



PagSeguro Digital Ltd. (NYSE: PAGS)

# 1Q 2026

## Earnings Call Transcript

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## Earnings Call Transcript | Q1 2026 Results

**Operator:** Good evening! My name is Sophia, and I will be your conference operator today. Welcome to PagSeguro Digital earnings call for the first quarter of 2026. The slide presentation for today's webcast is available on PagSeguro Digital's Investor Relations website at [investors.pagbank.com](https://investors.pagbank.com).

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

All participants will be in listen-only mode. To ask a live question after the presentation, 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. Today's conference is being recorded and will be available on the company's IR website after the event is concluded. Now, I turn the call over to Daniel Spencer Pioner, Head of Investor Relations.

**Daniel Pioner:** Good evening, everyone, and welcome to PagBank's earnings conference call for the first quarter of 2026. I want to thank you for taking the time to join our webcast. Here with me tonight are our Principal Executive Officer, Ricardo Dutra, PEO, our CEO, Carlos Mauad, CEO, and our CFO, Gustavo Sechin, CFO. After the presentation we will have a live Q&A session. Please note that during Q&A, we will take only one question per analyst. Now, I will turn the call over to Ricardo Dutra, PEO, for the highlights of the quarter. Please, Dutra.

**Slide 04: Ricardo Dutra, PEO:** Good evening everyone and thank you for joining our first quarter 2026 earnings call. Starting on slide 4, we summarize the main highlights of the quarter. This first quarter marks continued progress in the execution of our strategy, with banking and credit acceleration and operating leverage translating into earnings expansion, even in a challenging macroeconomic and a high-interest rate environment.

Total Payment Volume reached R\$128 billion, flat year over year, confirming a gradual reacceleration versus prior quarters. Our credit portfolio expanded to R\$51 billion, up 11% year over year, driven mainly by a 36% increase in total loans. Growth was broad-based across all products, with particular strength in working capital, which rose 190% year over year. Supporting this expansion, deposits reached R\$42 billion in Q1, a 23% year-over-year increase.

On the financial highlights, Net revenue excluding interchange fees reached R\$3.3 billion, 6.4% growth year over year, reflecting mainly credit acceleration and the overall banking performance. Recurring net income, non-GAAP, reached R\$575 million a 4% increase, mainly impacted by the increase in financial expenses, linked with the basic interest rate of Brazil, but with positive impact from the operating leverage we delivered, which we will see later on the presentation.

Most importantly, diluted non-GAAP EPS increased 12% year over year, boosted by the capital optimization initiatives deployed.

**Slide 05:** On the next slide, we highlight our long-term track record of consistent shareholder value creation, supported by focus on profitability, disciplined growth and capital efficiency

Over the last twelve months, the Company returned approximately R\$2.4 billion to shareholders through dividends and share buybacks, translating into an LTM total yield of around 16%

Since our IPO in 2018, we have delivered GAAP diluted EPS growth of nearly 16% CAGR, underscoring a strong and consistent execution track record through multiple cycles, including periods of significant global disruption and macro volatility. Over this period, we have accomplished key strategic milestones that expanded our addressable market, improved profitability, and established a robust platform for sustainable earnings growth.

With that, I will now turn it over to Carlos Mauad, CEO.

**Carlos Mauad, CEO:** Thank you, Dutra and good evening, everyone. In this section, we'll take a look at the operational and commercial performance of our business units.

**Slide 07:** Let me start on slide 07, where we highlight our main growth opportunities.

Here, we provide an overview of our ecosystem and the growth opportunities ahead. PagBank operates a fully integrated payments, banking and credit platform, serving individuals and micro, small and medium-sized businesses.

The breadth of our platform supports strong engagement, cross-selling potential and a large addressable market across payments, deposits, credit and financial services.

As shown on the slide, there are significant opportunities for expansion as we explore new verticals. In several segments of our banking operations, our market share is currently below 1%, underscoring our confidence that we are still at a very early stage in our growth trajectory. This progress should be achieved through enhanced crossselling and developing a broader and more diversified credit portfolio, all overseen with prudent management and a long-term perspective.

**Slide 08:** On the next slide, we highlight some key metrics of the banking operation and our customer-centric approach, demonstrated by the increasing transactionality and engagement of our ecosystem.

Cash in volumes, excluding acquiring related inflows, reached R\$81 billion, representing an 11% growth year over year, with Cash-In per active client growing 12% in the same period.

This performance reflects stronger client engagement, as demonstrated by the increased usage of our platform, higher volumes of bill payments and pix transactions, as well as an important increase in the penetration of our investment and insurance products across the active client base, signaling deeper relationships and improved monetization of our clients' transactionality. Collectively, these trends highlight how robust and complete our ecosystem is and the rising levels of customer engagement that we are achieving throughout our client base.

**Slide 09:** On the next slide, let me turn to our credit portfolio evolution.

Credit is not only our growth frontier but also a strategic lever of engagement across our ecosystem. Total credit reached R\$5.0 billion at the end of the quarter, growing 36% year over year, positioning us at a growth pace above the expected guidance for the year.

When we include financial operations linked to merchant pre-payment, we can see increased penetration of our instant-settlement feature. Expanded credit portfolio totaled R\$ 51 billion this quarter, 11% growth over the last twelve months, despite stable volumes on acquiring.

As it should be, growth remained broad based across products, with important expansion in every channel, but clearly led by working capital loans, the main driver for credit portfolio this year, which expanded 191% year over year. Working capital already accounts for 10% of our total portfolio.

Importantly, asset quality remains controlled, with NPL indicators well below the Brazilian banking system average. The growth trajectory reflects the evolution of our mix, from a mostly secured to a more balanced portfolio as we gradually accelerate underwriting for unsecured products.

**Slide 10:** On the next slide, I show you our funding structure and how we generate efficiency from a financial cost perspective.

Total deposits reached R\$42 billion, a 23% increase compared to last year, with more than 90% sourced from our own platform. A clear example of how strong our ecosystem is and the increasing level of engagement that we get from our active client base, and the relevance of our digital channels. When including other sources of funding, such as related-party deposits and borrowings, Total Funding reached almost R\$ 47 billion in the period, +15% year-over-year.

More importantly, our Deposits APY reduced for the 8<sup>th</sup> straight quarter, a continuous two-year trajectory of reducing funding costs as a percentage of CDI. In 1Q26, Deposits APY reached 83.9%, with highlight to the average

remuneration of our demand deposits, the Checking Account balances below 40%, at 38.6%, a strong 10 points reduction year over year.

Finally, as shown on the right side of the slide, our Loan-to-Funding ratio keeps improving, from 114% last year to 109% this quarter, as we continue to grow credit with caution and prioritize a well-balanced structure.

Now, I will hand it over to Gustavo, to walk you through the financial highlights of the quarter. Gustavo, please.

**Gustavo Sechin, CFO:** Thanks, Mauad! Hello, everyone, and thank you for joining us today. Let's focus now on our consolidated financial results.

**Slide 12:** Starting on the next slide, we will take look at our Revenue and Gross Profit. Total revenue and income excluding interchange fees reached R\$3.3 billion this quarter, as you can see growing 6.4% year over year, driven primarily by the banking and credit businesses expansion.

Banking revenues grew 41% in the same period, supported by the credit expansion, and the higher transactionality from our client base, leading to better fee generation.

Gross profit totaled R\$1.9 billion, up almost 1% year over year, with banking representing now approximately 31% of total gross profit. As we had anticipated, 2026 has been proving to be a challenging year. In the first quarter, we still faced significant pressure from rising financial costs, primarily reflecting the impact of the higher Brazilian basic interest rate. Starting in the second quarter, we expect this effect to ease, driven by additional cuts in the benchmark interest rate

**Slide 13:** Turning to the next slide, we detail our P&L and the cost dynamics for the quarter.

As previously mentioned, financial costs increased year-over-year due to the higher SELIC rate, which rose 1.9 points over the period. This effect was partially mitigated by the initiatives to reduce our funding cost, driving down our APY on deposits by 6.2 points year-over-year. Sequentially, Financial Costs decreased 2.6%, reflecting those initiatives.

Total losses — which include chargebacks from acquiring and expected credit-loss provisions from the credit operation — expanded 27% year over year, mainly reflecting the change in our credit-portfolio mix and its overall expansion. Looking specifically at the acquiring side of the ecosystem, chargebacks decreased 15% year over year, capturing the improvements in our fraud-prevention efforts.

But the main highlight this quarter is our consistent ability to generate operating leverage. As you can see, our operating expenses declined as a percentage of revenue, improving by approximately 230 basis points year over year, demonstrating not only our cost discipline, but also how we keep exploring opportunities to improve efficiency, operating under a leaner structure and supported by the use of AI in core fronts, such as client services.

Looking ahead, we expect to keep driving this efficiency, as operating leverage is a core pillar of value creation embedded in our full year guidance and long-term ambition.

**Slide 14:** Moving on to slide next slide.

Our non-GAAP net income reached R\$ 575 million in the quarter, representing 4% growth year-over-year. As a result, EPS diluted increased 12%, supported by earnings growth, operating leverage and the reduction in average shares outstanding linked to the buyback execution in the quarter.

On the right side of the slide, you can see that our Return on Average Equity reached 15.8% this quarter, up roughly 80 basis points year over year. This represents another consecutive quarter of improvement, driven by higher profitability and the initiatives we've deployed to strengthen capital efficiency, as detailed on the next slide

**Slide 15:** Now, moving on to the next slide, let's focus on the initiatives that drive shareholder value and improve our capital structure.

We keep advancing in our objective to improve our capital structure, pursuing a Basel Index level between 18% to 22% in the next coming years. As a result, in the last twelve months we have returned more than R\$ 2.4 billion to shareholders, through dividends and buybacks.

As mentioned in previous calls, we believe it is important to use both tools to improve our capital structure, as dividends offer stability and predictability while buybacks provide tactical flexibility.

In that sense, next June we shall distribute an additional R\$ 400 million in dividends, USD 26 cents per common share, in line with our commitment to distribute at least R\$ 1.4 billion in dividends this year.

As for our CET1, given the initiatives deployed, our managerial Basel ratio stood at 24.1%, more than 4 points decrease compared to last quarter, providing ample capacity to support continued credit expansion and shareholder returns.

**Slide 16:** Now, moving to the next slide, let me update you on our guidance for 2026.

As you know, this year we aligned our guidance with our 2029 ambition, reinforcing our commitment to the long-term strategy we are executing

Starting by Credit Portfolio, we end the first quarter above the expected range, and we expect to keep delivering consistent growth throughout the year.

Looking to the Gross profit: the limited expansion we saw in the first quarter reflects the financial-cost pressure driven by the higher Selic rate. As we move into the second quarter and beyond, we expect this headwind to fade, allowing our revenue-growth initiatives and efficiency gains in financial expenses to position gross-profit growth squarely within our guidance range

As for shareholder value creation, we delivered a Diluted Non-GAAP EPS 12% higher than last year, positioning it close to the top of the expected range for the year, aligned with our roadmap of initiatives and operational efficiencies we are driving across the company.

And finally, while capex deployment naturally varies across quarters, the important point is that we are focused on delivering full-year capex within our commitment.

In summary, even in the face of macro and geopolitical headwinds, we executed effectively and delivered a solid and consistent quarter, positioning us well for our full-year guidance.

I'll now turn the call back to Mauad for his final comments.

**Slide 18: Carlos Mauad, CEO:** Thank you, Gustavo.

Before we conclude, let's move to the next slide for a few closing remarks.

We keep building momentum across our core growth engines. On top of acquiring volumes reaccelerating, credit portfolio is scaling as planned, at a robust pace, guided by disciplined risk management and prudent underwriting standards. This approach ensures the quality of our assets in a dynamic market environment.

Additionally, our ongoing focus on operating efficiency, supported by AI, helps us navigate macro scenario and maintain resilience in our earnings. Through rigorous cost management and the optimization of our processes, we are able to adapt quickly, capture new opportunities, and reinforce our financial stability.

Looking ahead, with the gradual easing of the interest-rate cycle, we anticipate a more favorable environment that should support increased lending activity and stimulate growth. We are confident to achieve our 2026 guidance, which outlines our commitment for growth, profitability, and shareholder value as seen in the previous slide, supported by key strategic initiatives, which have been maturing steadily in the past quarters.

Furthermore, as we advance toward the ambitious targets we shared with you for 2029, our focus remains on operational excellence, disciplined expansion and consistent value creation for all stakeholders. Thank you for your trust and partnership as we move forward together.

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

**Kaio Prato, UBS:** Hi, guys. Good evening. Thanks for the opportunity to ask questions on my side. I have two, please. First on the payment business, what can we expect in terms of the TPV growth going forward? We saw, again, better trends sequentially if we look year on year, but it is still contracted, so just wondering if we should expect this turning positive in the next quarter, and how do you see the competitive landscape? This is the first. Then on the guidance, what should be the drivers for this acceleration on the gross profit expected going forward? If this is mostly related to banking TPV recover or if this is more related to Selic cuts potentially. Any sense of the relevance of these main KPIs for banks would be good going forward. Thank you.

**Carlos Mauad, CEO:** Hello, Kaio. This is Mauad. Thank you for your question. In terms of trends here for TPV growth, as we have been mentioning since third quarter of last year, the trend is to recover growth year-over-year. We pretty much had -5% in the third quarter last year.

Something around -2% in the fourth quarter. Here we are virtually flat in the first quarter, the expectation is to be above the waterline in the second quarter of this year, and also in the second half with higher acceleration.

Again, this doesn't change the message that we sent to you guys on the call that we made to release the third quarter results of last year. To answer you about the gross profit trends, I'm going to pass the floor here to Gustavo.

**Gustavo Sechin, CFO:** Hi, Kaio. How are you? Gustavo here. Try to answer your question related to the gross profit. I think that it's a mix. First, we could expect an expansion in our operation, both in payment and in banking.

It's important to remember that we, as we have been talking, passed the worst part of the cycle in the payment business, and we are just at the beginning of our journey of credit. Both will sustain and help the gross profit trend going forward. Additionally, it's important to highlight that we have harder comps in the first half of the year when we consider the pressure in terms of Selic and the financial cost.

Despite that, we were expecting a better trend in terms of Selic cuts during the year. We can expect that the second half of the year will be better than what we see in the first Q and also what we expect in the second Q of the year.

**Kaio Prato, UBS:** Okay. Thank you very much.

**Guilherme Grespan, J.P. Morgan:** Hello. Good evening, Dutra, Mauad, Gustavo. Thank you for the presentation. two questions on my side as well. 1, it's a follow-up on gross profit. Just on specifically the payments, gross profit, was a little bit sharper decline here. I tried to calculate the yield, like divided gross profit by TPV. The yield declined almost 60, 70 basis points. In other words, gross profit was down -15% quarter-over-quarter, TPV -10%. Just wanted to get a sense of what is driving this compression of yield, if it's a pricing strategy or what is the moving parts behind this? The second question is just the decline in yields of the checking accounts. Very nice to see the average remuneration as a % of CDI declining.

Just want to understand if this is an intentional strategy and what we can expect forward, or if it was related to calendar days and other effects? Thank you so much.

**Gustavo Sechin, CFO:** Hi, Grespan. Good to talk to you. So, again, talking about the gross profit, as I said, I think it. Most important, I think that's very important to highlight that we are fully committed to deliver our guidance in terms of gross profit for the full year. As we said in the beginning, the first half of the year should be more challenging than what we expect for the second half of the year.

That's very important. I would say that those metrics that you were talking about, I think that's not the best metric to follow the gross profit. Gross profit is based on TPV, I would say that it doesn't represent the business, all components of the business that we have.

I would recommend that you use the gross profit and use the guidance as a reference and especially considering that we expect Selic cuts during this year. Also it will help to reduce the pressure of the financial cost that's demand negative portion that are impacting our gross profit. Talking about the deposits, I would say that we are trying to mitigate the financial cost again in the Selic, the high Selic that we are facing in different ways. As we implemented last year, we implemented a very disciplined repricing policy and at the same time we will implement some reduction in terms of the remuneration and yields that we paid in our CDs and in our checking accounts.

That's one of the initiatives that we implemented, and we are still identifying different blocks that we could address the pressures in terms of financial cost. In other words, I don't say any pressures relate to the seasonality, but I would say that's much more related to the strategic implementation in terms of remunerations.

**Guilherme Grespan, J.P. Morgan:** When you think about gross profit

**Ricardo Dutra, PEO:** Grespan, when you think about gross profit, when you see this 1%, the bottom of the guidance 6%, I would say we have a kind of hard comp here because in Q1 2025, every Selic was around 13%, and this year was 15%, so it's kind of a hard comp in terms of financial expenses because interest rates started to increase in Brazil after Q1, so we're having this kind of hard comp from 13% Selic last year versus 15% this year.

**Guilherme Grespan, J.P. Morgan:** That's clear, Dutra and Gustavo. Just a follow-up on the checking account. Does the quarter already reflect all the movements, meaning, should rates be more or less what we see, or is there still some carry-on effect to happen going forward?

**Carlos Mauad, CEO:** There are other changes that we plan for the end of the first quarter. We're gonna have some reflects moving forward, and there are always some optimizations from the product perspective that we are planning here and deploying throughout the year. Again, we should see that as a consistent movement over time, not as a point in time action.

**Guilherme Grespan, J.P. Morgan:** That's clear. Thank you.

**Tito Labarta, Goldman Sachs:** Hi, good evening. Thank you for the call and for taking my question. Sorry, not to harp on the point, but just so going back on the gross profit guidance, and I understand, you know, things should improve from here and some of the drivers of that. You know, when the year started, I guess expectations were rates would probably go to 12.5. Now we're lucky if we get to 13%.

You know, the outlook has changed a little bit. Do you expect any impact from that if, you know, rates just come down at a slower pace than initially expected? You know, could that have any impact on the guidance? Second part is on loan growth, right? I know it's early stages.

You're showing very good growth; we are seeing some incremental deterioration for the industry overall. Could that also limit your ability if the credit cycle gets worse? I know your loan portfolio is much smaller than the system, just to think, you know, there are some headwinds from, you know, when we initially started the year. How do you factor in those headwinds to your ability to deliver that guidance? Thank you.

**Carlos Mauad, CEO:** Hello, Tito. This is Mauad. Thank you for your question. In terms of the gross profit trend here, that's why when we send the guidance here, we have a range. We know that in Brazil there is many moving parts regarding the macro environment. Again, if the curve is not going to close down to 12.50 as we expected at the beginning of the year, we are going to work on the different levers that we have on the P&L to deliver the range of guidance that we disclosed last call. Moving to your next question.

Again, credit, the credit cycle in Brazil is always, we have to look forward to make sure that we are making the right movements here. As you mentioned, we are at the very beginning of our outstanding credit evolution, so this is not a concern at this point. We are scratching the surface.

We are testing deeply the clusters in terms of credit that are more resilient to this macro environment. Again, it is not a concern on the short term, but of course, we have and we will have more sophisticated through the cycle variable on our models here to make sure that whenever we have a very relevant credit outstanding here, we can go through the cycles without having a material impact in terms of credit performance.

**Gustavo Sechin, CFO:** Tito, just to complement Mauad here. When we talk about response and also about loan growth, despite that we are seeing a reduction in terms of rates much lower than what we were expecting, on the other side we could see that the unemployment rate has been showing very strong resilience during this period. It helps a lot in terms of consumption and in terms of transactionality of our customers inside our ecosystem.

**Tito Labarta, Goldman Sachs:** Great. No, thanks Mauad and Gustavo, that's very helpful. Just one quick follow-up. Just factoring in a little bit the competitive environment. I mean, we saw ABECS numbers come out recently showing industry growing around 8% or so. We've seen some of your largest competitors growing well north of 20%. How is the competitive environment? Is it changing at all? Does that present any risk at all for you guys?

**Carlos Mauad, CEO:** Tito, I think that on the SMB landscape, I think that we pretty much have the same competitive environment for the past 24 months, where we have pretty much us, Stone, Mercado Pago and CloudWalk playing at this level. When we see competitors growing, like 20%-25% TPV year-over-year, we are talking about a different cluster of customers here. We're talking about enterprise, serial acquirers.

That's a different business than what we are running here. Again, we see industry growth. We are happy that the industry is growing. Of course, as we have a more stable price environment at this point, as long as we don't have to input the friction of increasing or repricing the take rates of our customers.

We restarted to build vintage after vintage in terms of customer acquisition to make sure that we keep up with the market growth in terms of payments.

**Gustavo Sechin, CFO:** Tito, if I may add, I think that pricing rationales continue to prevail among the players in the industry. That's very important. It adds when we consider rationality in terms of pricing and competition, and also when we consider that the industry is still growing at a healthy pace with a growth in terms of TPV, and a very important growth in terms of Pix in the industry, both to high double digits in the industry. That's very important because it sustains transactionality, it sustain the principality of the customers inside our ecosystem again.

**Carlos Mauad, CEO:** Tito, just one more point, not related to this question, but the question that you asked about credit. Just to remember, it's important to highlight here Slide 9, even with this credit cycle changing in Brazil, our NPLs are pretty much stable and almost half of the industry. Still, we have the comfort to keep growing our credit portfolio because we have lower NPLs, almost half of the industry. We have excess of capital in our balance sheet; we don't see any concerns to hurt our credit portfolio at this point.

**Tito Labarta, Goldman Sachs:** Okay. No, very helpful. Thank you, guys.

**Daniel Vaz, Safra:** Thank you everyone. Good night, Ricardo Dutra, PEO, good night, Mauad and Gustavo. Congrats on the results. I was looking specifically on your working capital origination in the presentation. You break it down in the quarters and you have a gray bar for the future, right? Does that imply you're having enough good results and good vintages to increase your origination working capital? What's the baseline? What's the expected level we should see for the monthly? I guess you were guiding in the past for like BRL 70 million monthly originations in the working capital. Are you comfortable enough to double that or any level that you would like to share with us? Thank you.

**Carlos Mauad, CEO:** Hello, Vaz. This is Mauad. Thank you again for your question. Yes, the gray bar kind of give you a soft guidance on what is coming up on the second quarter. We are still quite confident on keeping growing the working capital origination quarter-over-quarter. Of course, there are many clusters that we are running tests to see where it's going to land in terms of credit performance before we roll out. Also, there are some products enhancements that we are developing at this point that can push another cycle of growth on our credit products here, especially on the working capital where we have a very strong right to it.

Again, you're gonna see growth quarter-over-quarter, and whenever we see the limits on it, you guys will have the information.

**Daniel Vaz, Safra:** Good. If you can share with us, Maybe the clusters you're having the most success or any types of maturity or any types of duration that this credit is going to have. It would be very good to hear as well.

**Carlos Mauad, CEO:** Here, the clusters as pretty much as input in all the credit products. Here we work in a range where you have, like, the best clusters. They mainly do not access credit because they do not have the need. The down part of these credit risk rank doesn't perform. Again, we work in this sweet spot where we have a good conversion, a good yield, and it has the potential to generate credit outstanding. It's, We are talking, we are always talking in this range in terms of credit performance in the middle where we can optimize net credit margins.

**Gustavo Sechin, CFO:** Daniel, Gustavo here. I think that's very important to consider that we are focusing on our internal customer base at this point.

**Daniel Vaz, Safra:** Pretty clear, guys. Thank you.

**Arnon Shirazi, Citi:** Good evening. Thank you for taking my question. My question is also related to the credit. You reaffirmed the 2029 goal related to credit. You have a BRL 25 billion portfolio, we have been seeing some changes in regulation, including caps. I wonder if this impact growth appetite for the next years, it should impact the overall results expected until 2029. Thank you.

**Carlos Mauad, CEO:** Of course. Thank you for your question. Of course, there are many change on the regulations, caps, products moving around. The same way some opportunities get away, some new opportunities show up, so we can build our credit outstanding. It would be too soon for us to, for example, to anticipate any kind of impact on what the recent moves on the INSS was, the retired payroll loans.

We are also on the very beginning of our pilot here on the private company's payroll loans, that also has a huge potential on our customer database that's going to replace part of the volume that we lost on the FGTS factory receivables. Again, those moving parts is part of the management's problems here to solve them and to make sure that we can deliver our long-term guidance.

**Arnon Shirazi, Citi:** Crystal clear. Thank you.

**Neha Agarwala, HSBC:** Hi. Thank you for taking my question. Good to see improvement in the trends for the TPV. Can you give us a bit more color regarding segmental information? How is the SMB segment doing, which MSMB, which is more of a core segment for you? Has that started to pick up again, and how is the competition in particularly that segment, given that some of your competitors are trying to put more emphasis on that, adding more improving their customer service? Just some current SMB would be very helpful. How sustainable is the OpEx improvement that we have seen this quarter? Thank you so much.

**Carlos Mauad, CEO:** This is Mauad. Thank you for your question, Neha. Here on the SMB landscape, we didn't see, like, any major change on how those customers are behaving. Of course, we are always optimizing our service to this specific kind of customer. Our pricing strategy on acquisition, the way we delivered our banking products to those customers to make sure that we have a very strong profitability coming out of these relationships. Again, we do not try to enter in this fight only looking at price or the commodity products that the entire industry has. We try to bring our bundle offer here to make sure that we can monetize at the right level these SMBs relationships.

Again, I think that we have the best product stack for these specific customers, and we are investing a lot in terms of product evolution to make sure that we deliver the best quality in terms of service provider to those customers.

**Gustavo Sechin, CFO:** Neha, Gustavo here. Let me talk about the OpEx. I think I would say that we are just at the beginning in terms of the opportunities that we see in terms to continue generating operational leverage. You know that we have been consistently delivering some gains in terms of operating leverage, I see those huge opportunities inside of the company.

It remains one of the main tools that we are going to work not only in 2026 but also in the long term. I can say that we are seeing opportunities both on operational side and also in terms of customer experience, the use of AI to help us to gain productivity, to help us to gain a deeper knowledge about our customer and how we can deploy those initiatives through the year. I would say that we are just in the beginning of what we can generate in terms of operating leverage.

**Neha Agarwala, HSBC:** Thank you so much.

**William Barranjard, Itaú BBA:** Good evening. For the presentation, I have two quick ones. First, going back to credit, right, especially credit quality. Can you give us any color of how credit quality is doing, especially on the non-secured lines?

You know, I understand it's a new line, but if everything is going accordingly to what you were expecting, if things deteriorated a little bit lately or not. Just overall your views here concentrated on the clean lines. Also, this is a very quick one, regarding your other financial income, what drove quarter-on-quarter growth? It's about 30%, just wanted to understand that.

**Carlos Mauad, CEO:** Thank you for your question. This, this is Mauad. On our unsecured products, our credit performance is coming at the right level in terms of profitability. The working capital product is a high yield product here, so it's not a product that's going to optimize NPLs. It is a product that's going to optimize net credit margin.

Again, nothing comes out of the guardrails that we have on the company's governance. The other unsecured product that you see growing that it is on our outstanding slide, it is credit cards that grew something like 7% quarter-over-quarter.

In this specific product, as it has a longer payback here, we are being more conservative on the cutoffs on credit performance. That's a little bit of color in how we are dealing on managing the credit risk between those two main products that we have here on the unsecured line.

**Gustavo Sechin, CFO:** Hi William, it's Gustavo here. Talking about the other financial income, despite that we see that increase in the, on a quarter over year-over-year perspective, there is not, no recurring item. I think that's much more related to the seasonality that we are seeing on the float side and then the Selic rate than something different than that.

**William Barranjard, Itaú BBA:** Okay. Thank you.

**Antonio Ruetter, BOFA:** Hi, guys. Thank you for your time. My question goes on the guidance. You are running about both or in line with the guidance for 2026, but as you mentioned, you reiterated the guidance, the long-term guidance. This will deploy an acceleration, right? Particularly when we're talking about loan growth.

My question here is, should we expect this acceleration loan growth already in 2027? Are you seeing what you should have been seeing to accelerate the loan growth in 2027? What should be the key lines here? The same question here goes for the gross profit. Once we are past 2026, what should the main drivers here be? Thank you.

**Carlos Mauad, CEO:** Hello, Ruetter. This is Mauad. I'm going to pick the first part of your question here. You're right. We're going to see a pickup in terms of growth in 2027 in credit, and I will explain to you why.

There are two main factors here. First, part of the products that we already have on our portfolio here to offer our customers is an unsecured product, so due to the macro environment, the high level of interest rates at this point, we don't see the conditions accelerating more than what we are showing at this point. There is also a second factor here, which is product development. Part of our products are not even in production yet, and part of our products are in pilot.

As I mentioned here, the payroll loans that we are rolling out here for the employees of the company, and probably by the beginning of the second half of this year, we're going to go to the open market offering that to different employees of different companies. Again, those are the two main factors that explain why we will not see

a higher growth than what we see on the CAGR for 2020, 2029, and we should expect on 2027 and on a higher growth in terms of credit outstanding. I'm going to pass here to Gustavo to answer the gross profit part of the question.

**Gustavo Sechin, CFO:** Hi Ruelle. Gustavo here. Basically, when we consider our gross profit, our guidance in terms of Long-term guidance in terms of gross profit, the financial cost and the impact of the levels of Selic that we have will, and during this year impact negatively on our numbers. Again, as we foresee that the reduction in rates will continue going forward, not only in 2026 but also 2027, 2028, it will have a positive effect in our gross profit.

Remember that when we were before the beginning in terms of monetary tightening that start back in October, September, October 2024, we were running in terms of financial costing below the size that we were at least half what we were running the financial costing right now. Again, as we see the reduction in rates, it will positively impact on our gross profit. That's the, that's one effect. Also, in terms of growth, in terms of credit, we are just in the beginning. It will mature, it will contribute in terms of cross-sell, not only in terms of banking, but also in terms of the cross-sell in the payment business itself.

**Antonio Ruelle, BofA:** All right. Thank you.

**Marcelo Mizrahi, BBI:** Hello, guys. The opportunity, congratulations from the results. My question, I have two questions. First one is regarding those new initiatives to reduce the cost of funding the company. How big could it be, or if you can come back to the levels that we are before reducing the size of the deposits compared to the total funding or now or not? Trying to understand this like good tailwind to the cost of funding. First question is. The second question is regarding the expenses. We saw a very good number, so a reduction of the nominal expenses year by year. My question is, if it is possible to see during the year expenses growing less than inflation on the year end. Thank you.

**Gustavo Sechin, CFO:** Hi, Mizrahi. I will start for you to your second question. I would say that you must consider that we have, in terms of our expense, a mix between variable and fixed expense. We have a very important component in terms of variable expense.

Growing expense below inflation, for sure that is a target that we are always seeking, but it's a little bit hard to set as a reference in the short term. That's the one point. Again, as I said in the previous question, we are just in the beginning in terms of how we can capture opportunities to generate operational leverage in different initiatives through the company. Talking about the funding cost, as Mauad said, I think that we are going to see some improvement in terms of the initiatives that we just implemented. On the other side, I would say that that kind of initiative has a strategic component that we prefer to do not disclosure at this point.

**Marcelo Mizrahi, BBI:** Okay. They are Sorry to ask a follow-up here. With them, it's a new way of improving the cost of funding. I mean, it's another strategy to improve the funding costs. Those are the strategies here.

**Gustavo Sechin, CFO:** Yes, sure. Without compromising our deposits, of course. We don't want to decrease the cost and decrease the deposits. We want to do both, decrease the cost while growing deposits.

**Marcelo Mizrahi, BBI:** Okay, Thank you.

**Carlos Mauad, CEO:** Well, guys, this is the end of our call. I would like to thank you all for your time and to for all the questions that we had the opportunity to answer here. See you guys' next time. Thank you very much.

**Operator:** This concludes today's conference call. You may now disconnect and have a nice evening.