

Strategic Update Call | Transcript

Operator: Good evening! Welcome to PagSeguro Digital strategic update call. The slide presentation for today's webcast is available on PagSeguro Digital's Investor Relations website at investors.pagbank.com.

Please refer to the forward-looking statement and reconciliation disclosure in this presentation and in the Company's earnings release appendix.

Finally, be advised that all participants will be in listen-only mode. After the presentation, to ask a live question please use the "raise hand" button to join the queue. Once you are announced, a request to activate your microphone will appear on your screen. Please ask all your questions at once. Alternatively, you can also write your question directly into the Q&A icon on the lower part of your screen. Today's conference is being recorded and will be available on the company's IR website after the event is concluded. I would now like to turn the call over to Gustavo Sechin, Head of IR, please go ahead.

Gustavo Sechin: Hello everyone. Welcome to our Strategic Update call. I'm Gustavo Sechin, PagBank's Investor Relations Director. Thank you for taking the time to join us today. We will begin our session by sharing a quick recap about our strategic positioning and growth opportunities ahead. After that, we will update on the initiatives of our capital optimization process and share some long term view about the Company, followed by our live Q&A session. Tonight, I am joined by Ricardo Dutra, our Principal Executive Officer, Alexandre Magnani, our CEO, Artur Schunck, our CFO and Carlos Mauad, our COO.

Ricardo Dutra: Hello everyone and thank you for joining our call. I will begin with slide 4.

Slide 4: Innovation is at the heart of everything we do. By continuously investing in cutting-edge technology and fostering a culture of creativity, we are able to deliver solutions that drive growth and enhance customer satisfaction, creating a seamless and integrated financial experience for all our users.

That being said, it is natural that our strategic positioning is built on a foundation of innovation. We are committed to facilitate the financial lives of businesses and individuals through a comprehensive, secure, and accessible digital ecosystem. This approach allows us to offer a wide range of services that cater to the diverse needs of our customers, from payments and banking to credit solutions.

Moving on to the next slide.

Slide 5: Over the past 20 years, we have consistently anticipated market trends delivered results. From pioneering secure online payments to expanding financial inclusion, we have evolved into a true growth partner for individuals and businesses. Our ability to adapt and innovate has been key to our success and will continue to drive our future growth.

We have built a strong reputation as a trusted provider of financial services, and our commitment to excellence has earned us the loyalty of more than 33 millions customers. As we look to the future, we will continue to leverage our expertise and resources to create new opportunities and deliver exceptional value to our stakeholders as we will keep advancing on our path from a Payments Company to a Full Digital Bank that combines payments, banking and credit.

Slide 6: On slide 6 we show how our business model integrates a full set of payments solutions, complete digital banking services and personalized credit. This integrated approach enables us to generate multiple revenue streams and enhance customer engagement and long-term growth. Our

focus on innovation and customer-centricity sets us apart in the market and positions us for continued success

From our clients' perspective, our ecosystem is built in a way that is simple, secure and complete. A primary financial growth partner.

From an investor perspective, by offering a comprehensive suite of services and using one business to leverage the other, we are able to engage our customers and monetize through an increasing transactionality in our platform, ultimately increasing principality and enhancing customer lifetime value.

On to the next slide, slide 7.

Slide 7: Here, I believe it is important to take the opportunity and highlight our proven track record. Our financial performance reflects the strength of our business model and our ability to execute our strategic initiatives effectively, focusing on creating shareholder value.

Our earnings per share have increased consistently over the past few years, with a 15% CAGR since IPO. And we keep strategically advancing in our banking and credit operations to drive future growth. These investments are designed to enhance our capabilities and expand our market reach, positioning us for sustained success.

We remain focused on delivering value to our shareholders and are committed to maintaining our momentum as we navigate the challenges and opportunities ahead.

Let's jump to slide 9 now, where I will talk about growth opportunities that we have ahead of us.

Slide 9: Financial market in Brazil is highly concentrated and we still have low share in Banking and Credit metrics. And those are some of the reasons we see significant growth opportunities in every segment we are present. Our focus on the MSMB segment, combined with our complete and expanding digital banking capabilities for both businesses and individuals, positions us well to capture these opportunities.

As we carry on scaling our banking operations, we unlock new growth opportunities—whether by deepening cross-sell, or expanding and diversifying our portfolio in a disciplined way. Looking ahead, the clearest opportunities to be explored are on the credit asset side, as we scale our credit portfolio to merchants and individuals. We understand this should unlock growth in transactionality, principality and even on the liability side where we have already built a robust franchise of more than R\$ 43 billion in deposits.

As we can see, in the last four metrics of the slide, which are related to banking and credit, our share is still close to 1%, and we see lots of room to grow.

Moving on to the next slide.

Slide 10: As we dive into the market and growth opportunities for our business, it is crucial to highlight the significant potential that lies within our under-penetrated credit sector.

Brazil's very low per capita consumption illustrates the structural growth potential and untapped demand of our market. We understand this is mainly a reflection of a severely underserved credit wise market, despite all the advances in recent years. When compared to most economies, Brazil still has significant potential. This scenario represents a clear opportunity to expand our footprint and drive substantial growth.

Moving now to slide 11.

Slide 11: As mentioned previously, we are built in a way that we can use on business to leverage the other. This way, it is important to highlight our view of the Payment sector and the potential we see. In a nutshell, We are confident in the positive Brazilian payments outlook.

Brazil's Payments sector should still grow low-double digits in the next years, mainly led by PIX transactions – an accretive payment method with compounding effect in our financial ecosystem. In this sense, we are focused on securing MSMB leadership and improving profitability by unlocking cross-sell opportunities.

Additionally, we see huge opportunities in the Online Payments, the Cards Not Present segment – mainly e-commerce and cross-border – a vertical that is growing significantly and we still have a lot of room before reaching our fair market share. By leveraging our strong presence, comprehensive suite of payment solutions and brand recognition, we are well-positioned to capture a larger share of this market and drive growth.

On to the next slide.

Slide 12: Now here on slide 12, we deep dive into how our broad suite of services differentiates us from digital banks, allowing us to better serve our customers.

In addition to our unique payment feature, which is the real-time settlement into our PagBank accounts, we offer Investments, Insurances and Credit products. We believe our ecosystem creates a unique combination of a complete set of products and services, similar to an incumbent player product's portfolio, however, we do have digital distribution expertise, combined with a seamless digital experience.

For the next years, unlocking the value and full potential of our banking platform will be a key growth and profitability driver, as Banking should become much more representative of our total performance.

Now let's jump to the next slide.

Slide 14: Here on Slide 14 we would like to outline our initiatives to strengthen capital structure and create shareholder value.

By the end of 2026 we will have returned more than R\$5.5 billion to shareholders, out of which R\$ 3.8 billion in distributions estimated between 2025 and next year.

The company has defined a BIS capital ratio target between 18% to 22%. This framework ensures a solid capital base and financial strength, supports disciplined growth and gives us flexibility to reinvest while still rewarding our shareholders.

In line with our commitment to consistently create shareholder value, we are accelerating our dividend payout in 2026. We plan to pay an extraordinary R\$ 1.4 billion dividends over the next coming quarters, in addition to the R\$ 623 million already committed for this year. This R\$ 1,4 billion amount already includes a cash dividend corresponding to 10% of our 2025 net income, and will be paid over the next quarters as demonstrated in the slide.

With the new extraordinary dividend, together with open buybacks, we could expect a total yield of close 20%.

This reflects our strong capital position and our commitment to delivering sustainable value creation.

Moving on to the next slide.

Slide 16: Before we finish this presentation, we highlight our long-term goals, which reflect both the transformation of our business and our ability to sustain value creation over time. By 2029, we target a credit portfolio of R\$ 25 billion. Our strategy is to accelerate the loan book with a sustainable and balanced mix between secured and unsecured products, while focusing on activating higher-value clients. This balance should come from a gradual acceleration of credit lines for

merchants, mainly working capital, combined with the current credit offering that we provide to our clients.

We are also advancing in AI-powered credit solutions, including, among others, private payroll and PIX finance, which will strengthen both risk management and customer experience.

Second, on Profitability, we see growth being driven mainly by a higher contribution from Banking as we advance on credit and unlock incremental margins through cross-selling. We also expect efficiency gains, from fixed costs dilution and AI playing a key role in enhancing customer interactions.

Over the long term, this should be translated into a Gross Profit CAGR over 10% .

And we are aiming for an EPS CAGR over 16% between 2025 and 2029, as we continued to transform the business and convert these growth opportunities and operational improvements into consistent value creation for shareholders.

These priorities set the path for the next stage of our journey

With that, I'll now hand it back to the operator so we can begin the Q&A session. Thank you.

Operator: Thank you for the presentation. We will now begin the Q&A session for investors and analysts.

Kaio Prato, UBS:

Good evening. Thanks for the presentation and the strategic update. It was interesting to see it here. I have two questions on my side, please. The first, I would say that this is mainly related on the long-term goals of the credit business. You have something close to R\$4 billion in portfolio as of today. So this implies more than 5x growth of the portfolio until 2029. How can we think about this path throughout the time until 2029? If this implies an acceleration already for 2026, and what kind of products should we see with the faster acceleration, at least in the short to medium term here? And if this includes new products, if you can talk a little bit more about that. And then I can follow up with the second one. Thank you.

Ricardo Dutra:

Kaio, thank you for the question. I will start just to give an overview about the credit portfolio. Definitely, the credit portfolio will change. The mix that you have today between secure and insecure will change. We will have more insecure products in the portfolio looking forward.

The growth, you know how credit products work. You got to test in some clusters and then once you find it, you can speed up and accelerate. So I do not see that 2026 is going to be the acceleration. Probably it's going to be in the following years, but we are going to have lots of development in 2026, that's for sure.

In terms of products, in addition to the products that we already have and that we are offering to our clients and expanding year over year, such as the working capital, overdrafts and payroll loans that you have today, we are also going to have new products such as the new payroll loan and Pix finance.

So those are the products that we already have in the pipeline, and we are going to offer these products for our clients so that we can reach this R\$25 billion credit portfolio.

Kaio Prato:

Okay, this is clear. And the second one, if I may. First, if this EPS CAGR that you mentioned here is considering the share count as of today, or is there any potential of new buybacks?

And second, on the gross profit growth, if you can discuss a little bit, how would you break down this growth between the banking and the payment business until 2029, if you can talk a little bit about both? Thank you.

Ricardo Dutra:

Thank you, Kaio. I will start with the last one, your question about the gross profit between banking and payments. As time passes by, we are going to see more and more things getting integrated. But if I had to split these two different businesses, I would say that as we are investing in credit, and as you said, we are going to grow our portfolio from R\$4 billion to R\$25 billion, it is expected that the bank is going to gain mix in terms of the percentage of the gross profit.

But I would say that even the payments, we do not see payments decreasing in absolute terms. It's the opposite. We do expect payments to grow. We do expect TPV of the industry to keep growing. And at least with what we have today in the curves for the Selic rate, we do not see interest rates going down too much.

So depending on the curves that you look, it's going to be like a low double digit, high single digit. So we do expect the payments industry to keep rationality, keep looking for profitability as we have seen in the last two years.

So by using these curves that we have right now, we do expect the payments to keep growing, but banking is going to grow faster and it's going to gain share in the total mix of the gross profit.

Regarding the EPS, we cannot guarantee that EPS is going to be the same number as of today because we are talking about four years from now. We do have the buybacks open, but we do not expect too many things to change. So a little bit here and there, but nothing structural. We do expect marginal changes, nothing that is going to change that much, at least with the information that we have at this point. That's the best assumptions that we have at this point.

Pedro Leduc, Itaú BBA:

Thank you very much for the question. Trying to get a better sense here of the credit portfolio business economics. If I think about it, I think that's the big change, other than the buyback and the capital discipline, a return message. You seem ready to substantially increase the credit portfolio. So correct me if I am wrong, I think that's the big intention here also tonight.

If we could get a little more detail on how you are thinking, what kind of NIMs, cost to risk, efficiency ratios, this bank-like more branch, at least from the credit portfolio, essentially trying to get to how much earnings this thing will contribute with. And if you can help us understand at least the profile, think about NIMs and the cost to risk and efficiency, that would be great help. Thank you.

Ricardo Dutra:

Pedro, the intention tonight is to talk about both topics here, the capital structure and also the credit. Please do not underestimate all the change in capital structure that we have been doing since 2022 with R\$5.5 billion in returns to shareholders. And we are expecting to give this R\$3.8 billion between 2025 and 2026. So that is also important, just to highlight for the audience of the call.

Regarding the credit and the profile, I will pass the word to Carlos Mauad, who is our COO. He can give you a little bit more color on these products, of course, based on the assumptions that we have today. And again, as I said to Kaio before, we are planning four years from now. So there are many assumptions and many information that we are using the best information that we have today.

Carlos Mauad:

Thank you for your question. Just trying to bring you some color about what we are thinking in terms of the credit evolution inside the Company, when we are talking about the mix that we are going to deliver with these new initiatives, we are talking about credit, mostly unsecured credit, as long as today we do not have a very high exposure under these kind of credit outstanding.

So we will see higher spreads. We are going to enter in a business to optimize net credit margin, not to optimize NPLs. So we are going to add on some ROE to the average of the business. We are going to have more profitable portfolios.

Of course, we are going to measure the demand that we have inside our 33 million customer database here to see what's the extent of each of those products in terms of penetration among those customers, and we will optimize this equation in terms of capital deploy to create these credit portfolio over time.

So we do not have the details here in terms of how it's going to be the NIM average over time. We have to test the demand, we have to test the penetration, and we have to actually optimize the way we are deploying the credit spread inside the Company.

So, of course, we are going to see this portfolio growing very fast, and as long as we have a very conservative mix today, we are going to see a higher credit spread over time.

Pedro Leduc:

Think that's a great response. Great color. It helps us a bit. And trying to then go to the back to the envelope here, it seems to be responsible for a good part of the EPS target there, maybe a good third, if not more of it, the success of this credit portfolio within the business.

Ricardo Dutra:

Pedro, I do not know what is the back of the envelope calculation that you have been doing but, of course, bank is going to be an important part of the Company looking forward. As you know, today, the portfolio is small compared to the R\$25 billion. Almost 90% today is secure, and that's going to change, once we execute well, and we have been a very good executor since the IPO.

If you look at one of the slides that show our EPS, it's growing 2.3x, 15% CAGR. So we are a very good executor, paying attention to detail so that we are going to make the credit work and look at all the details to have the returns that Mauad just mentioned to you.

But again, I do not see the calculation that you have, but bank is going to be more and more important as time passes by. Banking and credit, of course.

Tito Labarta, Goldman Sachs:

Good evening. Thanks for the call and presentation and for taking my question. A couple of questions, also. I guess, maybe just to understand why now. It sounds like it's still a little bit further away. You said it's probably not going to drive a lot of 2026. So what drove making the strategic announcement today or in this time frame? Did something change? What's giving you more comfort to really grow the loan book, I guess, over the next few years?

And within the loan book, it sounds like this is going to be more consumer lending. Will there be some working capital loans also to merchants? Just to think where you are positioning yourself in terms of other banks that are currently out there. If you can give a little bit of color on if it's just consumer lending that you are going to focus on, or if you will do SME lending as well.

And then, just to go back in terms of the industry volumes, you mentioned they can maybe continue to grow high-single digits, low-double digits, something along those lines. But you have been growing less than that currently. Just to clarify, and I think it's part of the macro and you have more exposure to micro merchants, but how do you see this current slower growth that you are going through on the TPV potentially impacting that? Or is that maybe the rationale for why making this announcement today, just to think of your market share relative to peers and what's going to drive TPV growth also? Thank you.

Ricardo Dutra:

Tito, thank you for the question. I would say often we review our strategic plan, and of course, in this strategic plan we include our long-term goals, capital structure, return to shareholders, EPS, et cetera.

So we review that very often based on the metrics that we have inside the Company. I mean, what you see in our P&L, what you see in our take rates, in our credit business, and also based on the information that we get from the market, macroeconomic variables and so on.

So we have been reviewing the strategic plan. We got this decision, we think it's time to grow the credit portfolio and give this view to the market, as some of you ask us to give more clarity, more transparency. So the idea of the call today is, based on the feedbacks that we have from the market, to give you this view based on the transparency policy that we have, and we decided to do it right now.

There is no relationship with any short-term business performance or things like that. And if you may, I would say to you that the TPV that we see in this plan, we do plan to grow more TPV looking forward. I do not want to get into details about the TPV that I have in the short term because that's not the topic of the call and there are many explanations and many reasons for that, that we can explore in the 3Q call. But I would say to you that there is no relationship of one thing to the other. That's for sure.

And again, we reviewed the strategic plan. We decided to share with the market. We think it is an important message regarding capital structure as well, not only the credit portfolio growth. And we are doing well in our business as we have today.

So I do not want to get into detail about TPV because that's not the main topic today. But we are confident in the payments business, banking business, and credit business looking forward.

Tito Labarta:

That's helpful, Dutra. Thanks. It's gives good context. And just on the type of loans, it sounds like it's more consumer, with SMEs working capital loans as well.

Ricardo Dutra:

In short term, you are going to see more growth in the merchants, and looking forward in the medium term, we are going to see more consumers getting into the participation mix in the credit portfolio. And as I mentioned before here, I answered before, we also are going to have the new payroll loan that was launched in Brazil beginning this year. We see some metrics getting better. We also plan to have Pix finance.

And it is also important to say, Tito, we have in our base many SMBs and MSMBs that sometimes get confused with consumer. I will give you an example. We have many clients in our database, they work in a bank from Monday to Friday, and then they make cakes in the weekend. So this is a merchant, this is a consumer, they have a payroll loan, but they are getting the loan to increase their business. So it's the kind of mix what you have in the base, which is very good because we have all this proprietary information that we can use to have better credit models and so on.

But in short term, merchants, the way that we see merchants here, in the medium term, we are going to have consumers getting more participation in the mix.

Gustavo Schroden, Citi:

Good evening, everybody. Thanks for the call and for the opportunity. I have two questions, but they are related to only one topic. So you mentioned about the Basel ratio targets. I am not sure if it's this 18% to 22% is for 2025 to 2026, or it is the long term Basel ratio, up to 2029. So my first question is this.

And the second is related to this. What is the ROE level you are targeting with this EPS growth above 16% CAGR 2025 to 2029? And don't you think that it is time to start to talk about ROE rather than gross profit? Because you are becoming a more banking-like company, you are discussing capital, you are discussing dividends. So it's just food for thought here, if you do not think that it's time to talk about and to discuss ROE rather than gross profit. Thank you.

Artur Schunk:

Good evening, Gustavo. Thank you for your two questions. The first one is related to the Basel ratio that we are now guiding to 18% to 22%. It is from midterm to long term. But it's important to mention that we move it from 33% to 31%, and now it's 29%.

So we are working a lot to optimize the capital structure of the Company, considering that we have already returned via buybacks or dividends since June 2024, an amount around R\$2.1 billion. So now we know that we have an excess capital of from R\$2 billion to R\$3 billion, and we are targeting to reduce, as time goes by, our Basel index.

Regarding ROE, we do not have any formal guidance for that. We proved the track record in the past years, delivering value to shareholders. Our ROE today is above 15%, and it is above 15% in the last 12 months. So we have a very solid capital structure to support the growth of the Company.

And we are confident to deliver in the midterm, long term, but not an official guidance, again, the same peer level through capital optimization and also profit growth.

Gustavo Schroden:

All right. So you are talking about something around 25% to 30%, right? This is what you are saying.

Ricardo Dutra:

We are not giving a specific number. We are just not guiding for the ROE at this time. We think that the products we are going to launch, they are going to have ROE above what we have today. That's what we expect, the credit products. So it's going to be accretive to the ROE, but we would rather not to give you a specific number at this time.

Regarding the metrics, that's under discussion. If we should change a little bit the metrics, we will give disclosure to the market. I can definitely say to you, it is an agenda. Once you have some definition here, we are going to talk to the market in advance, as we have been doing, just like this call, giving you more clarity to what we have in mind and based on the transparency policy that we have with the market.

Antonio Ruetten, Bank of America:

Thank you for your time. Two questions on my side. First, I would like to focus a little bit on the payment side. I know that you do not want to discuss TPV at this point, short-term TPV, but in general terms, if you could provide some color on your assumptions on the long run and also take rate for the payment business. And are you assuming a stable take rates or even a decline? Just for us to get a better sense on your long-term perspectives between banking and payments.

And my second question is a follow-up to the first question in the call. You mentioned that the sharper acceleration in the credit portfolio should be after 2026, more concentrated on 2027, 2028, 2029. Why not to grow in a stronger pace in 2026? What should prevent a stronger pace in the coming 12 months? That's it on my side. Thank you.

Ricardo Dutra:

Antonio, I will start with the last one. Credit is something that you should do in a way that you can have the best information that you have so that you can accelerate and escalate. So we have been working with some products that we have more confidence to escalate in the following quarters, and we plan to do so. But of course, it does not depend only on us. There are also macroeconomic challenges that we should have in mind.

And just remember, next year, we are going to have presidential elections in Brazil. We are having 15% interest rate that did not decrease. So that's all the variables that they should have in mind before I give you a specific guidance about our credit portfolio growth in 2026.

But of course, if we can accelerate, we will do it. There are no structural problems inside the Company. It's more related to macroeconomic challenges, have the right clusters to test and then, after that, escalate it. And once you have the tests, it takes a while. It takes a few months so that you can see what's going on with this cluster before you can escalate. So that's the reason that we have. But I can assure you, if we have confidence to accelerate, we will do it.

Regarding TPV and the payments, we are not disclosing the TPV growth and MMDRs. But I can tell you that TPV is one of the metrics today, but as time passes by, and even today, it's not the main metric anymore. If I am not wrong here, in 2Q, we had R\$130 billion in TPV for credit cards and R\$90 billion in cash-in Pix. And we can monetize both of these cash-ins. Of course, Pix, we cannot monetize all of them, but we can get some benefits such as float and so on.

So as time passes by, TPV will be less and less important, and the take rate for the acquiring will be less and less important as well. So that's why we are not guiding at this point. What we have in mind

is to look at the client as a whole and monetize this client the best way that we can do offering new products, cross-selling cards, and having different revenue streams from the same client as we have this complete digital bank with many, many features and many products. So that's the best way I can answer your question regarding TPV.

Antonio Ruetten:

All right. Thank you for this. And just to follow up on the first one, if I may. If you could provide your Selic assumptions for the guidance. Thank you.

Ricardo Dutra:

It's based on the curve. It's based on the curve that we have in the market today. Artur, you can correct me here, right?

Artur Schunk:

Yes. It's based on the future curve, the current future curve that, as you know, considers 15% this year and flows to 14%, 13% in the long run.

Daniel Vaz, Safra:

Good evening. Thank you for the opportunity for making questions. If you could walk us through, how did you arrive at the R\$25 billion figure for the credit portfolio. Was it a top-down approach? Are you looking at, for example, Pix financing, private payroll loans and clean credit, for example, at 2030 at R\$1 trillion, and you want to have like 2% share or 2.5% share, or did you do like a bottom-up approach, projecting a penetration rate of X% on your future base of active clients that you want to reach? It's good for us to have this type of approach so that we can try to redesign by ourselves and try to arrive in something similar for the profitability of the product and what your assumption is. It's good to hear. Thank you.

Carlos Mauad:

We pretty much designed this long-term program here in terms of credit evolution based on what we see today on our customer database, the level of attachment that we have in terms of the propensity of those customers to consume a nowadays-based credit products plus the products that we will develop over the next few quarters. And of course, that is the organic growth of the Company that we are factoring to these R\$25 billion in terms of credit outstanding.

So of course, we are running here a lot of tests in terms of penetration, in terms of credit offer, in terms of credit eligibility to make sure that we can, with the growth that we see on our customer database today, perform a very steep growth over the next four years.

So we are quite confident on how we can deploy that through, of course, our organic growth plus this product evolution, or this product development that we have on our roadmap.

Daniel Vaz:

If I may follow up, I saw that you mentioned an AI-powered credit model. Are you planning to develop it by yourselves, or any inorganic acquisition in that sense? Because we saw Nubank, of course, buying Hyperplane and it was a very common acquisition. So I want to pick your brains on that as well. Thank you.

Carlos Mauad:

By now, we are developing our AI engines here, not only for credit, using the capabilities that are among the group here, including AIR (41:23), which it is our software development company that we have inside the group.

So we are quite comfortable with everything that we are doing so far. And when we are talking about AI powering the credit engine, we already see a few examples in-house that can scale up to the rest of products that we have.

And we are pretty much working on two main pillars here to get all the information, the non-structured information, the TPV information, the social demographic information of our customers to, first, take the decision if this customer is going to have or not a credit limit with us; and more important than saying yes or no, what kind of level in terms of average tickets, interest rate, and tenure that we are going to offer to those customers to optimize and to have a very well-balanced equation over time.

Daniel Vaz:

Thank you. And lastly, sorry for the third question, I saw that you wrote private payroll and Pix financing. I just want to confirm that these are not the main priorities for you, they are just going to be also products that you may have. Trying to get a sense of what the avenues, or what the main products here that you want to grow for reaching this guidance are.

Carlos Mauad:

For the short term, we are working very hard on the working capital to our merchants here. That's something which it is the growth frontier of 2026. I think Dutra already mentioned here. That's something that we have a huge potential inside our customer database with a lot of engagement, and it creates a lot of sub-products as engagement over time on our merchant database.

Of course, when we speak about the private payroll and the Pix financing, we are talking about our consumer database here, and that is something that we have a lot of customers engaged on our digital platform here, and we understand that we have a fair share of this market that we should take as long as our digital platform here in terms of relationship. It carries a lot of principality.

Marcelo Mizrahi, Bradesco BBI:

Thanks for the call and the opportunity to do a question. So regarding this strategy on credit side, just trying to understand, what's the product that you are more convinced to start before? Which one will be the start of this new strategy? And if it is already clear that you can accelerate the working capital already in this next year.

And another question regarding that is to try to hear from Mauad, in terms of the test, I know that you are doing a lot of tests recently. You were trying to bring this confidence to the strategy. So which product do you already have this confidence to accelerate or to start to offer in a more complete offer to the clients? Thank you.

Carlos Mauad:

Thank you for your question. So here, we already have the products here which are the business as usual for us. There are the secured products that you already know, and we keep pushing those products because, even though the spreads are lower, that creates over time a lot of engagement on our long-term products, and these products will be important to us today and in the future. But this is business as usual and there are some features that we deliver to increase conversion to attract more customers, but there is no news on that, I would say.

Second, there are the products that are already in place and we are working on ways to scale up and to test the credit performance of specific customers, which are the working capital and the overdraft credit line that we are offering to our customers.

So those two products, they are already gaining volume. We are opening new clusters, we are testing, we are seeing checking the early indicators in terms of credit performance and keep pushing up those credit portfolios. Those portfolios, they are unsecured portfolios and they have a very high yield, of course, if well executed, and again, probably those two products are going to be our growth frontier on 2026.

Even the working capital today, we are already are producing credit in a different level than the end of last year, so that's something that we are quite confident. On the overdraft, as long as it is an emergency line and it is a hotter credit line, we are taking more care, we are testing small to make sure that we have the right clusters to have a very well performing product on 2026.

And then there are the products that are under development, that probably we are going to see some volumes on the 2H26, which are the Pix financing and the private sector payroll loan.

I hope this answer your question.

Henrique Navarro, Santander:

My question is on the aggressive target you have for loan growth for 2029. In order to reach such a strong number, you need a flawless execution, you need some market share gain, and Brazil has to succeed. So, flawless execution, basically, you need to put your credit machine to work. As far as I know, your credit machine has not been tested for such a big number and in such risky lending categories like big finance.

Talking about the market share gain, there's a lot of very strong competitors out there. So from whom are you planning to gain market share? And finally, Brazil has to succeed until 2029, and I hope you make it because that's going to be the best outcome for our industry. But how can we address the questions on how good is your credit machine and the competition in order to gain market share? Thank you.

Ricardo Dutra:

Henrique, I will start and then I can send the word to Mauad so that he can give you more details. To be honest, we think it's very feasible this R\$25 billion. When you look today at other digital players with clients similar to our levels, or even less clients than what we have today, they have credit portfolios bigger than that.

So I think it's very feasible. As you said, we need to execute well, and our track record gives us the credit that we are a very good execution company. So I think it's very realistic.

We have been developing capabilities within the Company in the past two years. Of course, macro matters, but our internal initiatives and our processes were the main catalysts, to be honest. And we view the risk/return we expect from the credit portfolio, definitely worth it. So that's why we decided to give this disclosure to the market about the R\$25 billion.

I guess Mauad can complement here.

Carlos Mauad:

I think the main point that Dutra already mentioned is the capability to manage credit risk. I joined the Company a year ago and we have been working very hard here to have this capability up to speed to start to get our fair share out of this credit market.

That's incredible how the Company has a lot of customers that carry our digital platform as the main banking account. We carry a lot of principality. So when we see the R\$25 billion, of course, it is a number that is quite bullish because we are talking about multiplying by 5 what we have today pretty much. But again, we are talking about our fair share of this market.

So we will have to execute well. And as Dutra mentioned, we have a very strong track record in terms of quality of the execution. We do have the capability to manage credit risk. We do have the process and systems already. We have our collections up to speed to start to push some unsecured products over our customer database.

And we are quite confident that we will find the angle to start growing this portfolio over time and deliver what we are seeing here in terms of long term view.

Ricardo Buchpiguél, BTG:

I have two questions here. First, you mentioned that you do not believe that TPV is a quite a relevant metric for the future of the business. I wanted to know if there is any plan to stop sharing this KPI in future releases.

And for my second question, can you provide more color also on your expectations for cost of funding and the size of the deposit franchise in the long run? You mentioned that you are assuming funding costs at the yield curve today, but how relevant would it be reducing your funding cost, given this funding part of the equation, in the 2029 goals that you said? Thank you.

Ricardo Dutra:

Regarding TPV disclosure, it is under discussion, but there is no definition about it. So once we have some news about it, we are going to share in advance with the market.

And regarding the cost of funding, I want to pass the word to Artur here. Thank you.

Artur Schunk:

In terms of cost of funding, as you may know, we have already worked a lot to diversify the funding sources that we use to run the business. Deposit is the most important one. As you see, the cost of those deposits are pretty low and help us to lower the cost of funding for the Company today, and we continue focusing on increasing the number of deposits. There is no official guidance for that in the long run, but we are considering that deposits is an important funding source to us. And as it comes from our consumers, our merchants, it also helps to have the engagement of those merchants and consumers in our ecosystem.

So the cost of funding should be something important to the future, and we are considering a lot that we have deposits to help us to reduce this cost of funding.

Operator:

Thank you. This concludes today's question and answer session. I will now turn the floor back to PagSeguro Digital's team for their concluding remarks.

Ricardo Dutra:

Thank you everyone for the participation in the call, for investing the time to talk to us. Our IR team is going to be available for future conversations and more details to talk to you.

Thank you very much.

Operator:

Thank you. This concludes today's conference call. You may now disconnect and have a nice evening.

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