to buy/sell the asset.

Customer relations and brand: the fair value was measured using the Income Approach method, which is an approach considers the present value of future benefits generated directly or indirectly by the assessed asset, quantified in the form of cash flows.

The recognized amounts of assets acquired, and liabilities assumed at the date of acquisition were:

	Minuto
Acquisition date	07/19/2021
Cash and Cash Equivalents	833
Accounts Receivables	5,377
Property and equipment	424
Other intangible	64
Other assets	867
Accounts Payable	(2,126)
Tax obligations	(1,133)
Convertible notes	(41,074)
Labor and social security liabilities	(7,030)
Other liabilities	(2,045)
Customer relations	28,882
Brand	4,031
Total identifiable net assets acquired and liabilities assumed (b)	**(12,930)**
Paid in Cash	144,760
Paid in Equity	230,975
Total consideration transferred (a)	**375,735**
Total Goodwill (Bargain purchase) (a) – (b)	**388,665**

There was no recognition of Deferred tax liabilities in the mergers and companies located abroad do not have Deferred tax liabilities. The other acquisitions, deferred tax liabilities were not recorded as there is an implementation of the incorporation of the companies.

Creditas conducted a sensitivity analysis, with the assistance of third-party professionals, to assess the impact of changes in business growth factors. The analysis revealed that the carrying amount of goodwill recorded at acquisition exceeded its recoverable amount, indicating impairment. Consequently, Creditas recognized an impairment loss of R$121,337, as disclosed in Note 13.

4. Kzas Ltd.

In Jun 2022, Creditas Financial Solutions Ltd acquired all the share capital and obtained the control of Kzas Ltd and its subsidiaries: Kzas LLC, Kzas Tecnologia and Investimento Ltda and Kzas Krédito Assessoria Financeira Ltda.
The Kzas is a Digital Credit Advisory that enables the quick contracting of financing for the acquisition of real estate with the main banks, in a simple and transparent way through the cell phone, taking care of everything: from analysis, simulation and approval of credit to signature and registration at a notary's office.

(In thousands of Brazilian Reais, unless otherwise stated)

The purchase price was BRL 80,475 at the closing, which BRL 31,236 is subject to the achievement of specific targets established in the acquisition agreement. The Groups is still evaluating the Purchase Price Allocation, considering the amounts of goodwill and the fair value of the assets and liabilities.

b) Consideration Transferred

The following table summarizes fair value the acquisition date of consideration transferred.

Paid in Cash	7,088
Replacement share-based payment awards (a)	42,151
Contingent consideration arrangement - RSU (b)	31,236
Total consideration transferred	**80,475**

(a) Represented by the new share-based payment plan.

(b) Consist of an earn-out that will be paid with shares issuance. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

The Fair Value of an asset is defined as the amount by which an asset could be exchanged between interested parties in a transaction in the which both have knowledge of the asset and there is no forced sale condition to buy/sell the asset.

Platform (Software): the fair value was measured using the Cost Approach method, which values an asset based on the cost of reproducing or replacing it, less depreciation for the use the asset or due to its obsolescence.

The recognized amounts of assets acquired, and liabilities assumed at the date of acquisition were:

Acquisition date	**Kzas 30/06/2022**
Cash and Cash Equivalents	1,165
Accounts Receivables	19
Deferred tax assets	79
Property and equipment	267
Intangible assets	14
Other assets	197
Accounts Payable	(217)
Tax obligations	(328)
Labor and social security liabilities	(507)
Other liabilities	(595)
Software	12,727
Brand	831
Total identifiable net assets acquired, and liabilities assumed (b)	**13,652**
Paid in Cash	7,088
Replacement share-based payment awards (a)	42,151
Contingent consideration arrangement – RSU (b)	31,236
Total consideration transferred (a)	**80,475**
Total Goodwill (a) – (b)	**66,823**

(In thousands of Brazilian Reais, unless otherwise stated)

12 Property and equipment

Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follows:

	Furniture	Leasehold improvements	Rights of use (Note 18)	Communication Equipment	Computers Equipment	Total
Balances at December 31, 2020	**1,036**	**3,067**	**15,160**	**2,440**	**11,635**	**33,338**
Additions	2,598	12,559	163,987	2,721	26,609	208,474
Acquisitions – through business combination	294	4,644	-	67	1,569	6,574
Disposals	(251)	-	-	(655)	-	(906)
Depreciation	(612)	(3,922)	(24,820)	(905)	(7,391)	(37,650)
Effect of changes in exchange rates	5	-	-	-	-	5
Balances at December 31, 2021	**3,070**	**16,348**	**154,327**	**3,668**	**32,422**	**209,835**
Acquisition cost	4,131	28,092	190,539	5,404	44,218	272,384
Depreciation	(1,061)	(11,744)	(36,212)	(1,736)	(11,796)	(62,549)
Balance as at December 31 ,2021	**3,070**	**16,348**	**154,327**	**3,668**	**32,422**	**209,835**
Additions	2,568	8,458	10,626	1,646	14,632	37,930
Acquisitions – through business combination	-	-	-	-	267	267
Disposals	(5,153)	(992)	(8,841)	-	(2,836)	(17,822)
Depreciation	(264)	(1,966)	(52,332)	(194)	(6,438)	(61,194)
Balances at December 31, 2022	**221**	**21,848**	**103,780**	**5,120**	**38,047**	**169,016**
Acquisition cost	1,546	35,558	192,324	7,050	56,281	292,759
Depreciation	(1,325)	(13,710)	(88,544)	(1,930)	(18,234)	(123,743)
Balance as at December 31 ,2021	**221**	**21,848**	**103,780**	**5,120**	**38,047**	**169,016**

13 Goodwill and Intangible assets

Changes in intangible assets for the years ended as of December 31, 2022 and 2021 are as follows:

	Goodwill	Customer relations	Software	Brand	Total
Balances at December 31, 2020	**46.689**	**8.897**	**8.636**	**767**	**64.989**
Acquisitions	-	687	1.795	4.612	7.094
Acquisitions – through business combination	484.393	28.923	4.515	4.031	521.862
Disposals	-	-	(4.600)	-	(4.600)
Amortization	-	(2.541)	(4.949)	(206)	(7.696)
Effect of changes in exchange rates	-	-	-	(6)	(6)
Balances at December 31, 2021	**531.082**	**35.966**	**5.397**	**9.198**	**581.643**
Acquisition cost	531.082	39.787	15.488	9.410	595.767
Depreciation	-	(3.821)	(10.091)	(212)	(14.124)
Balance as at December 31, 2021	**531.082**	**35.966**	**5.397**	**9.198**	**581.643**
Acquisitions	-	653	2,731	4,389	7,773
Acquisitions – through business combination	66,823	-	12,741	831	80,395
Disposals	-	(576)	(3,760)	(3,212)	(7,548)
Amortization	-	(2,313)	(4,736)	(145)	(7,194)
Impairment loss assets	(121,337)	-	-	-	(121,337)
Balances at December 31, 2022	**476,568**	**33,730**	**12,373**	**11,061**	**533,732**
Acquisition cost	476,568	39,864	27,200	11,418	555,050
Depreciation	-	(6,134)	(14,827)	(357)	(21,318)
Balances at December 31, 2022	**476,568**	**33,730**	**12,373**	**11,061**	**533,732**

Goodwill arising on the acquisition of subsidiaries and intangible assets allocated in business combination.

Goodwill arising on the difference between the amount paid upon the acquisition of investments in subsidiaries and the fair value of assets and liabilities is classified in intangible assets, in the consolidated financial statements. Part of goodwill arising on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after an analysis of the acquired assets.

(In thousands of Brazilian Reais, unless otherwise stated)

	Goodwill and allocated intangible assets	Impairment loss	Account balance	Carrying Amount	Fair value less costs of disposal or value in use
Creditoo (1)	46,689	-	46,689	58,764	787,671
Bcred	95,728	-	95,728	102,456	377,433
Minuto	388,665	(121,337)	267,328	386,539	265,202
Kzas	66,823	-	66,823	-	-
	597,905	**(121,337)**	**476,568**		

(1) Company acquired on July 31st, 2019, incorporated in 2022. Creditoo is a fintech specialized in providing payroll loans to customers throughout Brazil.

Goodwill impairment testing per type

The Company carries out impairment testing for its assets at least once a year or when there are indications of impairment. In the year ended December 31, 2022, the Company reviewed events related to its acquisitions that could impact the expected recovery of non-financial assets.

Following the assessment, the Company decided to revise its long-term growth estimate for Minuto, which had an impact on the recovery of non-financial assets. As a result, an impairment loss of R$121,337 was recognized.

The following growth assumptions were used in the calculations:

Creditoo	Bcred	Minuto
1. Growth rate in perpetuity at 3.00%, and discount rate applied (WACC) at 15.43%	1. Growth rate in perpetuity at 3.00%, and discount rate applied (WACC) at 13.48%	1. Growth rate in perpetuity at 3.00%, and discount rate applied (WACC) at 15.24%
2. Net revenue with annual average growing 74% in the first year, 34% in the second, 21% in the third, 15% in the fourth, and perpetuity of 3% per year	2. Net revenue with annual average growing 45% in the first year, 39% in the second, 31% in the third, 25% in the fourth, and perpetuity of 3% per year	2. Net revenue with annual average growing 73% in the first year, 51% in the second, 38% in the third, 21% in the fourth, and perpetuity of 3% per year

14 Accounts payable

	12/31/2022	12/31/2021
Domestic trade accounts payable	67,765	102,720
Foreign suppliers	1,672	4,166
Others	415	7,938
Total	**69,852**	**114,824**

15 Financial liabilities at amortized cost

	12/31/2022	12/31/2021
Financial obligation to FIDC quota-holders (a)	4,510,707	3,875,114
Loans and borrowings (b)	183,480	224,730
Commercial Andbank Agreement (c)	659,905	-
Total	**5,354,092**	**4,099,844**

(In thousands of Brazilian Reais, unless otherwise stated)

a) Financial obligation to FIDC quota-holders

As of December 31, 2022 and 2021, financial liabilities to FIDC and CRI quota-holders are comprised by:

	Index	Rate	12/31/2022	12/31/2021
Senior	CDI	2.50% to 5.50%	2,711,661	1,876,178
Senior	IPCA	5.22% to 9.75%	772,898	1,480,255
Mezzanine	CDI	4.50% to 7.75%	755,473	291,093
Mezzanine	IPCA	7.27% to 11%	299,808	266,313
Total			**4,539,841**	**3,913,839**
Expected credit loss attributable to senior and mezzanine [1]			(29,133)	(38,725)
Total			**4,510,707**	**3,875,114**

CDI Rate is the Brazilian interbank deposit rate, which is an average of interbank overnight rates in Brazil.
IPCA is the Brazilian Broad Consumer Price Index, which is measured by IBGE between in each calendar month.
The maturity of these financial obligations is up the year 2024 in Auto and Payroll and 2040 in Home Securitizations.

(1) Due to the structure of the FIDCs, the junior quotas held by the Group does not support losses in the senior and mezzanine quotas beyond the excess spread that it is entitled to. As a result, such embedded credit risk feature amounted to BRL 29,133 as of December 31, 2022 (BRL 38,725 as of December 31, 2021).

Description	12/31/2022	12/31/2021
Opening balance	**3,913,839**	**1,100,657**
Issuance	761,806	3,222,533
Interest	695,321	231,958
Settlement	(574,653)	(467,652)
Interest payments	(256,472)	(173,657)
Closing balance	**4,539,841**	**3,913,839**

b) Loans and borrowings

As of December 31, 2022 (BRL zero as of December 31, 2021), loans and borrowings are comprised of:

	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount 12/31/2022	Carrying Amount 12/31/2021
New Issues						
Unsecured bank loan assumed (IADB)	BRL	4% + CDI	2027	155,808	130,214	158,154
Unsecured bank loan assumed (Auto Solutions)	BRL	0,834%	2022	89,314	53,266	66,576
Balances at December 31, 2022					**183,480**	**224,730**

As of December 31, 2022, there no settlements of principal on the contracts.

	IADB	Others institutions	Total
Balance at December 31, 2021	**158,154**	**66,576**	**224,730**
Payments	(31,772)	(15,930)	(47,702)
Interest payment	(19,578)	(5,132)	(24,710)
Interest expense	23,410	7,752	31,162
Balance at December 31, 2022	**130,214**	**53,266**	**183,480**

The Group's IADB (Inter-American Development Bank) loan is subject to certain financial covenants. The loan agreement states that these covenants will be assessed at the end of each quarter and reported to the borrower within 45 days.

(In thousands of Brazilian Reais, unless otherwise stated)

c) Commercial Andbank Agreement

On July 6, 2022, Creditas Soluções Financeiras LTDA. and Banco Andbank Brasil S.A. entered into a commercial partnership agreement, which establishes the terms and conditions for the rights and responsibilities of the parties involved. The partnership comprises two key areas: (i) Referral Services related to the Credit Purchase Transactions, and (ii) Servicing, which Creditas will provide to Andbank, in accordance with the terms and conditions outlined in the agreement and other relevant documents. As part of this agreement.

Creditas has committed to repurchasing the credit rights and providing ongoing collection services, thereby retaining the majority of the risks and benefits associated with the operation. As per IFRS 9 (Financial Instruments), the Group is required to record the financial assets and liabilities of this operation, along with the associated revenues, expenses, and expected losses in its financial statements.

As of December 31, 2022, Creditas had originated BRL 659,905 in accordance with the commercial agreement with Andbank, as compared to R$0 as of December 31, 2021. The agreement confers upon Creditas all associated rights and responsibilities.

16 Financial instruments accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

Balances at December 31, 2022	Carrying amount			Fair Value	Hierarchy Level
	Mandatorily at FVTPL - others	Financial assets at amortized cost	Other financial liabilities		
Financial assets measured at fair value					
Short term investments	831,520	-	-	831,520	2
Federal government bonds [1]	77,647	-	-	77,647	2
Money market accounts [1]	6,533	-	-	6,533	2
Debentures	259	-	-	259	2
Certificate of real estate receivables	4,031	-	-	4,031	2
Derivative Financial Instruments	147,584	-	-	147,584	3
Financial assets not measured at fair value					
Loans to customers [2]	-	4,781,517	-	5,947,518	2
Accounts receivable [3]	-	22,452	-	22,452	2
Other financial assets [3]	-	117.250	-	129,884	2
Financial liabilities not measured at fair value					
Financial liabilities at amortized cost [2]	-	-	5,354,092	5,380,945	2
Accounts payable [3]	-	-	69,852	70,202	2
Convertible Notes [3]	-	-	447,347	447,347	2

Balances at December 31, 2021	Carrying amount			Fair Value	Hierarchy Level
	Mandatorily at FVTPL - others	Financial assets at amortized cost	Other financial liabilities		
Financial assets measured at fair value					
Short term investments	1,168,315	-	-	1,168,315	2
Federal government bonds (1)	13,738	-	-	13,738	2
Money market accounts (1)	17,100	-	-	17,100	2
Debentures	253	-	-	253	2
Certificate of real estate receivables	4,031	-	-	4,031	2
Derivative Financial Instruments	110,080	-	-	110,080	3
Financial assets not measured at fair value					
Loans to customers (2)	-	3,200,002	-	3,980,341	2
Accounts receivable (3)	-	17,397	-	17,397	2
Other financial assets (3)	-	100,457	-	112,507	2
Financial liabilities not measured at fair value					
Financial liabilities at amortized cost (2)	-	-	4,099,844	4,120,407	2
Accounts payable (3)	-	-	114,824	115,400	2
Convertible Notes (3)	-	-	285,805	285,805	2

(In thousands of Brazilian Reais, unless otherwise stated)

(1) Financial assets at fair value through profit and loss are measured at fair value. Unlisted securities are classified as Level 2, for those the fair value is determined using valuation techniques which employ the use of market observable inputs (CDI rate) and credit risk arises from the Group's exposures to third parties. For Level 3, for current market transactions or observable data are not available it requires a degree of judgment and estimation. The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active.

(2) Loans to Customers and Financial Liabilities at amortized cost are measured at amortized cost as they are held to collect contractual cash flows. Fair value is estimated by discounting future cash flows using market rates for similar items. The fair value is estimated considering a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets with an average rate of 10.39% to 26.36%, varying by product for the year ended December 31, 2022 (12.91% to 21.94% for the year ended December 31, 2021), adjusted by an illiquidity factor.

(3) Accounts receivables, accounts payable and other liabilities, other financial assets and convertible notes are measured at amortized cost. Since the amounts are expected to be settled in a short term, less than three months in most cases, the fair value is a reasonable approximation as the carrying amount.

17 Convertible Notes

As of December 31, 2022, the Company's convertible notes totaled BRL 447,347. These refer to the issuance of Primary Convertible Notes, In the amount of USD 29,500 (BRL 156,733) with a total share of 93,956 units and Repurchase Convertible Notes with the same investors, that promises to pay the principal amount of USD 54,600 (BRL 294,589), the maturity of 48 months from the issue date.

Right to convert into preferred shares of the Company in the principal amount of BRL 294,589 plus interest, at the lowest price between – 20% discount on the value of the next round or BRL 58,123 divided by the total number of shares issued.

The unpaid principal amount of this convertible promissory note shall bear interest (based on a 365-day year, counting actual days elapsed) at a rate equal to 8% per annum compounded annually from the date hereof until the sum of the outstanding principal amount of the Note.

On December 31, 2021, the Company's convertible notes amounted to BRL 285,805. These refer to the anticipation of investors in the 7th investment round denominated series "F" that occurred on January 21, 2022.

18 Leases

The Company recognizes the right of use and lease liabilities in the execution of the contract data. The main leasing contracts refer to the administrative office and stores for the sale of automobiles. These lease agreements have an average duration of five years.

a) Liabilities

Balances at December 31, 2020	**16,303**
Additions	160,972
Appropriate interest	8,488
Payments interest	(735)
Payments	(22,845)

(In thousands of Brazilian Reais, unless otherwise stated)

Balances at December 31, 2021	**162,183**

Balances at December 31, 2021	**162,183**
Additions	10,728
Interest appropriated	6,488
Interest payment	(2,534)
Principal payments	(36,676)
Balances at December 31, 2022	**140,189**

The incremental discount rate used to calculate the present value was the average nominal rate of 9.83% p.a. (13.71% p.a. in 2021).

b) Right-of-use

Balances at December 31, 2020	**15,160**
Additions	163,987
Depreciation expenses	(24,820)
Balances at December 31, 2021	**154,327**

Balances at December 31, 2021	**154,327**
Additions	10,626
Disposals	(8,841)
Depreciation expenses	(52,332)
Balances at December 31, 2022	**103,780**

The depreciation rate used for calculating depreciation is 20% per annum for all right-of-use items.

Short-term rental leases (lease term of less than 12 months) and leasing of low-value assets will maintain the recognition of their lease expenses on a straight-line.

c) Maturity of lease liabilities

Date	Liabilities	%
in up to a year	35,478	25.3
one to two years	38,966	27.8
two to three years	42,796	30.5
three to four years	22,949	16.4
	140,189	**100.0**

19 Equity

a) Issued Capital

Classes of shares

(i) Ordinary shares

Non-redeemable ordinary shares are entitled to receive dividends, participate in the liquidation of the Company and vote at meetings.

As mandatory, ordinary shares each have the right of one vote in the general meeting resolutions and participate with preferred shares in the distribution of profits. The Ordinary Shares are not redeemable at the option of the holder or the Company.

(In thousands of Brazilian Reais, unless otherwise stated)

(ii) Preferred shares

Preferred shares were issued in several classes, all having preference in the receipt of dividends and the liquidation of the Company, in accordance with the order of preference established in the Company's Article of Association.

In addition, preferred shares have:

- Voting rights on some matters
- Right to appoint members of the board of Directors
- Protective rights against dilution, drag along and rights of refusal and co-sale
- Right to non-cumulative dividends, when distributed by the Company, equal to 8% of its issue prices

The holders of the preferred shares shall have the conversion right by dividing the applicable original issue price for each series by the applicable conversion price for each series (the “Conversion Rate”). Any downward adjustment of the Conversion Price of any series of the preferred shares may be waived by the consent or vote of the holders of at least a majority of the then outstanding preferred shares of such series.

Preferred shares do not have redemption rights at the option of their holders or the Company and are automatically converted into ordinary shares at the Conversion Rate upon the occurrence of an initial public offering (IPO) or liquidation event for a specified number of ordinary shares.

b) Equity

As of December 31, 2022, the Company's share capital was BRL 3,623,085 (BRL 2,528,617 as of December 31, 2021). The capital increase occurred through (i) BRL 1,428,916 referring to the Company's capital increase and (ii) BRL 73,387 referring capital increase through business combination (Note 11). All the issued shares have been fully subscribed and paid-up by the shareholders.

	12/31/2022	12/31/2021
Share Capital	3,622,365	2,528,617
Shares Subscriptions	720	720

<u>Capital Stock – Number of Shares</u>

	Ordinary Shares	Prreferred Shares	Total
At December 31, 2020	**1,433,088**	**9,039,959**	**10,473,047**
Series E - Issued	21,446	707,764	729,210
Repurchased shares	(9,771)	(7,730)	(17,501)
Balances at December 31, 2021	**1,444,763**	**9,739,993**	**11,184,756**
Ordinary Shares - Issued	2,269,718	-	2,269,718
Prreferred Shares - Issued	-	1,067,683	1,067,683
Series F - Issued	-	1,124,876	1,124,876
Balances at December 31, 2022	**3,714,481**	**11,932,552**	**15,647,033**

(In thousands of Brazilian Reais, unless otherwise stated)

c) Other comprehensive income

Other comprehensive income is related to the “Currency translation adjustment - CTA”. Assets and liabilities denominated in non-BRL, currencies are translated at rates of exchange prevailing on the date of consolidated statements, while revenues and expenses are translated at average rates of exchange for the period. The currency translations adjustments are as below:

	12/31/2022	12/31/2021
Other comprehensive Income	11,309	90,175

	Rates of Exchange US$	
	12/31/2022	12/31/2021
Closing rate of the year	5.2800	5.5805
Average rate	5.1615	5.3955

	Rates of Exchange EUR$	
	12/31/2022	12/31/2021
Closing rate of the year	5.6571	6.3210
Average rate	5.4353	6.3784

	Rates of Exchange MXP$	
	12/31/2022	12/31/2021
Closing rate of the year	0.2710	0.2730
Average rate	0.2566	0.2659

20 Loss per share

Basic loss per share is calculated by dividing the attributable to shareholders of the Company by the weighted average number of ordinary shares excluding ordinary outstanding shares by the Company and held as treasury shares, if any.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary outstanding shares and the SOP and RSU’s issued with the potential to be converted into share capital.

The net loss and share data used in the basic and diluted loss per share calculations are as follow:

	2022	2021
Attributable to shareholders of the Company	(1,483,738)	(960,772)
Total weighted average of ordinary outstanding shares	3,714,481	1,415,587
Loss per share - basic and diluted (BRL)	**(0.3994)**	**(0.6787)**
Antidilutive instruments not considered on the weighted number of shares	626,968	626,968
Weighted-average number of ordinary shares (basic and diluted)		
Issued ordinary shares at January 1, 2022 and 2021	3,714,481	1,433,088
Effect of treasury shares cancelled (repurchased shares)	-	(17,501)
Weighted-average number of ordinary shares (basic and diluted) at December 31, 2021, 2020 and 2019	**3,714,481**	**1,415,587**

The Company has SOP and RSU instruments that will become ordinary shares if exercised, acquired or converted. The weighted average of ordinary outstanding shares used to calculate both basic and diluted losses per share attributable to shareholders of the Company are the same, the instruments were considered anti-dilutive because they would reduce the loss by share. These instruments were considered anti-dilutive because they would reduce the loss by share.

(In thousands of Brazilian Reais, unless otherwise stated)

21 Share-based payment arrangements

a. Description of share-based payment arrangements

As of December 31, 2022 and 2021, the Group had the following share-based payment arrangements.

Share option programs (equity-settled)

On May 6, 2015, and January 1, 2020, the Group established share option programs that entitle key management personnel to purchase shares in the Company. On January 1, 2021, a further grant on similar terms was offered to key management personnel and senior employees.

Under these programs, holders of vested options are entitled to purchase shares at the market price of the shares at grant date. Currently, these programs are limited to key management personnel and other senior employees.

The key terms and conditions related to the grants under these programs are as follows; all options are to be settled by the delivery of shares.

	Number of instruments	Vesting conditions	Contractual life of options
Options to key management personnel program			
On July 10, 2019	500,000	4 years of service and performance conditions related to Soft Bank returns over series D investment.	4 years
On December 17, 2020	125,000	Option Pool increase	
Options to senior Employee program			
On May 6, 2015	356,952	4 years of service, with 30% granted upon completing the 1st year and the remainder granted monthly until completing the period.	10 years
On May 6, 2015	66,262	Option Pool increase	
On Feb 16, 2017	(64,326)	Option Pool decrease	
On July 10, 2019	1,936	Option Pool increase	
On December 17, 2020	125,000	Option Pool increase	

b. Measurement of fair values

Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not considered in measuring fair value. The Group recognized the amount in the statements of changes in equity of BRL 87,452 on December 31, 2022 (BRL 24,901 December 31, 2021).

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

(In thousands of Brazilian Reais, unless otherwise stated)

Share option programs	Key management personnel		Senior employees	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Fair value at grant date (average)	U$ 24.06	U$ 24.06	U$ 108.62	U$ 33.00
Share price at grant date (average)	U$ 57.70	U$ 57.70	U$ 163.98	U$ 59.22
Exercise price	U$ 7.44	U$ 6.87	U$ 178.24	U$ 72.12
Expected volatility (average)	74.95%	74.95%	79.86%	66.76%
Expected life	4 years	4 years	6 years	6 years
Risk-free interest rate (based on government bonds)	0.62%	0.62%	1.70%	0.95%

Expected volatility has been based on an evaluation of the historical volatility of the Company's peers share price.

c. Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programs were as follows.

Share option programs	12/31/2022		
	Number of options	Average exercise price	
		BRL	USD
Outstanding at January 1	306,987	174.17	31.21
Forfeited during the year	(71,095)	340.41	61
Exercised during the year	(42,247)	759.78	136
Granted during the year	393,492	1,226.76	219.83
Outstanding at December 31	**587,137**	309.33	55.43

d. Restricted share units granted for deals (RSU)

As of December 31, 2022, the Group granted BRL 71,656, when: (i) BRL 63,553 or 246,021 from the Minuto acquisition shares, (ii) BRL 4,656 or 74,762 from the Bcredi shares and (iii) BRL 3,446 or 73,554 shares in restricted share units for the acquisition of Kzas. There are four scenarios for RSUs, which are:

(i) Performance-based vesting condition and
(ii) Earn out vesting conditions in the SPA and RSUs will only be fully vested when they have both performance-vested
(iii) Car-based purchase condition

That is, the RSUs will only be fully recognized when both conditions are met. The definition of Performance Condition is in accordance with each of RSU contract.

22 Revenue

The Group disaggregates revenue from three major products and services:

	2022	2021
Interest revenue (i)	1,399,419	584,869
Fees and Commission revenue (ii)	156,058	96,367
Used cars sales (iii)	290,712	162,530
Total	**1,846,189**	**843,766**

(In thousands of Brazilian Reais, unless otherwise stated)

(i) Interest revenue - mainly comprises the interest accrual of loans to customers
(ii) Fees and Commission revenue – which mainly comprises the total revenues from servicing, origination, broker insurance and fees related to business partnerships
(iii) Used cars sales – which mainly comprises the total revenues from sale of. Revenue from vehicle sales refers to the operation of Auto Solutions, which is a fully integrated solution for buying and selling vehicles.

The Group business are mainly performed in Brazil which corresponds to over 99% of the revenues (Note 8 - portfolio segregation).

The Group obtains its revenues from a large number of customers with no significant concentration.

23 Expenses

	2022	2021
Salaries, charges, and benefits	741,756	508,005
Interest and other financial expenses	695,321	231,958
Allowance for expected credit losses	654,133	168,050
Cost of sales	291,269	157,989
Marketing expenses	199,265	236,978
Impairment loss on assets	121,337	-
Servicing and FIDC Expenses [(2)]	148,125	60,277
Third party services [(1)]	83,242	51,792
Software and Telecommunication Expenses	51,727	51,032
Amortization and Depreciation	68,388	45,346
Loans structuring costs	97,274	39,777
Facilities	3,717	7,657
Tax expenses	2,537	1,168
Share based payments	107,685	34,183
Others	36,121	71,658
	3,301,897	**1,665,870**
General and Administrative expenses	1,304,451	847,289
Marketing expenses	199,265	236,978
Other expenses	36,121	23,606
Interest and other financial expenses	695,321	231,958
Allowance for expected credit losses	654,133	168,050
Impairment loss on assets	121,337	-
Cost of sales	291,269	157,989
Total	**3,301,897**	**1,665,870**

(1) Third party services are related to accounting, legal and technology advisors.
(2) Consists of expenses related to funds operating fees.

24 Financial result

Financial income

	2022	2021
Interest from short-term investments	50,707	22,986
Others	2,965	1,430
	53,672	**24,416**

Financial expenses

	2022	2021
Financial lease interest expense	(15,235)	(6,488)
Loans interest expense	(15,219)	(6,481)
Financial transaction tax	(10,952)	(4,664)
Bank fee expense	(4,018)	(1,711)
Fines and interest paid	(2,982)	(1,270)
Derivative financial instruments (i)	(37,504)	(110,080)
Others	(9,243)	(3,936)
	(95,153)	**(134,630)**

(In thousands of Brazilian Reais, unless otherwise stated)

(i) In September 2021, Creditas entered into an agreement with Nu Holdings Ltd. ("Nu") through which Nu will distribute certain financial products offered by Creditas to its customers.

The agreement also provides that Nu will invest up to USD 200,000 (BRL 1,115,160) in Creditas' securitization vehicles, becoming the holder of the senior quotas of the FIDCs. Nu was granted warrants that provide the right to acquire an equity interest, on a fully diluted basis, under a pre-agreed valuation, proportional to 50% of the amount invested in the securitization vehicles and products distributed. As of December 31, 2022, USD 130,000 (BRL 724,854) was already invested in the securitization vehicles.

As of December 31, 2022, the warrants fair value amounted to BRL 147,584, calculated using the Black-Scholes model, and is classified as Level 3 in the fair value hierarchy.

25 Income taxes

a) Reconciliation of income tax expense and social contribution

The reconciliation of income tax and social contribution as follows:

	2022	2021
Loss before income taxes	**(1,486,610)**	**(944,747)**
Statutory rate [(1)]	**34%**	**34%**
Tax using the Company's domestic tax rate	**505,447**	**321,214**
Temporary differences related to allowances for credit losses	(42,884)	(14,070)
Taxes credits recognized / (not recognized)	(346,833)	(267,672)
Different tax rate for companies abroad	(54,689)	(37,427)
Impairment loss on assets	(41,255)	-
Others	(16,914)	(18,070)
Income tax for the year	**2,872**	**(16,025)**
Effective tax rate	**1%**	**-5%**
Current income tax	**2,872**	**(16,025)**

(1) Current rates: (i) 25% for income tax; (ii) 9% for the social contribution.

b) Unrecognized deferred taxes

As of December 31, 2022, the Group's subsidiaries have accumulated tax loss carryforwards and other temporary differences totaling BRL 847,552 (compared to BRL 500,719 in December 31, 2021). Although these losses can be used indefinitely to offset future taxable profits of the companies in which they arose, the Group has not recognized any deferred tax assets related to these losses. This is because the losses cannot be used to offset taxable profits between subsidiaries, and there is no other evidence of recoverability soon.

The Group does not have a time limit for the use of deferred tax assets. However, for Brazilian entities, the use of deferred tax assets related to tax loss and negative bases of social contribution is limited to 30% of taxable profit per year. Despite the limitations, the Group continues to assess the recoverability of these deferred tax assets on an ongoing basis and will recognize them in the future if it becomes more likely than not that they will be utilized.

(In thousands of Brazilian Reais, unless otherwise stated)

26 Related parties

Related parties comprise the Group's companies, shareholders, key management personnel and any businesses which are controlled, directly or indirectly by the shareholders and directors over which they exercise significant management influence. Related parties transactions are entered in the normal course of business at prices and terms approved by the Group's management. The Group maintains related parties transactions as follows:

a) Transactions with related parties

			2021
	Interest income	**General and administrative expenses**	**Total**
Clikalia S.A. de C.V	3,156	-	3,156
CHP – Companhia Hipotecária Piratini S.A.	-	(13,157)	(13,157)
Total	**3,156**	**(13,157)**	**(10,001)**

			2022
	Interest income	**General and administrative expenses**	**Total**
Clikalia S.A. de C.V	7,940	-	7,940
CHP – Companhia Hipotecária Piratini S.A.	236	(691)	(455)
Total	**8,177**	**(691)**	**7,486**

Interest income
Interest income generated in the operation of Cost of banking to originate the contracts.

Administrative expenses
Administrative expenses generated in the operation of related parties. This bank cost operation is carried out as practiced by the Company.

Following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	12/31/2022	**12/31/2021**
Loans to related parties	55,359	60,456
Loans from related parties	**55,359**	**60,456**

Related parties of Loans to customers with parent company Clikalia. We use an average interest rate of 10% per year with a term of 1 year. This contract started in September 2021.

b) Key management compensation

Management includes the legal directors of the Company and key executives of the Group and compensation consists of fixed compensation, profit sharing and benefits plus any correlating social or labor charges and or provisions for such charges.

	2022	**2021**
Salaries, benefits and charges	(14,428)	(11,092)
Bonus	(2,230)	(4,316)
Share based payments	(10,049)	(6,999)
Total	**(26,707)**	**(22,407)**

27 Other subjects

Purchase Agreement Andbank

Andbank and Creditas have signed a strategic agreement to foster their growth and expand their businesses. Under this agreement, Andbank Brasil, a private banking and asset management firm with R$8 billion in assets under management since 2011, will transfer its banking license to Creditas, a leading fintech platform for secured and specialized financial solutions. Upon approval of a share capital increase, the banking license will be valued at approximately R$450 million, and the overall transaction is valued at around R$500 million. The deal is subject to regulatory approvals from Banco Central do Brasil (BCB).

After the transaction, Andbank will continue its operations in Brazil as a broker dealer (DTVM) and asset management company. Furthermore, the agreement includes the possibility of Creditas becoming a minority shareholder in Andbank's private banking business, strengthening Andbank's private wealth franchise in Brazil. Simultaneously, Andbank plans to be a minority shareholder of Creditas. This strategic alliance creates new opportunities for both companies to leverage their strengths and expertise, driving mutual growth and value creation.