

Agi Inc. (AGBK)
Q1'26 Earnings Call
May 5, 2026

Operator

Good afternoon, everyone, and welcome to Agi's First Quarter 2026 Earnings Conference Call. This conference call is being recorded. At this time, I would like to turn the call over to Felipe Gaspar Oliveira, Head of Investor Relations. Please go ahead.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

Thank you, and good afternoon. With me today are Marciano Testa, our Founder, Chairman and CEO; and Marcello Dubeux, Chief Financial Officer. Throughout this conference call, we will be presenting non-IFRS financial information. These are important financial measures for Agi, but are not financial measures as defined by IFRS, and may not be comparable to similar measures from other companies.

Reconciliations of the non-IFRS to the IFRS financial information are available in the earnings press release. Unless noted otherwise, all figures are presented in Brazilian Reais BRL.

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

I will now hand over the call to Marciano.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Good afternoon, everyone, and thank you for joining us today. During today's call, I will walk you through our strategic progress. Following my remarks, our CFO, Marcello Dubeux, and our Head of Investor Relations, Felipe Gaspar, will take you through the financials in more detail, and then host the Q&A session.

We had a solid start to 2026, and we are pleased to share our first quarter results with you. So before going into details, I would like to remind you of the three principles I mentioned in our last earnings call, which is guiding our execution. First, we live for the customers with a clear focus on driven engagement on our hybrid platform and increasing the usage of multiple products. We showed a strong progress in the first quarter, with total activity clients growing more than 50% year-over-year to over seven million.

At the same time, product penetration continued to evolve, with customers who have a primary relationship with us using, on average, more than six products rising to above seven products among our most matured cohorts, underscoring the cross-selling

opportunity within our model and validating our high-touch relationship strategy. Over time, we aspired to become the primary financial institution for all our customers, delivering a growing range of financial solutions to support them across different areas, reinforcing the consistent execution of a long-term strategy. Second principle, enhance our platform. Before going into the numbers, let me start with an important structural evolution of our company.

This quarter marks a key step in how we are building Agi inc., for scale. We have evolved it into a business unit-driven organization where each vertical wants the full customer journey, from origination to service. At the same time, we have centralized risk management, data, and artificial intelligence across the platform.

This is not just a reorganization; it is a structural upgrade in our business architecture. It allows us to combine agility at the business level with consistency and control of the platform levels. As a result, we are improving decision-making speed, reducing cost of serving, and reinforcing our ability to scale efficiently. This model is a key enabler for our profitability and one of the reasons we believe Agi is the structural differentiator and continues to extend its position in the market.

Finally, the third principle, entrepreneurial culture, focuses on long-term returns. This quarter clearly demonstrates the resilience of our business model. After the temporary disruption in the payroll credit ecosystem, we saw a consistent recovery throughout the quarter. By March, our credit origination had already reached 106 pre-suspension levels.

Also in March, we observed a clear inflection point in our fee business, with a strong recovery following the adjustments implemented earlier in the year. These were very important signs that show that demand remains strong, that our distribution model is responsive, and that our operational execution was efficient, even under stress. In simple terms, the disruption was only temporary, but our recovery is structural. This is reinforcing our convictions that our long-term thesis remains fully intact.

Summarizing the first quarter of 2026, we demonstrate a resilient business model, capable of navigating short-term volatility. We also delivered important improvements, supported by a scalable platform and our new organizational structure and technology foundation. We continue to operate in a larger and under-severed market, where structural demand remains strong, especially in the payroll lending. We are resilient, we have scalability and a structural advantage in this market.

Finally, we always operate at the intersection of technology, data, and now artificial intelligence and human interaction. Serving a population that is non-natural tech savvy, this position remains a competitive advantage for the long-term. With that, I will now turn it over to Marcello and Felipe, who will walk you through the financial performance in more detail and host you in a Q&A section.

Marcello Dubeux - Chief Financial Officer

Thank you, Marciano, and good afternoon, everyone.

I am pleased to report that we had a solid start to 2026, which demonstrates the strength of our unique hybrid business model. In the first quarter, we continue to

execute against our core strategic priorities, growing our client base in Brazil with a focus on multi-product relationships, expanding our market leadership in the payroll credit segment through new product releases and integrations, and maintaining our status among Brazil's most efficient and trusted financial institutions. Taking a closer look at customer growth as seen on slide nine, total active customer count increased 53% in the first quarter compared to the prior year period and 5% quarter over quarter. And we exited the fourth quarter with 7.1 million active customers, which we define as those using at least one product at quarter end.

That growth demonstrates the resilience of our thesis as explained earlier by Marciano. Turning to our credit portfolio on Slide 10, total loan balances grew 30% year-over-year. In first Q26 to BRL35.5 billion. Our credit portfolio maintains a healthy mix with secured loans representing 87% of total or BRL30.7 billion and unsecured loans representing 13% or BRL4.8 billion.

We believe this mix brings a sustainable balance of profitability, credit quality, and focus on long-term relationships with our clients. In private payroll credit, an offering that completed one year in the first quarter following its March 2025 launch, our portfolio reached BRL1 billion. It is worth mentioning that our appetite for production of this product remains strong after making enhancements to its credit model. For public payroll credit, a growth lever in our credit portfolio that brings our business model to municipalities and regions where the footprint of the traditional banking system continues to be less accessible, Agi finished the first quarter stable at BRL0.3 billion.

Unsecured lending restricted to account holders who maintain primary relationships and direct deposit arrangements with Agi, which mitigates default exposure while improving margins, expanding 4.8% year-over-year to BRL4.7 billion in this quarter. Quarter-over-quarter, we see a slight decrease sequentially following the suspensions. However, we saw in this first quarter an increase in the number of clients with principalities, surpassing the number of 1.4 million clients. Within INSS payroll credit, we continue to successfully execute against our strategy of being the disruptor of this segment in Brazil, as we can see on Slide 11.

Based on our strong positioning with the INSS and leveraging our competitive advantages in this segment, our market share in Q1 was 9%, an increase of 210 basis points year-over-year. It is worth mentioning that we were able to maintain our market share levels even though the recent periods of regulatory volatility. With regards to credit quality on Slide 12, non-performing loans exceeding 90 days declined slightly in the first quarter to 3.6%, reflecting normalization in defaulting cohorts. At the quarter end, NPLs for the overall portfolio remain comfortably below the average for consumer credit in Brazil, which continues to trend up.

The coverage ratio measured by provisions over NPLs over 90 days was 165% at the end of March, a level we consider comfortable to operate going forward. Turning now to our revenue on Slide 13. In the first quarter, we delivered a total revenue of BRL3 billion, an increase of 24% year-over-year and 1% quarter-over-quarter, even considering the disruptions in the period. On Slide 14, we see net interest income growth of 9% year-over-year and 4% quarter-over-quarter to BRL1.3 billion. The slight decline in NIM on an LTM basis is primarily due to asset mix with a lower contribution from personal loans in the credit portfolio and a higher allocation to other

interest-bearing assets which typically carry lower yields compared to loans. On Slide 15, we see net interest margin on an analyzed and LTM basis. As you can see in the first chart, the analyzed NIM was 12% and after provisions was 7.3%, expanding 50 bps on a quarterly basis, suggesting that the portfolio is in a normalization path after the impacts of the suspensions. Moving to efficiency on Slide 16, which highlights the operating-leverage embedded in our unique and highly scalable business model.

Our operating efficiency ratio, which we calculate as NII plus fee revenues divided by operating and personal expenses, improved to 43.2% in the first quarter, down 250 bps quarter-over-quarter, excluding non-recurring events of the 4Q '25. Continuing down the income-statement and to Slide 17, recurring net-income in the first quarter reached BRL186.5 million, an increase of 14.7% over the previous quarter adjusted for non-recurring effects primarily related to legal outcomes from civil contingencies, indicating that Agi's profitability improved quarter-over-quarter. Speaking briefly to our funding approach on Slide 18, as a regular debt issuer, Agi maintains established relationship within Brazil's credit markets, diversifying funding sources to support portfolio expansion. As a result, total deposits reached BRL39.3 billion, an increase of 37% from the first quarter 2025.

Institutional counterparties represented 55% of total funding while retail sources came to a share of 45%. Moving to equity on Slide 19, it increased 42% in March '26 compared to December 25, especially impacted by the IPO proceeds. Agi's consistently above average ROE track record enables self-sustaining capital generation. Return on equity over the last 12 months was 26.1%, impacted by the proceeds of the IPO now being accounted for in net equity.

Lastly, as you can see on Slide 20, our capital adequacy ratio consolidated at the holding level stood at 19.3% in the first quarter with a tier 1 capital ratio of 18.1% reflecting proceeds from the IPO as well. Looking forward, we remain confident in Agi's long-term investment thesis, its execution capacity, and its positioning to be a winner in this segment addressing the financial needs of millions of Brazilians. On behalf of Agi, I would like to thank you all for your interest and support. And now, we would like to open the call for the Q&A session.

Thank you very much. Operator?

Q&A

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) The first question comes from Tito Labarta with Goldman Sachs.

Tito Labarta - Goldman Sachs

Hi. Good evening. Marciano, Marcello, Felipe, thanks for the call and taking my question. Congrats again on the IPO I guess my question, two questions if I can.

First, just on the regulatory environment, we continue to see a lot of noise there. Last week, there was also the TCU suspending INSS payroll loans. We spoke last week a little bit. But just any update on that, what is the potential risk of that actually

happening? And then also, we saw the Desenrola 2.0, which came out yesterday, making some changes there, particularly for the credit card payroll, which could potentially impact you, reducing the percentage that you can borrow up against, although extending the duration.

So, how do you think about those impacts and any other regulatory impacts to consider? And then, just operationally, thanks for the chart on the monthly origination that increase that you're seeing, does that also include the unsecured, because I think that was the headwind this quarter, are you seeing the unsecured lending also picking up? Thank you.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Hi, Tito. How are you? Thank you for the question. So first of all, let's be clear that is not specific to Agi from TCU Federal Audit Court decision.

We don't have a concern about the TCU decision, also this matter related to ongoing ideology among the government and the regulatory bodies, and is under future review across the government institutions. It has also become public today that the government appealed and suggests maintaining the payroll credit working and keeping suspended the credit cards to the enough period to review the implementations that is they suggest to INSS. In our review, a relevant portion of the points has already been identified and is being reviewed addressed by INSS, Dataprev, and also the financial system. For now, our operation will remain fully operating as usual, and if they decide to suspend the credit card for a while, we don't have much impact in the origination. Also it's a small part of our credit portfolio. No structural impact to the business. We do not anticipate changes to the product's fundamentals, demands, dynamic margin, or risk profile as the focus of the discussion in our restraining controls and the process. For Agi's perspective, we have already put the majority of the measures required in the TCU really in place. Therefore, we should not have the material impact on operations, and at this point, we do not see a material impact or margin of risk.

Although we continue to monitor potential developments closely. The second part, the second question regarding the Desenrola. Yesterday, the federal government of Brazil announced a new phase of the Desenrola program aimed at reducing the debt service ratio household indebted throughout the set measuring across the different credit products and segments of the financial system. Designed especially for the low-income segment, where historically Brazil has the high DSR over their income.

In our case, we can capture opportunities across the customer's life cycle. Around 25% of the unsecured portfolio is eligible for having benefits of the program. It's roughly BRL1.2 billion. Specifically in the INSS side, we see a positive measure to shrink the compromise of the income from 45% to 40% and keep reducing 2% every year up to 30%.

Regarding these changes, we are closely following the details and as they are implemented and believe we are well-positioned to adapt quickly and leverage our technology and data and capabilities that integrate disruption in our disruption model. Basically structure positive over time because improve customer financial health, support better credit performance and portfolio qualities and reduce long-term risk.

The end of this exclusive card-linked margin could allow us to the bank to grow more through the payroll loans where we are specialized. As far as security personal loans, we could expect lower NPLs.

The credit demand could also potentially increase as a result of our decreasing NSS payroll offering. So also to finally the cross-sell and penetration and fee products could theoretically increase given in a high disposable income in the salary. So thank you. I pass to Marcello to complement.

Marcello Dubeux - Chief Financial Officer

Hi, Tito, well, just to compliment and to also answer your final part of the question regarding the unsecured loans. So just to compliment on the Desenrola, so the conclusion is for us that it contributes to a healthier portfolio of credit and therefore allowing us to one, optimize the payroll credit in one side and have more disposable income of the client to eventually have more cross sell and more other credit products as well. So then going back to the unsecured loans, you asked about the growth, right? So for the unsecured loans, we see a normalization of the origination, especially in March, but the overall size of the portfolio is still reduced by 2% compared to the fourth quarter. That was mainly due to the short-term duration of the nature of this portfolio and the interruptions that we had throughout the period. But that growth is already covered in the month of March. We see a very healthy levels already of production of the unsecured.

Tito Labarta - Goldman Sachs

Okay, great. That's helpful, Marcello and Marciano.

Thank you.

Operator

The next question comes from Gustavo Schroden.

Operator

Thank you. Our next question comes from Gustavo Schroden with Citi. Your microphone is open.

Gustavo Schroden - Citi

Hi, good evening, Marciano, and Marcello. Thanks for the call.

I have two questions as well. So the first one, I'd like to explore with you still on this front, regulatory front, but regarding the insurance, brokerage insurance, we saw a relevant decrease in the quarter, especially if you compare it for last year. We, you show

it, the recent trend, and a monthly trend, we can see an improvement, but it is still running below, I mean, last year. So what are the, let's say, actions that the bank has adopted to, let's say, control these and be back to have a higher brokerage insurance revenues? So I think it is important to us to understand how the bank is managing this evolution.

And second, about the net interest margin, we understand that there was, let's say, mixed impact in the quarter, so that can explain this reduction. But if you analyzed in, let's say, one year period, net interest margin is declining, even with, let's say, when you had a relevant origination of unsecured loans. So it would be great if you share with us what is the trend for net interest margin in the coming quarter? Should we continue to see net interest margin declining, or do you think that it is close to a normalization? Thank you.

Marcello Dubeux - Chief Financial Officer

Thank you, Schroden, good to be talking to you.

So, first of all, regarding insurance, as we saw here in the presentation, in month of March already, we saw a so it's a very steep recovery in the product. The measures that we took throughout the quarter include reshaping the user experience of the product so that we have full compliance with all the potential norms of this product going forward that required us to take this product for a few days, weeks out of the market. So that impacted the production of the product. But as we saw in March, it recovered its pace. And in the second part going forward, we foresee this product to continue gradually a recovery to get back to its normal pace of last year, we have a very efficient bank assurance business. And we are very confident that this product will deliver over time. And it is normal that it will pick up together with the growth of the whole base of clients and the whole base of credit portfolio that is growing in a faster pace as of now, including month of April as well. And we'll see that in the second quarter probably as well.

Also it is worth mentioning that this measure is announced by the Desenrola changing the payroll credit from 96 to 108 months, that also might have an impact on the production of insurance as well. So is also an upside in the case in the short to medium term that you can take into consideration. So now talking about NIMS So NIMS are composed by only taking out of the analysis, the fee business, only the credit business composed by the unsecured and the secured loans. What we see is that in the more shorter term, when we talk about fourth quarter and first quarter of this year, we see more of a proportion of unsecured revenues, unsecured part of the portfolio contributing to the revenues, which we know that have much lower yields to contribute to the NIMS is that's in one hand, as we saw the portfolio of the unsecured shrinks a little bit 2%.

Over time, it is expected that to normalize and to pick up and to go back to a point where it contributed, let's say 12 months ago. But also when you mentioned that over the last four quarters we see the NIMs going down. going down, that's also do we have to put into consideration the SELIC, right? We saw that on average when you compare SELIC from first Q 2025 to this quarter is 200 bps on average higher, right? So that's a clear impact in the NIMS Although we do have a very conservative approach to ALM So

we, as we always say, lock all the durations and indexations of every new vintage of production of credit. But that's every new vintage comes with a new cost of funding, right? If the SELIC is going up, eventually the margins will suffer in the short-term.

Gustavo Schroden - Citi

Yeah. Yeah. No. Okay.

So just to follow-up on net interest margin, just to make clear. So do you think that these, let's say, 12%, are, let's say, close to a normalized level? So do you think that we should, let's say, estimate net interest margin around this level?

Marcello Dubeux - Chief Financial Officer

Yeah. Yeah. I mean, we are not providing guidance overall in terms of the indicators, right? But we, what we can see is that SELIC, it will depend, we see the macro scenario changing from the beginning of the year to now.

We expected lower SELIC rates at this point in the year, at least 75 to 100 bps lower. Now we have to follow what will happen with the SELIC over time this year, but it'll have a connection to the margins. Also it'll probably take one- two quarters for the unsecured portfolio to recover and to occupy more space in the overall revenues of the company. So that two combined will impact into the normalization of the NIMS So we might see still have the NIMS going, in the same level for one or two quarters to then go back, depending on what happens with the SELIC

Marcello Dubeux - Chief Financial Officer

Felipe will compliment me, just a second, I'll show them, one second.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

Okay. Yes. No, so Marcello, just to compliment, I think it's important to mention that in the first quarter, when we see the net interest margin annualized after provisions, we already have the peak compared to the fourth quarter. So it's important to say that it's a sign that is stabilizing in terms of margins. And just to add a third point related to the historical figures, one more thing that we have to consider is that the mix between Lowens and Treasury into the interest bearer. into the interest-bearing assets also go down, went down in the past from around 90% to 82%. So it's another headwind that we had in the past. And as Marcelo mentioned, we are now in this mixed table ahead.

Gustavo Schroden - Citi

All right, guys. Thank you very much.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Thank you.

Operator

The next question comes from Ricardo Buchpiguél with BTG

Ricardo Buchpiguél – BTG Pactual

Hi, everyone. Thank you for the opportunity of making questions. I have two here on my side. So first we saw a sharp reduction on personal expenses this quarter. And it will be interesting to see if there are any one-off impacts helping here. And if we can assume that our PECs are already at normalized levels going forward. And also going back a bit on the discussion on the recovery. We noticed that long-origination already has started to recover.

You also mentioned that March has already reached pre-suspension level in terms of total loans and even unsecured loans. So can you walk us through whether it makes sense to expect a resumption to positive year-over-year bottom line growth already in Q2? I imagine the main variable still missing here would be fees to recover, but I wanted to hear your overall thoughts on that. Thank you.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Hi, Buchpiguél.

Nice to talk to you. So in terms of the OpEx, we see that if you take an LTM basis is in a normalized period. In terms of the specific personnel expenses, it has a seasonal impact. So every year we will compare projections of variable compensation to the performance of the business. So coincidentally is similar to first Q2025, what we had this year. And if you sum the full last four quarters is in line with the last four quarters. And so we see that in a normalized level already the OpEx. So regarding, can you repeat the second part of the question Buchpiguél?

Ricardo Buchpiguél – BTG Pactual

Sorry.

So given that you already have been seeing improvements in terms of loan origination secure, also have been recovering already in March. If you could make sense to expect a resumption to positive year over year bottom line growth already in Q2. And if the main question mark here would be the recovery on fees.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Yes, we are not providing guidance on specifically net income or any indicator, compared quarter over quarter.

But what we've been saying is that the is that the operationals are clearly back in pace and that is inevitable that at some point of in this short to medium term it will impact directly in the financials so we should expect that to be back in pace in a later period especially in the second semester second-half of the year.

Ricardo Buchpiguel – BTG Pactual

Thank you.

Operator

The next question comes from Pedro Leduc with Itau BBA.

Pedro Leduc - Itaú BBA

Thanks guys. Good evening. Question on provision expenses for bad credit around BRL500 million this quarter. When I look at the breakdown in your financial statements catches my attention that there are over BRL800 million in write-offs this quarter BRL200 million in reversals of provisions that you had previously that netted out to the BRL500 million. But BRL500 million then will compare to an NPL formation of north of BRL800 million. So your coverage declined a lot.

Help us understand a little bit what concentrated so many write-offs this first quarter. I mean in one quarter you did basically all the write-offs you did in the entire of last year and then you reversed some provisions you had. Just try and understand the moving pieces here and how we should think about cost of risk in the coming quarters then. Thank you.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

Thank you. Thank you, Leduc, for the question. I think it's a good opportunity to clarify all these movements that we had in terms of provisions. So in terms of this increase that you can see in the write-off this is driven by a change in the timing that we make it we made that.

So before it was 360 days and now it's 270 days in line with best market prices and this is naturally offset by provision reversals because of the accounting. So this is why we could keep the cost of risk and the NPLs stable at the levels in terms of quarter-over-quarter comparisons and also this this changes in our view it improves the alignment between the portfolio dynamics and the accounting accuracy that we that we have in the balance-sheet. So this is our view in terms of this this write-off movements but in

terms of expenses over the portfolio as we can see in terms of cost of risk we are kind of stable compared to the to the last quarter.

Pedro Leduc - Itaú BBA

And so you're writing off faster now in personal loans I imagine not in payroll so you should we should also work with a slightly higher cost of risk just help us think about that in the next quarters please.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

No actually it's for the it's for the total portfolio is not even for specific for a specific product. And just to clarify, the NPLs of the payroll loans is much more related to mortality. So this is a kind of normalization of the portfolio that we have by changing this criteria of 360 to 270.

Pedro Leduc - Itaú BBA

That's great, Felipe.

Thank you. And look, if I may, on a second question, just follow up on that personnel expense line. You mentioned briefly, I know there's a schedule of variable compensation, but even when I look relative to last quarter, I mean, your results grew, right? Portfolio grew and compensation and fell. When I look at relative to last year, I understand why they dropped, but I mean, didn't even drop that much.

Was there any specific reversal in bonus or something this quarter in particular?

Marcello Dubeux - Chief Financial Officer

No, Leduc. This is a, so different periods. So one is in one quarter, you'll see normal compensation. For this one is you compare to the full year performance of the company and the KPIs.

So we have specifically 2025, we not necessarily beat all the estimates internal for budgeting variable compensation. So there's no correlation between fourth quarter and this one.

Pedro Leduc - Itaú BBA

And assuming you perform the next quarter, this line goes up accordingly, right?

Marcello Dubeux - Chief Financial Officer

Probably.

Pedro Leduc - Itaú BBA

Well, let's hope so.

Thank you.

Marcello Dubeux - Chief Financial Officer

Okay.

Operator

The next question comes from Marcello Mizrahi with Bradesco BBI

Marcelo Mizrahi - Bradesco BBI

Hi guys. I have another question regarding the other liabilities.

So the partnership program liabilities, so we can see a reduction on the balance sheet. So it's another question here. If there is any specific impact on the expenses side because of that, because of this adjustment on the sheet of liabilities. Thank you.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

This is regarding the change in the nature of the company, but becoming a public company before. When Agi was a private company, the partnership program had different rules. So the management would receive, eventually sell their shares to the company at some point if they would leave the company. So we had a liability provision to buy back the shares of management that would leave the company.

And as of now, this option is not available because it's a public company. Everything will be settled at market. So the conversation with the auditors is to write that down from the liabilities, but it went up in the balance sheet. So within the net equity, we have the offset of this measure.

Marcelo Mizrahi - Bradesco BBI

Okay, so no cash impacts and no impacts on the income statement?

Marcello Dubeux - Chief Financial Officer

Zero.

Marcelo Mizrahi - Bradesco BBI

Okay, and just to do a follow-up here as the last question regarding the cost of risk. So in terms of coverage ratio, so it makes sense to believe that the coverage ratio will be maintained at the same levels that are now looking forward? Thank you.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Thank you, Mizrahi.

So good follow-up. Yes, we see these levels that we achieved in the first quarter as healthy levels ahead.

Marcelo Mizrahi - Bradesco BBI

Okay, thank you

Operator

The next question comes from Renato Meloni with Autonomous Research.

Renato Meloni – Autonomous

Hi everyone, good evening. I wanted to follow up on your comments about this info and if you could walk us through a bit of the impacts here, right, because I'm thinking if you are to maintain the same exposure that you had with clients, but you have to reduce the loan margin on payroll compensating that with unsecured lending, I think this can be very beneficial in the medium term for you guys if you're thinking in terms of the difference in yields here. Of course, there is also a difference in NPLs, but your risk-adjusted margin should start going up, right? Is that the right way to look at this and what do you think is the pace here? Do you have to immediately reduce the limits for loan margin or is this done through the renewals another question I had on this.

Marcello Dubeux - Chief Financial Officer

Thank you.

Hi, Renato. Marcello here just to start this answer and best to Marciano compliment, but in the short term we see a very positive inflow in terms of the increased income from the salary of the benefits because the shrink of the compromise, it's decreased from 25% to 40% now and go is to 30% in the future. This is a positive impact in our case because we are a payer provider of the benefits and we can see the inflow rising down (Technical-Difficulty) it's very healthy for our period portfolio and also we are more confident to rise to the point where more credit the unsecured side.

Renato Meloni – Autonomous

Thanks.

I don't know if there's an addition to that.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Renato, can you complete your question again please?

Renato Meloni – Autonomous

Yes. So I'm thinking of the impacts here right I think Marcello addressed that so there's a short-term positive impact here since you are extending other types of loans with higher margins to these clients so that that's the short-term impact longer term is that a positive that's going to be sustained.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Yes. So you asked about NPLs as well, right? So in the in the in the more medium long term we believe this is sustainable for that's exactly where our long-term positioning strategy position is based off having long-term relationships with the clients right we see as we always say the payroll loans as two or as a relationship product with this client that we maintain to long term the payrolls are very important in our strategy and therefore and with that having the principality of this client and having a client that has a more disposable income more, a healthier credit quality for us is clear a plus, because we will be able to have a long-term relationship with this client and therefore, monetize this relationship over time. And although in you mentioned NPLs although eventually the NPLs might because of mix go a little bit up, we look at the appetite for the products and with the loss absorption concept.

So as long as we can provide a credit product to a client where we see 1.5x to 2x the NII that product produces over the cost of credit that it has for us is a product that will have appetite to continue growing. But the long-term relationship in the healthier portfolio is the basis for a better quality for us and a positive impact.

Renato Meloni – Autonomous

That's perfect. Yes.

Thank you.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Yes

Operator

The next question comes from Neha Agarwala with HSBC

Neha Agarwala – HSBC

Hi team, thank you for taking my question. First, I wanted to talk about the private payroll and about the private payroll origination, we saw fourth quarter was a bit slow in terms of the growth in private payroll loan book.

But in the first quarter, we saw a little bit of pick up, it grew 10% quarter-on-quarter. However, at the beginning, the origination was much more faster. So how do you see this product right now? I remember you mentioned in the last call that you were taking a step back, looking at the older vintages and making changes in the private payroll product. So what is your view on this product right now? And should we expect more significant acceleration in the coming quarters? And my second question is on asset quality, when there was a big pickup in the fourth quarter and 1Q, it was a slight decline in the NPL ratio, despite it typically being seasonally worse.

So things have been improving on the asset quality front. So should we expect this, these levels to continue in the coming quarter? I mean, we don't need numbers, but just directionally, should the trend continue to improve, or should we expect NPL ratio to increase as you increase the share of unsecured loan book in the overall portfolio? Thank you so much.

Marcello Dubeux - Chief Financial Officer

Hi Neha, good to talk to you, Marcello here. So in terms of the private payroll, as we said throughout the explanations of the fourth quarter earnings presentations, throughout the end of last year, we took a more cautious approach with this product. We wanted to observe after making some adjustments in the credit modeling, we wanted to go smaller and see the behavior of those vintages. And we got much more comfortable with that.

And we decided to accelerate a bit more, cautiously accelerate a bit more in this product starting in the middle of this quarter, especially beginning of March. So March and April, we can say we already produced on average north of BRL200 million a month in the product.

And that is the level that we plan conditions maintaining the way they are. That's the level we at least want to maintain growing in the product. That's why we already saw uptick in the portfolio of private payroll in this quarter. So then regarding to NPLs, I'll pass to Felipe to complement.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

Yes. Thank you, Marcello Hi, Neha. Good to talk to you. In terms of asset quality, as we discussed it before, we see those levels of NPLs stable ahead due to the mix that we achieved.

And one more thing that make us feel comfortable about that all about that is the short-term KPIs related to the health of the portfolio. As for example, the NPLs between 15 to 90 days and also the first payment flow of the portfolio that's been improving over time. So this is our view on that.

I think we can go to the next question.

Operator

The next question came via Q&A from Rainer Kilmer with Oppenheimer.

Rayna Kumar – Oppenheimer

Good evening. Can you provide your outlook for net interest income, loan, and net income growth in 2026? Is there any financial guidance you can provide based on most recent trends?

Marcello Dubeux - Chief Financial Officer

We are not providing formal guidance at this point.

Operator

The next question comes from Jamie Friedman with Susquehanna International Group.

James Friedman - Susquehanna

Hi. Good evening, and thank you for taking my question. I just had a kind of higher-level question.

In terms of the regulatory changes at the INSS, is this business as usual, and we should be accustomed to it? If you look back over the 10-plus years that you've offered this product, how frequent are there regulatory changes? I know you say in Portuguese it's something like, not even the past is certain. But is there any certainty that this is not going to chronically impact the company's business model?

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Hi. Marciano here. So yes, we don't see any chronic impact in our business model. Structurally, this product, it's the last year 20 years in Brazil, it's very stable.

Obviously, always when you see the government change, they change a little rules about the products. And sometimes the margin to reframe from the income rise, and

sometimes down, is normally of the product. And we are very able to adapt our ratios, our model to continue to rejuvenate very fast and maintain the pace of the regeneration. So we are very confident with this risk, and also And also, when you see the changes that the INSS promoted yesterday, we are actually very, very excited because when you see the future, the reduction of the compromise of income from 45 to 40, and then keeping reducing 2% year-over-year up to 30%, it's very healthy for the customer, maintain the long-term healthy and the portfolio very safe.

So basically, we see that as a normal changes of the products in the Brazilian market. Thank you.

James Friedman - Susquehanna

Okay, thanks Marcello and then as a follow-up, I realize you're not guiding to this, but how should we anticipate the evolution of secured versus unsecured longer term? Like, where do you see those ratios over time and what assumptions may be in there?

Marcello Dubeux - Chief Financial Officer

Hi Jamie, Marcello here. So going forward, as we usually mention, our main products are the unsecured.

We consider ourselves as well-positioned in this secured lending ecosystem in Brazil to keep growing, to surpass the BRL100 billion credit portfolio by the end of the decade. So that's a medium-term guidance that we can also always provide. And we really believe we are in the path to reach. And today we have 87% of our credit portfolio with unsecured lending.

That path will continue to be a pillar of our credit portfolio and probably slightly go a little bit up over time to reach up to 90%. And the unsecured might reach up to 10% over time of the credit portfolio. So that's kind of the long-term trend. So no big variations, big changes here in the mix.

James Friedman - Susquehanna

Okay, perfect. Thank you very much.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Thank you.

Operator

The next question comes from Henrique Navarro with Santander.

Felipe Gaspar Oliveira – IR, M&A and PR Executive Manager

Yes, I think I can complement Navarro, I think he has any audio issues but he sent me in parallel the question about the market share in the origination comparing to the market share in the portfolio on the INSS and what we can say as we provide the monthly evolution is that when we see the March origination, we already surpassed the market share that we had in the portfolio. So yes, we are seeing the market share evolution and back into growing, surpassing the levels that we had in the portfolio for now. So thank you for the question, Navarro, and with that I pass the floor to operator to end the call. Thank you.

Operator

Thank you all. This concludes today's conference call. You may now disconnect.

Marciano Testa - Founder, Executive Chairman and Chief Executive Officer

Thank you all.