Nu Holdings Q1'22 Conference Call

Operator: Good afternoon, ladies and gentlemen. Welcome to Nu Holdings conference call to discuss the results for the first quarter 2022. A slide presentation accompanies today's webcast, which is available on Nu's Investors Relations website: www.investors.nu in English and www.investidores.nu in Portuguese. This conference is being recorded and the replay can also be accessed on the company's IR website.

This call is also available in Portuguese. To access it, you can press the icon on the lower right side of your Zoom screen, and then choose to enter the **"Portuguese room"**. After that, select **"mute original audio"**.

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Please be advised that all participants will be in listen-only mode. You may submit online questions at any time today, using the Q&A box on the webcast.

I would now like to turn the floor over to **Mr. Guilherme Vieira, Investor Relations Senior Manager at Nu Holdings**. You may proceed.

Guilherme Vieira: Thank you very much Operator. Good afternoon everyone and thank you for joining our earnings call today. If you have not seen our earnings release, a copy is posted in the Results Center section of our Investor Relations website. With me on today's call are **David Vélez, our Founder, Chief Executive Officer and Chairman**, **Guilherme Lago, our Chief Financial Officer,** and **Youssef Lahrech, our Chief Operating Officer.** Additionally, **Jag Duggal, our Chief Product Officer,** will be joining us for the Q&A section of the call.

Throughout this conference call the Company will be presenting non-IFRS financial information, including adjusted net income. These are important financial measures for the Company but are not financial measures as defined by IFRS. Reconciliations of the Company's non-IFRS financial information to the IFRS financial information are available in our earnings press release.

Also note that unless noted otherwise, all growth rates are on a year-over-year and FX neutral basis.

I would like to remind everyone that today's discussion might include forward-looking statements. These forward-looking statements are not guarantees of future performance and therefore you should not put undue reliance on them. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Please refer to the forward-looking statements disclosure in the Company's earnings press release.

Today our **Founder and CEO, David Vélez** will discuss the main highlights of our first quarter 2022 results and some of the opportunities ahead. Subsequently, **Guilherme Lago, our CFO,** and **Youssef Lahrech, our COO,** will take you through our financial performance for the quarter, after which time we'll be happy to take your questions.

I would like to turn the call over to David, please go ahead.

David Vélez: Thank you, Guilherme. Welcome, everybody. Q1 2022 was the strongest quarter in our history.

On the customer acquisition front, we attracted 5.7 million customers, reaching a total of nearly 60 million customers at the end of the quarter. This growth continued to be primarily fueled by organic channels, with very low customer acquisition costs. Notably, our activity rate improved to over 78%, a historical-high mark.

On the business activity front, we saw the growing customer count and engagement spurring strong product upsell and cross-sell. This reflected into historical-high levels of purchase volume, at U$15.9 billion, and deposits, at US$12.6 billion, both posting year-on-year growth rates close to 100%. We continued to see significant opportunities to grow and gain share in the unsecured credit market in Brazil, the largest available market in financial services in Latin America. Our credit portfolio, with credit cards and personal loans, grew significantly above market, at 126% YoY, to a total of U$$8.8 billion, while maintaining healthy credit levels and strong unit economics.

On the international expansion front, we surpassed 2 million customers in Mexico, consolidating our position as the #1 issuer of new cards in the country. In Colombia, we grew our customer base by 85% sequentially, surpassing 200 thousand customers, and still have a wait list of nearly 1 million customers. To fund this growth, we secured a three-year US$650 million drawdown syndicated credit facility to support our expansions in Mexico and Colombia. In these 3 markets we operate, we continue to maintain one of the highest Net Promoter Scores in the entire financial services industries of these markets.

We continued to invest in our two-sided ecosystem of consumers on one end and small businesses and merchants on the other and expand our product portfolio. I would highlight two notable launches over these past months:

1. NuPay. We launched NuPay to strengthen our position at the intersection of commerce and payments in the region. NuPay is a more convenient and secure way for Nubank customers to pay for their online purchases with just a few clicks on the Nu App. Customers can choose to pay now, using their Nu account balance, or pay later in interest-free installments, leveraging incremental credit limits. Merchants who enable NuPay in their checkouts will benefit from increased sales driven by consumers with higher purchasing power, superior checkout experience/conversion and higher approval rates compared to traditional payment methods like credit card.

2. Also, last week we announced Nucripto. We have seen significant interest in volume from our customers over the past few months on investing in crypto, and this platform is a state-of-the-art retail crypto trading platform. Consistent with our mission, we aim at democratizing crypto in Brazil and in the rest of Latam. Like our other products, Nu Cripto was created to eliminate the complexity of the market and to make it accessible to anyone who wants to be part of it, even if you start with only one Real as an investment.

The size of the prize in Latin America is enormous. For two reasons.

First, Latin America is one of the largest economies globally, with 600M people and $6T of GDP. To put the sheer size of LatAm's economy in context, the population is twice that of the US, and GDP is 40% of China's and 2x the size of India's. And financial services is the single largest industry in the region. By far. Its market capitalization is estimated at $1T.

Second, financial services remain largely underpenetrated in the region. Banking and credit card penetrations in LatAm are among the lowest. In Mexico and Colombia, the markets we operate in, you see credit card penetration as low as 12%. But we are helping to catch up fast.

So, LatAm today offers not only a large existing TAM, but one that is poised to continue growing fast over the coming decades as we are able to take banking services to more and more people. As we further develop our businesses in Brazil, Mexico and Colombia, we expect to consistently acquire market share from incumbent players, as well as drive market growth by fostering greater levels of financial inclusion in the region.

Now, notwithstanding our high growth in Q1 2022 and over the past quarters, we are still in the very early stages of our journey. We say inside Nubank that we are still in the first minute of the first half of this game.

Let's start with Brazil. Our customer base represents already 33% of the adult population in the country - and keeps on growing at a pace of 1.5-2.0M customers/month. But our market share is nowhere near our potential because we are in the very early, early stage of cross-sell. Our market share in broader consumer finance is below 2%. Our market share in investments is below 1% in terms of overall AUC. Our market share in e-comm marketplace is nearly 0%. We expect to keep on gaining share, quarter after quarter.

And, if we are in early stages in Brazil, we are just getting started in Mexico and Colombia. The early signs of success in these markets are extremely encouraging and their KPIs have largely beaten all equivalent KPIs in Brazil.

While the market has seen a fair amount of volatility over the past months, our thesis of building the future of financial services in Latin America remains intact, and we are excited about the significant opportunity ahead.

And with that, let me turn the call to Guilherme Lago, our CFO, to go through our operating and financial results in more detail.

Guilherme Lago: Thank you, David. In the first quarter of 2022, we delivered a very strong set of operating and financial KPIs. We did so by leveraging our simple, yet powerful, value generating formula that we always emphasize:

- First, growing our customer base across Brazil, Mexico and Colombia and turning customers into active customers;
- Second, expanding the average revenue per active customer, or ARPAC, through both product upsell and product cross-sell; and
- Third, delivering all this growth while maintaining one of the lowest-cost operating platforms in the industry.

Now, let's take a deep dive into the quarterly results of our business.

We added 5.7 million customers during the first quarter, mainly through organic channels. This brought total customers to 59.6 million by quarter-end – a 61% year-on-year increase.

We are also pleased with the increasing contribution of our international operations to our customer base growth. Mexico and Colombia acquired 800 thousand new customers in the quarter.

Importantly, we continued to drive customer acquisition while increasing the monthly activity rate to 78%, up from 69% a year-ago and 76% in the prior quarter. That marked the eighth consecutive quarter of higher monthly activity, a testament to our ability to continue to drive customer engagement.

Now moving to an analysis of our customer cohorts. These three charts show how increasing engagement of our customer base and a higher number of products per active customer continue to drive up our ARPAC.

The increasing monetization of our customer base is evident when looking at ARPAC in the chart on the far right. While we reached a monthly ARPAC of 6.7 dollars per month in the quarter, mature cohorts are already at 16 dollars per month. And one may note that earlier cohorts continue to be quite healthy.

This combination of higher engagement and more products per customer has proven powerful in terms of customer monetization. ARPAC expansion has helped fuel our triple-digit revenue growth.

We saw another quarter of exceptional revenue growth – 226% year-on-year on an FX neutral basis, reaching a record-high quarterly revenue of 877 million dollars.

This growth is the result of the compounding effects to two things:

(i) First, a growing number of monthly active customers - not only customers, but monthly active customers.

(ii) Second, higher levels of product upsell and product cross-sell, which continues to expand our monthly ARPAC.

Although our monthly ARPAC has expanded strongly over the past quarters, as you can see on the left-hand side, we believe we are very far from our ARPAC potential. The ARPACs of incumbent banks are still 6x higher than ours.

Moving on to the progress of our cards business. Purchase volumes increased to nearly US$16 billion dollars, up 94% on an FX Neutral basis. Again, this is the result of more product upsell and product cross-sell. The slide on the right-hand side shows how purchase volumes grow with the maturation of the cohorts. And there is no plateau in sight.

Despite the seasonality factors of the first quarter, we saw an increase in purchase volumes in constant currency, which reflects strong gains in market share overall, including credit card and prepaid cards.

Our core consumer finance products, credit card and personal loans, continued to grow at a healthy pace during the first quarter – up 126% year-on-year on an FX neutral basis to a total book of nearly US$9 billion dollars. This was significantly above market growth rates - both for Credit Cards and personal loans -, which, again, indicate that we continue to gain market share in these products.

Credit card receivables increased 89% year-on-year on an FX neutral basis. But our personal loan book grew even faster and, therefore, has gained more relevance in our total credit portfolio. We expect the relevance of personal loans to grow further in the coming quarters.

We continued to advance on our strategy of building a robust local currency deposit franchise, which we use to fund most of our operations.

Deposits continued growing at a fast rate during the first quarter – up 94% year-on-year on an FX neutral basis, with an average funding cost below CDI, Brazil's risk-free rate. We added nearly US$3 billion dollars in deposits over the last three months, closing the quarter with a total deposit balance of US$12.6 billion dollars.

One of the key competitive advantages of our platform rests on its very low cost to serve. This quarter, we pushed this even further by delivering a 30% year-on-year decline in the cost to serve per active customer on an FX neutral basis.

Excluding any one-off effects, we see an improvement of 10 cents in our average cost to serve compared to the first quarter of 2021 also on a FX neutral basis, a continued improvement that shows the benefits of scale and operating leverage as we grow.

Moving down the P&L, we delivered another quarter of record-high gross profit, up 131% year-on-year on an FX neutral basis to US$294 million dollars. And we did so despite the high-growth in our credit portfolio.

It is important to note that our gross profit margin has decreased in the quarter as a result of the following factors:

First, Growth driving Credit Loss Provisioning. Under IFRS, we have to front-load the recognition of our credit loss provisioning whenever a loan is booked. So, the faster we grow our credit book, the more short-term pressure it brings to our gross profit margin. It depends entirely on us, and we have chosen to grow.

Second, Interest On Cash Balance. As interest rates go up, we earn more money on our large pool of cash balance, even if it is partially or fully offset by higher funding expenses. But it drives our revenue up and leaves our gross profit largely unchanged. This pushes down our gross profit margin as it enlarges the denominator of the gross profit formula.

However, as our credit portfolio matures and interest rates stabilize, the gross profit margins of the business are expected to converge towards a 60%-level.

Moving on to the bottom line, our recurring profitability confirms again that we are on the right path with our earnings formula. We reported Adjusted Net Income of US$10 million dollars.

As a reminder, Adjusted Net Income is adjusted for expenses related to our share-based compensation, as well as the tax effects applicable to these items. A detailed reconciliation can be found in our earnings release and the appendix of this presentation.

Lastly, I would like to call your attention to this slide. In December of last year, we raised US$2.8 billion with our IPO, strengthening our capital position even further, and adding to a total US$3.4 billion in excess capital that we kept at our holding level at the end of the first quarter. This provides us with the necessary cushion not only to navigate the cycles and foster the organic growth of our business for the years to come, but also to proactively seek opportunities to expand our ecosystem, including through M&A.

Now, I'd like to turn the call over to Youssef, our Chief Operating Officer, who will walk you through our asset quality performance and credit underwriting approach.

Youssef Lahrech: Thank you, Lago. Let me now walk you through a few key indicators that track the asset quality and overall health of our credit portfolio in the first quarter of 22.

Let me start with a review of the main outcomes we optimize and make decisions on when we underwrite, which are the return, resilience, and payback of our originations.

What you see on this chart is the actual risk-adjusted margin of our credit card cohorts on the left, and that of our personal loan cohorts on the right.

As a reminder, here we define risk-adjusted margin as (revenues minus funding cost and cost of risk), expressed as a percentage of revenues net of funding cost.

As you can appreciate, in the initial months, risk adjusted margin is negatively impacted by the accounting recognition of non-cash upfront loan loss provisions. Then, as revenue begins to accrue, RAM quickly expands and converges towards a level of 60% or more for both products, with a payback period of six months or less.

Now, how do we expect this performance to evolve moving forward: As interest rates rise and delinquency rates normalize, we have responded by repricing both products to ensure expected RAMs at or above the 60% level and even greater levels of resilience. And we have been able to successfully implement this repricing across credit cards and Personal Loans.

The end result is: Credit cohorts, from both credit cards and personal loans, that can withstand risk worsening of over 100% above baseline expectations, and still be NPV positive. We believe these positions us well to continue growing going forward.

Moving now to NPLs… in the first quarter we have seen continued normalization of delinquency metrics, in line with our expectations.

On the left-hand side of the slide, we can see the evolution of 15-90 NPLs

- In Q1, 15-90 NPL increased by about 110 bps, of which roughly 80 bps can be explained by normal seasonality observed in Q1, and about 30 bps primarily to a shift in mix.

On the right side of the slide, we can see the evolution of the 90+ NPL metric.

- Our 90+ NPL increased c70 bps, most of which can be attributed to a shift in mix – adjusting for mix shift, our NPL increased by 30 bps, in line with continued normalization expectations.

This slide shows a lagged view of delinquencies to better understand the pace and trajectory of asset quality normalization of our credit card business in Brazil, compared to the rest of the Brazilian market.

For us, Q1 2022 has been a relatively stable period from the credit risk perspective, with no signs of macro worsening or upward momentum in risk beyond the expected seasonal patterns.

- From a 15-90 NPL perspective, we have continued to operate a bit below the 2019 levels. But, from a 90+ NPL perspective, this difference is a little bit more pronounced as 90+ tends to lag 15-90s.

In contrast, as you can see in the bottom half of the slide, the Brazilian credit card market has experienced a more pronounced deterioration and has already been operating above pre-Covid levels on both 15-90 and 90+ NPLs as of January 2022.

Now, let me step back and remind you of the impact that Expected Credit Loss (or ECL) as a loan loss provisioning methodology, has on a consumer finance business with high growth rates, as is the case for Nu's credit card and personal loan businesses.

Per IFRS 9, loan loss provisions must be recognized when a loan is granted, even before any revenue associated with that loan is accrued. This results in an intentional timing mismatch between revenues and costs.

For this reason, the higher our growth rate in consumer credit, the more provisions we have to book upfront. And as Lago mentioned, this negatively impacts gross profit and gross profit margins during periods of high growth.

As growth rates normalize, vertical gross profit margins are expected to converge over time towards those of mature cohorts.

Now, with that context, let us turn our attention to how much our growth has affected NPL provision formation in the quarter.

Our NPL provisions grew by US$236M on an FX neutral basis, or 35%, during the first quarter. 80% of this increase was the result of our consumer finance portfolio growing. The remaining 20% is a combination of risk normalization and seasonality, the majority of which coming from the latter.

As discussed previously, the growth of our portfolio has been the dominant driver of our provisions formation.

Having shared these perspectives and data on credit and asset quality, let me now turn the call back to our Founder and CEO, David Velez, for his concluding remarks.

David Vélez: I would like to wrap-up this presentation by reinforcing to you a few points, some of which may sound familiar to those with whom we have interacted for longer:

Since our IPO in December 2021, the world has changed significantly with additional volatility coming from Ukraine, Russia, increased inflation in the US, chokes in global supply chains, etc. These factors have created a lot of noise in the market, but ultimately, when we take a step back and look at our thesis, the thesis that the largest providers of financial services in the world five years from now will be newly-created, digitally-native technology companies has remained unchanged. As seen here today, our fundamentals are extremely healthy and continue to accelerate.

We believe we are the best positioned company to lead this transformation in Latin America, one of the largest regions of the world

(i) with nearly 60M customers, we have already become one of the largest financial institutions in the region by number of customers, giving us the significant scale benefits of the incumbents and the agility, speed and innovation culture of a startup,

(ii) we have been able to maintain one of the highest (if not the highest) Net Promoter Scores of any consumer company in the world as we scale,

(iii) we have developed and maintained a cost advantage of over 85% vs. incumbent competitors. We are 20x more efficient at serving consumers than traditional banks and this advantage allows us to compete in price and provide best products at lower costs. This advantage only increases with additional scale as we grow,

(iv) and finally, we have continued to have best-in-class unit economics, given the low Customer Acquisition Cost, increasing Average Revenue Per Active Customer, and decreasing Average Cost to Serve, allowing us to have a LTV/CAC of over 30x, and already generating significant profitability in our first core product, Brazil credit cards

These advantages do not go away with all of the macro volatility, and in fact, they might increase, as in adverse economic environments the market leader tends to benefit disproportionately, and a few segments of our target customers are counter-cyclical. As we have seen throughout our history since 2013, we have been of building Nubank effectively in the middle of recessions and really adverse macro conditions in Brazil. Unfortunately, bad macro is the only macro we know as a company, but the trends that continue accelerating our growth are structural, and they also create opportunities.

Thanks to our IPO, we are extremely well-capitalized to seize this opportunity. We ended Q1'22 with approximately $3.4B in excess capital in our balance sheet which gives us also the opportunity to continue taking share in our respective markets, while being mindful that the world has changed and maintaining a close eye and discipline in all our decisions, particularly when it comes to consumer credit and cost discipline.

Over the past weeks, we have received questions about our main shareholders selling or distributing a significant percentage of their holdings. There have been a lot of rumors in the market about an avalanche of shares being available in the market post lock-up. I'm happy to say that we have recently talked to the majority of our shareholders that have been with us for a long time, and they have reinforced to us their expectation to be long term holders of our stock, and as such, they do not intend to sell or distribute any material portion of their shares in the near future. This positioning is consistent with the way we have always thought of Nubank as being a very long-term opportunity and we continue to optimize, to build a great company in the long run.

Now, I'd like to open for Q&A. Thank you everyone.

Operator: We will now start the Q&A session for investors and analysts. If you wish to ask a question, please press the **"Reaction"** button and then click on **"Raise your hand"**. If your question is answered, you can exit the queue by clicking on **"put your hand down"**. Please limit yourself to one question and a follow-up. If you have further questions, please re-enter the queue. You may submit online questions at any time today, using the Q&A box on the webcast.

I would like to turn the call over to **Mr. Guilherme Vieira, Investor Relations Senior Manager at Nu Holdings.**

Tito Labarta, Goldman Sachs: Good evening, everyone. Thank you for the call and taking my questions and congratulations on the strong results. My question just in terms of your growth and then how you manage that. You have very strong growth on the loan portfolio, yet you are increasing provisions, I do understand it is from an expected loss methodology. But what gives you comfort to grow so quickly in growing faster than the market with NPLs deteriorating? Just thinking, what is that you are seeing that gives you that comfort that these loans won't become non-performing in the next 12 months or beyond that? Just to help us think about how you are managing that growth in this environment. And what gives you comfort from there?

And if you can give any color in terms of how that gross margin can evolve from here? I know long-term, 60%, but just kind of in the short-term, if you continue to grow this fast, do you think there will be some pressure in the short-term on the gross margin? Thank you.

David Vélez: Great. Tito, thank you very much for your question. So, on growth, I guess the first thing to consider is that we might have already over 30% of the adult population in Brazil as customers, but we still have a very small percentage of their business. So, in credit card, we have I think around 7% market share, in lending, we have something like around 2% market share. So, we still are small. And as we grow, we are effectively share re-picking our growth within the base that we have and being very selective about who gets credit and who does not. Especially in the personal loans, we get to consistently see transactional information. And as we get comfort about their performance, we are able to provide limits generally starting with very low credit limits that after 15, 30, 60, 90 days, we get so much more conceptional information that allows us to expand the credit underwriting. So, the first thing to consider is we are effectively able to fish in a very large pond and there we pick the number of customers and the type of customers that we want to bring inside Nu bank.

And there's still a lot to grow given how small percentage of market share is vis-à-vis the base of consumers.The second aspect is we started as a company in 2013-2014, doing credit as a core competence, and this forced us to develop credit as ultimately competitive advantage. We were a credit first company, differently from a lot of the digital banks that started paying and went to credit.

And then, as we started growing, we have to face really adverse macro conditions through our entire history. We saw in 2015, 2016, Brazil contracting at over 7% GDP. We saw several recessions. We saw impeachment. We saw pandemic. So, this forced us to develop a lot of discipline in a conservative bias and effectively every credit decision that we make.

In all our models, every underwriting decision assumes that the future is going to be way worse than the past and that every decision that we are making on the credit aspect has to have significant cushion to be wrong on the macro and still be NPV possible.

Today, we have very significant resilience on every single one of those decisions and we can sustain a much worse credit performance in the future for customers and still be making the right underwriting decisions. And so, as we grow, we are able to use that combination of methodology and cherry-picking to continue to grow and taking share in a market that at the margin might start suffering a little bit more of a macro adverse selection.

I will let Youssef here add anything else he wants on the credit side and Lago can answer your gross margin question. Thank you, Tito.

Youssef Lahrech: Yes, Tito, I would say a couple of additional things that are giving us comfort to continue to grow. Number one is so far in terms of actual performance, everything we have seen has been in line with our expectations. You have seen some of that in the earnings presentation in terms of what drove NPL. It has been mostly a story of seasonality and mix. And we also have been able to successfully increase pricing and the margin for both credit cards and personal loans, mostly in response to increasing in interest rates, but we have seen continued strong demand in the face of that. And we believe that despite that repricing, we continue to be competitive.

And as David said, we always underwrite for profitability and for resilience and there is ample room for things to worsen in the environment and for us to still deliver above-hurdle returns, namely our credit card and our loan, our personal loan cohorts can withstand more than double the risk of baseline and still be above hurdle and NPV positive. So, that gives us quite a bit of confidence to grow.

But that said, if we find ourselves in a much more adverse scenario, we will not hesitate to act quickly and decisively in the fix of that.

Guilherme Lago: Then maybe finally, Tito, to your question about gross profit margins. We do not provide forward-looking guidance per se. But as you mentioned, we do expect as we have seen in our actual performance, the gross profit margins of the business to converge towards a 60% level. In the next few quarters, as the strong growth in our credit portfolio continues to drive the expected credit loss allowance expenses. And two, the increase in interbank rates in Brazil increases our revenues and our cost of funding. We expect the margins will be temporarily lower compared to what we see as the margins of our more mature cohorts, which are in the 60% range.

Tito Labarta: Great. Thank you, David, Youssef, and Lago, that is very helpful. If I could ask just one follow-up on David's point about cherry-picking the clients. Any color you can provide on when you're extending credit? Do these clients have loans with other banks, and you are taking them away from other banks?

Are these more kind of like unbanked clients that do not have any credit, but you are still selecting some of the best ones in there. Just to get a sense of who these fines are and what other loans they may have outstanding and how you're able to cherry-pick to pick the best ones.

Youssef Lahrech: Yes, Tito, this is Youssef. Let me address that and thank you for that question. So, I would say it's a mix of both. We have a number of clients for whom Nubank is the first financial services provider that they have a relationship with either on the credit card side or the personal loan side.

And, all the way to clients who have a lot of credit experience and already have been managing both credit cards and loans and other financial instruments. We obviously adapt the product we offer, the credit limits we extend, the personal loan terms the amount to each individual borrower circumstance.

And we tend to be very careful about people who are new to credit, and don't have a lot of experience, by offering very small credit limits at the outset and then letting them show a good ability to handle credit and repay and pay down before we extend more credit over time. So, this sort of start low and grow over time is something that we've done for several years and are being successfully and have a lot of comfort and experience with.

The other thing I will mention here is in terms of how we offer personal loans, it is exclusively a cross-sell product. So, that is how we cherry-pick. So, we take basically the best lowest risk of our credit card customers and selectively offer them personal loans to be able to manage the risk and the profitability from that perspective.

David Vélez: So just to add one final point there. I think we get this question a lot. Just to be super clear, the majority of our customers already had credits and they are effectively changing their credit relationships to go to Nubank, which is different than giving credit to people that never had support it before.

We have a small percentage of customers in that segment that we generally start, especially on the credit side, credit card side with limits as low as US$10. And so that's one way to start slowly creating a credit history, seeing that US$10 go to US$50 to US$100, helping the customer build a positive credit profile. But the majority of our customers today in both credit and lending are customers that had other credit cards that had our personal loans and are deciding to effectively transfer their main relationships all to Nubank.

And so that means we're able to get a lot of information from the market from credit bureaus, from the Central Bank. And a lot of the time from our own internal information since these customers get to us via a number of different products, could it be from a savings product or credit card product or investment products.

Tito Labarta: Great. Thank you, David, Youssef and congratulations again on the strong results.

David Vélez: Thank you, Tito.

Geoffrey Elliott, Autonomous: The market seems to be increasingly rewarding companies that can demonstrate profitability today at the expense of those who are not showing significant profitability today, but who might have the potential of that profitability down the line.

In that context, is there anything that you are thinking about doing differently? And specifically, you have spoken in the past about the opportunity 100% of CDI to all of your retail deposit, individual deposit customers, is that something you might think about bringing forward to unlock some of the earnings potential that would bring? Thank you.

David Vélez: Geoffrey, thanks. So, as you say, there has been a shift on what the market is looking today. For us, it would be extremely easy to show profitability. We decreased our growth rate. We do not even have to stop the growth rate. We grew over 220% last year.

We could significantly increase the growth rate and immediately, there is profitability available, a lot of profitability available. So, we do not decide to do that because I think for us, it is been very important to continue optimizing for the value of the company in the long run. And we continue to optimize for a very long run and do not want to be totally really optimizing for the short-term.

However, obviously, the market is more volatile. There is more risk than there was about six months ago. So, I think this has forced us to increase the level of resilience in our credit underwriting decisions. This has forced us to push harder on cost control and be much more definitive and attempt to the way we are spending our money, and really push harder for efficiency.

That's absolutely something that we're doing right now. But ultimately, we think that we will optimize the value of Nubank if we continue to optimize it for the long run. And this is really the early days of a new category that is being created across the world, especially in Latin America. So, we think it will be a strategic mistake to suddenly shift that goal.

That being said, I think, as I said, I won't comment necessarily on what you mentioned on the NuConta. I think we are all actively looking at understanding what drives Net Promoter Score, what are the values and drivers that consumers appreciate, at times there are values in products that are less appreciated than others.

And there are some switches in strategy that can happen and we're actually looking at that really across the board asking ourselves, is it the best allocation of resources. So, I would just answer your question more on a general basis, we're doing that question. We're asking ourselves that question every single time as we understand better capital allocation and research allocation. Lago, want to add anything here?

Guilherme Lago: No, I think we have this tremendous ability to lock in operating leverage here in the business. So, as you have seen how our cost to serve and operating cost evolutions, you have noted that we have been able to extract a lot of operating leverage out of the business.

And as we continue to grow, we expect to exhibit even higher operating leverage in the coming quarters and in the coming years. That is partially seen in cost to serve, which is, as you may have seen in our presentation has dropped by about 30% on a year-on-year basis.

And I think there is also a slide in the appendix of the presentation, Geoffrey, that you may see that also draws your attention to higher operating leverage in terms of G&A, which has moved from 27% of revenues to about 20% of revenues. That trend is expected to continue in the coming quarters and years.

Geoffrey Elliott: Thank you. And on the specific question about NuConta and about really high interest rates that people are getting now on the day-to-day balances. I mean, is there any change there, kind of, predicated on rolling the new invest functionality into the main Nubank app? Is that how you are thinking about things?

David Vélez: Certainly, having a broader investment portfolio would provide more options to consumers and would give us additional degrees of response in the product setup. We do not really want to comment specifically on that change. But as I said, as we have a broader portfolio and as we answer question, what has been valued highly by consumers that might drive us to changes in a number of different products configurations that we have.

Geoffrey Elliott: Great. Thanks very much.

Jorge Kuri, Morgan Stanley: Hi everyone and congrats on the great results. And I wanted to see if you can talk a little bit about the profile of clients that are getting personal loans. What percentage of the new loans are going to clients that have been at Nubank for several years, so you have good underwriting and behavior data?

And what percentage, are going to relatively Nu clients where the personal loan is maybe the first risk product that they have with you? Is it fair to say that, given the still very low penetration of personal loans among your clients that the bulk of loans are going to "the best/low-risk clients"?

And also related to this, can you please talk about the connectivity between the NPL ratio of credit cards and personal loans. Are you seeing clients that are gaining credit card delinquency by trying to get a personal loan in order to catch-up? And is that sort of like an issue with you? Thank you.

David Vélez: Jorge, thank you for the question, let me address it in turn starting with the last piece. In terms of so-called the gaining of credit card delinquencies through loans. So categorically, the answer is, no, that is not happening.

In fact, we block any customer who is delinquent on the credit card from being eligible for a long. Not only that, but to your earlier part of your question, we are very selective in terms of who we offer personal loans to. So, we target personal loans as a cross-sell. It is exclusively a cross-sell to the best risk credit card customers.

In that way, we are able to create really good profitable, resilient originations of personal loans. And we benefit from having the experience and the value of credit card -- actual credit card performance, repayments, et cetera, to be able to underwrite. So again, this is something that we are very selective about.

And there is no such thing as connectivity between credit card NPLs and personal loan NPLs. In fact, there is no commingling whatsoever that we do in terms of credit cards and personal loans.

Jorge Kuri: Great. Thank you very much. And my follow-up question would be if there is disclosure of the growth in clients by country, is that something you provided? I have not been able to see it.

Guilherme Lago: We actually have provided that, Jorge, in our earnings release, you will note that we provide that we have out of the 59.6 million customers that we have in total, 57.3 comes from Brazil, 2.1 million comes from Mexico and the remainder 200,000 for Colombia.

Jorge Kuri: Great. Thank you, Lago. Congrats again.

James Friedman, Susquehanna: Hi. Thank you for taking my question. Congratulations as well on the results. So, I guess the first question for Youssef, I think it was maybe slide 18. But could you talk about the payback when you compare personal loans versus credit cards?

Youssef Lahrech: Yes, Jamie. Thanks for that question. So, as you can see on page 20 of the earnings presentation. This shows the actual risk-adjusted margin on a cohort basis. You may notice, if you look closely that, although, both payback periods are in the sort of four-to-six-month average, personal loans tend to be a little bit faster payback than credit cards.

And that is just a dynamic of upfront provision and then revenues that kicks in. And for loans, we get levels of pricing that enable payback around three to four months, give or take.

James Friedman: Thank you. And then for my follow-up, could you talk a little bit about the move up market, specifically with the introduction of ultraviolet?

David Vélez: Sure. So, we have a pretty significant base of high-income customers already in those 57 million customers. When we look at income, we have several million that would be considered very high income. To go after those customers, we launched ultraviolet last year. We are in the process of finalizing the product itself. We have a wait list and have been inviting customers to better test the product and, in the process, really finalizing a number of different features.

So far, we've seen really, really good response. We have a very large wait list of customers waiting for the product. And there are certain features like, for example, the cash-back on points that currently it provides 200% of the risk-free rate. So, it is probably the best investment today in the market, is having cash-back in ultravioleta.

So, we should expect to see that product being rolled out much more aggressively over the rest of the year. We really have been finalizing kind of the last points, and we're very excited about bringing an increasing engagement of those several million customers that are considered high income in Brazil today.

James Friedman: Got it. Thank you, David.

Thiago Batista, UBS: Hi, guys. Thanks for the opportunity. My question is about the pros and cons of Nu to get a full banking license, especially considering the increase in capital density that Brazilian Federal Bank announced a few months ago. Do you believe it would make sense for Nu to get a formal bank license at least in Brazil?

Guilherme Lago: Hi, Thiago. Thanks so much for your question. Look, we have today, operating with three main licenses in the country. We have financial institutional license, also known as Nu Financeira. We have a broker-dealer license, and we have a payment institution license. With those three licenses, we have all permissions necessary to run our two-sided ecosystem and serve both consumers and SMEs.

And so there's practically nothing that we cannot provide to our consumers that we would be able to provide, if were to own a license of a Banco Múltiplo. And to be very precise also, if we had our financial institution license converted today from Nu Financeira into Banco Múltiplo, the impact on our reg capital would be essentially zero, right?

So, there's really not much kind of a pros or there are many cons on actually making that conversion. It may be something that we explore down the line, but we are under no kind of pressure or hurry to make such a transition.

Thiago Batista: Very clear, Lago. If I can do a follow-up question. What is in your view the impact of the open banking for Nu cap standards? How much better should the NPL become with after the open bank implementation?

David Vélez: Yes, it's a great question. So, we are very excited about open banking. As I said earlier, we have a very large consumer base, over (52:40) for customers, but we still have a small share of their credit portfolio, even in personal loans, we have around 2% of a market that has over R$200 billion of market.

We and every other fintech, we start a significant disadvantage with e-commerce because we don't have all of that historical information. We have already been around for about nine years, building a lot of information, building a lot of credit models, and we are able to do that cherry-pick for a segment of customers.

But for other part of customers, we are just not able to underwrite yet. And as I said, we have a very conservative bias. We tend to operate with lower credit limits. And so, we're still at a bit of a disadvantage vis-à-vis the banks that have much more information.

So, we think that whether the Central Bank in Brazil is driving towards, which we agree is effectively a market where the best product wins. There is no inertia of sitting in your bank account whoever offers the lowest loan or the best product should get all of the business. And right now, that doesn't happen because of this asymmetry of information that exists in the market between fintechs like us and banks.

So open banking, as it seems to be happening is the catalyst to remove all that inertia that is still keeping a lot of customers in the big banks and let them choose wherever they want to go and let them choose the best loans and the best credit conditions.

As a side note, we are pricing our personal lending at over 20% lower interest rates than incumbent, and so that also ultimately forces us to be picking a safer type of credit portfolio.

So ultimately, we are very excited about what is happening in open banking. We did a very interesting acquisition last year of a company called Olivia, that brings a lot of the machine learning associated with including a lot of the open banking information for underwriting and AI.

And we expect to, as the open banking based in the Central Bank data instituted, we expect to start seeing that much more open market available in Brazil and is benefiting from that lower inertia that will come as a result.

Guilherme Lago: And if I may just add one thing, David, Thiago you mentioned about the benefits of open banking for our consumer credit business. But open banking or better said Open Finance will bring those insights into both the assets and the liability side of the consumers.

So, it is not only how to do better credit underwriting or customer segmentation, but it will also materially and positively impact our investment franchise because we will be able to identify what are the assets that the customers have in other financial institutions and influence the best way for them to invest their money.

Thiago Batista: Very clear. Thanks Lago and David

Ashwin, Citi: Thank you. I was wondering, if you could help us disaggregate the growth in ARPAC into the contributing factors, perhaps usage and engagement, maybe of the more legacy products versus the traction that you might be seeing in some of the newer products introduced in the last 12 to 15 months versus just higher interest rates, things like that?

Guilherme Lago: Sure, Ashwin. I would likt to walk you through this. I would actually draw your attention to slide number 10 of our presentation and that probably gives an idea of how the ARPAC evolution has performed over the past years, but also what actually moves the needle in there.

So, if you take a look on slide 10 of the presentation on the right-hand side, you see the cohort use of the ARPAC. And you can see two things here. First, you can see that our average ARPAC is now 6.7%. It came from about US$3.5 per month a year ago. So, it is an increase of over 60%.

But you can also see that the more mature cohorts are already at US$19. Most of this increase from the earlier cohorts, the more mature cohorts are primarily driven by our bank account product and our credit card product.

Why? Because the penetration of Nubank account is about 85%. The penetration of credit card is about 60%. But the penetration of personal loans is still less than 5%, right? So, most of the ARPAC growth so far derives from the maturation of credit card bank accounts.

Now once we do cross-sell and upsell of other products such as personal loans, you can see ARPAC going up very significantly. In fact, consumers who have adopted our three core products, bank accounts, credit cards and personal loans already have ARPAC of about US$35 to US$40.

So, personal loans as we increase the penetration, both upsell, and cross-sell is expected to bring material ARPAC to the equation. In addition to personal loans, you also have investments, insurance, marketplace that are expected to also contribute to the expansion of the ARPAC in the future.

Ashwin: Okay. So, it sounds like many of the newer products are yet to contribute and what you're seeing is more or older products?

Guilherme Lago: And just to give you perspective, Ashwin, the ARPAC of incumbent banks today, retail incumbent banks, if you take only the retail operations ended the 1Q22 at about US$40. So, they are 6x higher than our average ARPAC. So, there is a material gap for first to close over the coming quarters and years.

Ashwin: Got it. Got it. And then I kind of see the interest-bearing card receivable to total card receivable ratio ticked up. It was in that 10% to 12% range ticked up to 16%. Is that a more sustainable level? What is driving that? If you can comment maybe on the change in consumer behavior underlying that perhaps?

Guilherme Lago: Yes. No, absolutely. So, I think that is walking towards a more sustainable level. But if you take a look at our IBB, Interest Bearing Balance divided by our receivables, we still have a below average ratio. So, we have less IBBs than the average of the market for the same volume of credit card receivables.

We have been introducing more credit card financing products that gives you the ability to basically finance volatiles, which are bank lead finance deals and that has increased the percentage of IBB into the credit card journey of our customers. So, you should expect this to be a more recurring levels, in fact, you should expect this to actually go slightly up in the coming quarters and years.

Ashwin: Understood. Thank you for that. And good quarter.

Neha Agarwala, HSBC: Hi. Congratulations on the strong quarter and also kind of provided, very helpful. I have one additional question on asset quality. How far away are we from normalization of NPL ratios? If I look at the pre-COVID the 90-day NPL ratio during 2018, it was roughly about 5%.

But at that time, you did not have personal loans really. So now taking into account the change in mix that you have, what is the normal 90-day NPL ratio that we should expect? And how fast do you think in the coming quarters are we likely to get to that level?

Youssef Lahrech: Neha, thank you for the question. So perhaps the best way to think about this and look at this normalization is to take a look at page 22 in the earnings presentation. On that page, what you see is the lagged NPLs, both 15 to 90 and 90-plus for our credit card business where you can compare, where we are today versus where we were pre-pandemic.

As you pointed out, pre-pandemic, our loan portfolio was very small, just in test mode. So, there is no basis for comparison there. But what you can observe in page 22 is we continue to be slightly below 2019 levels on both metrics, a little bit more on 90s because it tends to lag, but pretty close on 15 to 90.

And so, while it is hard to quantify exactly when we are going to get back fully, our baseline expectation is we'll continue to see that normalization through the next months and quarters as we go forward.

Neha Agarwala: I understand, it is a bit hard to predict, but I would say a 90-day NPL ratio of, say, 5.5%, 6%, that sound more reasonable to you, given the change in mix in a more normal scenario in maybe by end of the year or early next year. Would that kind of level be within your expectation, so to say?

Youssef Lahrech: Yeah, Neha. So, to be clear, we do not provide guidance on NPLs. But if I were to guide you qualitatively there is a few drivers that are happening. This ongoing normalization that we're probably nearing the end of, given the data I just pointed to, there is shifts in mix with the higher growth in our personal loan's portfolio, which are all else equal pushing the NPLs up.

And then you have normal seasonality, and you can see in the appendix of our presentation how that drives NPLs up and down through the quarter. So, those are the main drivers that I would think of.

Neha Agarwala: Okay. One last question, there was a considerable increase in the activity rate despite strong net add. Could you give us a bit more color as to despite the strong net adds, how you managed to increase your activity rate every quarter?

And what is a good level that we should expect in the coming half? Has there been any specific factors which led to a pickup in activity rate? And what is the normalized level that we should see? And how sustainable are this net adds of almost US$6 million every quarter? Thank you so much.

Guilherme Lago: Thanks, Neha. So, I will comment on the activity rates. We won't be able to give you specific guidance on numbers. But on the activity rate really what's driving is we began with effectively one credit product that offer very low credit limits. And so obviously, for a lot of people that wanted to do business with us, we did not have an account, we did have loans, we did have investment, we did have insurance. And that will ultimately create a number of people that were open will get our credit card, and they would just not be using that much.

As we launch credit card, savings, lending, investments, insurance, marketplace, you start seeing this flywheel accelerating where more people find more reasons to bring more of their business and we become the default primary bank accounts. In fact, we measure this very clearly where for customers that have been with us for over six months, over 50% of those we become their primary bank account.

And that drives a lot of activation that drives as we give them higher credit limits in their credit card, because we get to know them better, they start bringing their salaries every month, then they start getting their loan, then they bring their savings and they start investing within our app, then they start shopping in our marketplace.

And so ultimately, the value proposition that we can offer customers becomes way stronger and this drives a lot of activity of any type from investing to savings, to payments, paying picks, receiving payments and ultimately being the main bank account and financial relationship with that customer, who is what we want to drive.

So, hard to give you a full estimate of where that lands. We're obviously working, we see a significant still opportunity to increase that when we see such a slow, still the point I mentioned we have a large customer base, but low market share in lending or credit card or limits are still small.

As we increase the penetration of those products within those bases, that will come with more activity rate. As we become the more kind of the effect of the private bank account that activity goes up, and we're working very hard to bring more and more products and more reason for customers to really use us as their primary financial relationship.

Neha Agarwala: Very clear, David. Thank you so much.

Pedro Leduc, Itaú: For me switch to that subjects a little bit. On the services side, service revenues continue to expand at a very solid pace, but mostly on the card front. Others, we see fees from delays moving, but others I assume were a bit shy of what we expected at least on insurance investments. If you can comment a little bit about this as maybe just seasonality on this side as well.

And back into cards, can you remind us when the new lower, even if a self-base prepaid interchange cap, will start for you guys and if we continue to gain share? Just sort of explore a little bit overall the service revenue evolution. Thank you.

David Vélez: So maybe I can take the interchange cap question, and I think Jag can comment a little bit more on the product road map for the services business, Pedro. But Pedro, I think on the interchange capital on prepaid, just a brief recap. So, on March of this year, Mastercard released a public consultation proposing the reduction of the interchange rate on prepaid cards to about 80 bps from 120 bps.

I understand this public consultation is still being analyzed by both Mastercard and it still has to go through the approval process of the Brazilian Central Bank. And if that was to be implemented, it would actually cause a decrease in our revenues of about 2.4%.

Prepaid interchange revenues accounted for give it or take 8% of our revenues in 2021 and also in the last 12 months. So that is something that would have a fairly marginal impact on our top-line and bottom-line. It is very hard for me or for us to give guidance on the timing for this.

We are just now watching this very closely with both MasterCard and the Brazilian Central Bank. And it's something that we expect to have a definition throughout 2022, but it is very hard to say if it is going to be in the second quarter or third quarter or in the fourth quarter.

Jag, do you want to comment a little bit on Pedro's question with respect to insurance investments in other services business fees.

Jag Duggal: Sure. Thank you, Lago. Hi, everyone. A few thoughts. First of all, I think, importantly, the performance of those businesses more service-based businesses, as you mentioned, has been largely in line with our expectations.

As we roll-out new products, David and others have referenced this earlier, we look first to find a product that our customers love that there's real resonance with. And that involves a process of rolling out a minimum viable product, but then optimizing it and iterating it sometimes for several quarters, while we find the parts that really resonate, and we find the parts that require more work.

And so, we are quite comfortable having a product that is growing, growing relatively rapidly from a small base, but not becoming a material part of our business for quite some time while we focus on optimizing the product. And we focus on optimizing the product well before we will not scale a product explosively and aggressively until we get to that point where we're really comfortable that the product is truly resonant with our intended customer base.

And I would say that for a number of our new products, some of them are services, some of them are other new products that aren't service based. We are working through that product. We're working through that process, and we're quite pleased in basically every case with the progress we're making, and we measure our progress at this stage more by customer love and progress towards it than we do by the scale of adoption just yet.

And that follows once we're confident that we've got a product that really works. That was, by the way, the formula we followed, for example, with our account product for many, many, many quarters. Also, a process very similar to what we did with personal loans and are still in some ways doing with personal loans. And as you get into the rest of the portfolio, that is a pretty good summary of where many of our products still are. But generally, we are pleased with their traction.

Pedro Leduc: Good. Thank you so much both of you. Just one final piggyback on this. The revenues that are generated by you generating credit to other parties like the ones in real estate, is that already here somewhere on the service line. And just also review on where those products are in terms of rollout?

Guilherme Lago: They are and they would be in the fee part of the revenues.

Pedro Leduc: Right. Yes. Any color on how the rollout has been there already…?

Guilherme Lago: Yes. We are still working on a full integration with Creditas, which is the partnership to which I believe you alluded, Creditas is one of, we believe, the best-in-class manufacturer of auto equity and home equity loans. We have started to do experimentations with their products in our customer base. They have been quite encouraging. They will only actually start kind of gaining more traction in a way that will probably be more relevant in terms of P&L towards the fourth quarter of this year, first quarter of next year based on our expectations.

We are still working with them on what's the best way to create the best possible experience for our customers to access their products and to increase the conversion before we have a broader rollout in our customer base. So, something more towards, I would say, six months from now to have a more relevant or meaningful impact in our revenue line.

Pedro Leduc: Thank you so much, Lago. Thank you.

Guilherme Lago: Thank you, Pedro.

Alexander Markgraff, Keybank: Hi, team. Thanks for taking the question and nice to speak to you all. I wanted to ask about the addition of crypto-trading to the new platform. Just curious your take on the primary motivation for retail consumers across Brazil to own crypto and whether or not you plan to introduce functionality beyond trading to kind of increase the utility of that crypto on the platform? And then I have one follow-up. Thank you.

Guilherme Lago: Sure. So, we have seen really significant interest over the past year in our consumer base for owning crypto and investing in crypto. We are actually able to see the type of transfers out of our bank account into crypto-trading platforms. And so, as we talk to our customers and try to build the products that our customers want, we thought it was important to offer a full crypto-trading platform. Right now, we're beginning, obviously, we just with bitcoin and Ethereum.

The use case tends to be a combination of, frankly, trading and investing on the crypto as well as long-term save and as a hedge towards inflation. You see both type of use cases. You also see that the kind of hedge towards inflation and devaluation of the currency.

You are starting to see that much more clearly in our Latin American markets than Brazil, but that's a big use case that people tell us to use. So, we're happy to be able to offer that option to customers, and we're just kind of really at the beginning of the journey building that platform for our customers.

Alexander Markgraff: Super helpful. Thank you. And then, just as it relates to compensation expense, how are you thinking about the mix of cash versus share-based compensation going forward as you try to continue to be competitive in the talent market?

Guilherme Lago: So, look, we have had historically a relatively low, let's say, net burn rate. So even before the IPO, our net burn rate has been substantially below 2%. I think going forward, we do not expect to get anywhere close to those 2%, and we should expect to operate lower.

It is super important to note that the compensation structure that we have in the Nubank, which is a little bit different from most of the other peers, people get their monthly salary in cash, but 100% of the variable compensation is paid in shares.

We think this is enormously important for the long-term alignment of the business. And it's not something that we expect to change or shift, but it's something that we expect to continue paying and structuring the compensation around us.

And we do not expect net burn rates to actually go up from their historical levels. If anything, they should be stable or going down. We think that this will still provide us with no adequate level of compensation to keep on attracting and retaining the best talent.

Alexander Markgraff: Great. Very clear. Thank you.

Eugene Simuni, Moffett: Thank you for taking my questions. I want to come back to international expansion. Very nice to see rapid growth in Mexico. I'm curious if you can comment on what you're seeing from the behaviors of your cohorts in Mexico?

Is it similar to what you saw in Brazil as you were building out this business? What are the main differences, if any? And kind of what is it telling us about the potential trajectory of growth in those new markets as compared to what we've seen in Brazil?

David Vélez: Eugene, thanks for that question. So, you're right. I think one of the questions or one of the conversations we had a lot in the early days with investors was our growth in Brazil was so significant, driven by member get a member and virality and by very, very healthy cohorts that there was a real question of where we could replicate this model into other countries beyond Brazil.

And so, we are very curious about what would happen when we launched these new GEOs. And fast-forwarding two years after the launch of Mexico, Mexico for us today is effectively bidding Brazil at every single metric.

Starting from our Net Promoter Score, which is 95, I think it's probably the highest NPS of any consumer company in any category in the world. If you hear of anybody higher than 95, please let me know, very curious. But that is driving then you start with a high NPS, which is a function of the huge consumer pain.

You got to remember that Mexico has a credit card repatriation of 12% versus Brazil 35. So, 88% of Mexicans have not access to credit card. That creates higher consumer pain. And by the time we launch that ultimately configurate better product market fit, which then starts driving the flywheel of customer acquisition. Most of our growth today in Mexico is coming through word-of-mouth referrals. We do not pay anything for those referrals.

So, our CAC, that is very, very low comparable to Brazil. We grow with low credit limits, then we start giving higher credit limits that drives engagement up. And ultimately, we were able to get to that pole position of being the largest credit card issue in Mexico today, every month, faster than what took us to get to Brazil to that pace.

The other part that is just different than Brazil and is much more positive is in the early days in Brazil, there were still a lot of skepticism about what a digital bank was, why we didn't have any branches. It took us about two, three years to start building that friction and so building a brand.

By the time we get to Mexico, it is clear that the kind of concept of digital banking of fintech is much more understood. The market is readier for us. There is higher Internet and smartphone penetration, and we have a brand that actually traverses regions. We can go back to Mexico and there why, we can say, we're the largest digital bank in the world. We have over 57 million customers in Brazil, you can trust us.

That was obviously very hard to do in the early days in Brazil when we had nothing. So we think that sort of the size, the reputation, the brand a readier market and a consumer paying are all the factors that are getting us really, really excited about the opportunity in this market. And we are obviously earlier in Colombia. We're also seeing very similar leading indicators to the growth. So overall, we feel very excited about the opportunity in these two new markets.

Eugene Simuni: Got it. Got it. Very interesting. And then my follow-up is that perhaps in another important new market for you guys, small businesses. I think you provided a stat of 1.6 million small businesses on your platform now. Can you talk a little bit about the products that you're introducing in that market? And kind of what should we be on the lookout for in terms of your strategy there? What milestones?

David Vélez: Sure, absolutely. I will let Jag. Jag wants to take this one. This is your baby. So go ahead.

Jag Duggal: Yes, I missed the part of which market you are referring to...

Eugene Simuni: Similar Businesses as an example

Jag Duggal: Yes, yes. A little bit of context on small businesses, and then we can talk about the path forward. We have spent the last 12, closer to 18 months at this point, nurturing that product, basically following the process I referenced in my earlier answer to make sure that the core account itself met the fundamental needs of our target customers, these small merchants.

Over the last couple of quarters now, we have started to gain real confidence in the traction of the core account product and started to focus on additional pain points that our customers experience and that they tell us about often in no uncertain terms.

I will highlight to the acceptance of payments is an area, which they feel is difficult, is inconvenient, is expensive. The words they use when they talk about payment acceptance is very telling, they use the word loss, when they refer to the rates, they pay on payment acceptance.

The other large need that they are quite vocal about is around credit cards, small business credit cards. And so, these are areas that we have started looking into experimenting with so that, again, we can nurture a product that like our core account is truly resonant with our rapidly growing base of customers.

We are excited to see the rate of engagement that they have, that small businesses have with our emerging suite of products for them, and the high degree of NPS, and again, the product resonance with them. So, we're very, very excited about the dynamics we're seeing there even in the relatively early stages of that product suite.

Eugene Simuni: Got it. Got it. Thank you very much.

David Vélez: And if I may just add 30 seconds to what Jag mentioned. No, the SME business that we have is probably one of the most underappreciated kind of assets that we have within our product portfolio with 1.6 million, 1.7 million customers, we have already become one of the largest SME financial services providers in Brazil. And the profit pool of SMEs in Brazil is so substantial.

The quality of services that is provided by the market in general is so low that we are very excited with the ability to continue to grow there, getting to a profit pool that can be as big as 30% to 40% of the profit pool of the consumer finance in general based on the last estimates that we have been provided. So, thank you so much, Eugene, for asking the question.

Eugene Simuni: Yes. Got it. Thanks, guys.

Operator: Thank you, Eugene. That's the end of the Q&A session. I would like to turn the floor over to David to close the call.

David Vélez: Thank you and thank you, everybody, for participating on this call. I just wanted to highlight again, how excited we are about the moment that we are navigating in. We believe we are the best positioned company to lead the digital banking transformation in Latin America, which is one of the largest riders in the world.

With nearly 60 million customers, we have already become one of the largest financial institutions in the region by a number of customers. We have been able to maintain one of the highest, if not the highest Net Promoter Score of any consumer company in the world in other regions we operate, which we think is a leading indicator to grow in product market fit.

We have also developed the lowest cost retail banking platform in the region, very low-cost acquire, very low cost to serve, very low cost of funding and especially important in the current environment, very low cost of risk. And finally, we have continued to have best-in-class unit economics, allowing us to have an LTV of CAC, which is best-in-class over 30 times. So, we remain just as bullish on the long-term prospects, while at the same time, confident in our ability to withstand short-term volatility, thanks to the high resilience of our originations and extremely strong capital and liquidity position.

Thank you for making the time for today's call. And if you have any further questions, please do not hesitate to reach out to our Investor Relations team. Thank you, everyone. Have a great day.

Operator: The Nu Holdings conference call has now concluded. Thank you for attending today's presentation. You may now disconnect.