PagSeguro Digital Ltd. (NYSE: PAGS)

2Q 2026

Earnings Call Transcript

August 11, 2026

Investor Relations
https://investors.pagbank.com/
E-mail: ir@pagbank.com

Media Press
Website: https://xcom.net.br/
E-mail: pagbank@xcom.net.br

Earnings Call Transcript | Q2 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 second quarter of 2026. 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.

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 thank you for joining PagBank's Second Quarter 2026 Earnings Conference Call. We appreciate your time and interest in our Company. Joining me tonight are Ricardo Dutra, our Principal Executive Officer; Carlos Mauad, our CEO; and Gustavo Sechin, our CFO. After the presentation, we will open the call for questions and to allow for broader participation, we ask that each analyst limit themselves to one question only. I now turn the call over to Ricardo Dutra for this quarter's highlights and key accomplishments. Dutra, please go ahead.

Slide 04: **Ricardo Dutra:** Good evening, everyone, and thank you for joining our earnings call. Let's start on slide 4 with some key figures.

Q2 was another solid quarter for our Company. We continued to increase client engagement while expanding our multi-product ecosystem across payments, banking, and credit, driving resilient profitability and reinforcing the strength of our business model. Total Payment Volume reached R$133 billion, up 3% year-over-year, reinforcing the gradual reacceleration trend we have seen over the past quarters. Our expanded credit portfolio reached R$ 52 billion, while total loans increased impressive 31% year over year, driven mainly by the expansion of working capital and credit cards offering. Total deposits continued to grow, reaching R$ 43 billion, up 15% year-over-year and providing an important foundation to support future credit growth.

On the financial side, net revenue excluding interchange fees reached R$ 3.4 billion, growing 2% year-over-year, mainly driven by acquiring volumes reacceleration and our credit portfolio. Recurring net income, non-GAAP, also grew 2%, reaching R$ 576 million, while diluted non-GAAP EPS increased 10%, supported by earnings resilience and capital optimization initiatives and within our guidance range for the year.

Overall, we're seeing the strategy play out as expected: stronger engagement, broader monetization and resilient profitability, despite a challenging macro environment.

Slide 05: Going to slide 5, before moving into the business highlights, it's worth stepping back and looking at the broader value creation journey

Over the last twelve months, PagBank returned approximately R$2.0 billion to shareholders through dividends and share buybacks, representing an LTM total yield of around 13.4%.

Since our IPO, we have significantly expanded the platform. We started as a payments-led ecosystem and have gradually built a much broader financial services platform around our clients' needs, combining payments, banking credit, investments, insurance and new digital solutions. This evolution has increased the recurrence of our results, expanded our addressable market and strengthened our ability to monetize client relationships across different products and use cases.

With that, I will now turn the call over to Carlos Mauad.

Carlos Mauad: Thank you, Dutra and good evening, everyone. Before going into the business update, I would like to start on slide 7 with the key messages that frame our performance this quarter and our long-term ambition.

Slide 07: Q2 reinforces the consistency of our strategy. We continue to evolve our ecosystem, with broader monetization across payments, banking and credit, while deepening our relationship with our active client base. This evolution is reflected in our operational performance, with acceleration in all businesses, from TPV to credit portfolio and, most importantly, with increasing penetration of our banking products across our active client base.

At the same time, execution and discipline are central to how we manage the business, demonstrating the resilience of our business model. In 2Q26, we protected profitability, supported by financial cost efficiency, operating leverage and disciplined capital allocation.

Finally, as we move forward, our focus remains on strengthening our competitive position, capturing the opportunities ahead and consistently executing against both our 2026 commitments and our long-term strategic ambition.

With that context, let me now move to the business overview and the opportunity ahead of us.

Slide 08: Starting with the market opportunity, we continue to see significant room for growth across our core verticals.

PagBank has built an integrated platform across payments, banking and credit, serving individuals and micro, small and medium-sized businesses in markets where penetration remains low and growth potential is still meaningful.

Our ecosystem gives us several avenues for growth. We have opportunities to increase share in Pix, deposits, expanded credit and other financial services. In several of these markets, our current share remains below 1%, which reinforces how much room we still have to expand.

Slide 09: Moving to slide 9, product innovation continues to support engagement and monetization across the ecosystem.

During the quarter, we advanced several initiatives designed to make PagBank more useful in our clients' daily lives. These include Minizinha Voz, the first POS in Brazil featuring an AI-powered sales assistant, launched in January this year; IOF cashback on international credit card transactions; Private Payroll loans and Pix Finance, an integrated Pix installment solution, both products launched earlier this year and to be rolled-out in the next months; zero-fee investments; private pension plans; collection management tools and new insurance products.

What is important here is that these products expand our relationship beyond Payments. They strengthen our banking and financial services offering, create additional cross-sell opportunities and support our long-term ambition of building a more complete financial platform for both merchants and individuals.

As we have discussed before, the more products clients use, the more engaged they become with the platform. That drives transaction activity and creates additional monetization opportunities over time.

Slide 10: Turning to banking on slide 10, engagement continues to translate into higher transactionality and broader product adoption.

Cash-in volumes, excluding acquiring-related inflows, reached R$97 billion in the quarter, increasing 23% year over year and 19% quarter over quarter. Cash-in per active banking client reached R$5.7 thousand, up 27% year over year.

We also continued to see stronger usage of daily banking features, including bill payments and Pix transactions, which increased 12% year-over-year.

In parallel, product penetration expanded across the active client base. Investment penetration increased from 23% to 28%, while insurance penetration increased from 11% to 16% year over year. Credit product penetration, excluding payroll clients, also increased from 4% to 6%, a strong 43% expansion that shows not only our capacity to perform, but most importantly the growth potential in this avenue.

What we are seeing is simple: clients are bringing more activity into PagBank and using a broader mix of products. This deeper relationship is central to our strategy, as it supports higher engagement, broader monetization and stronger lifetime value.

Slide 11: Moving to slide 11, credit remains one of our key growth levers. It deepens client relationships and gives us additional opportunities to monetize the ecosystem.

Our total credit portfolio reached R$5.1 billion, increasing 31% year over year. Growth was mainly driven by working capital and credit cards, both of which are important to our long-term strategy and to the 2029 ambition we have shared with the market.

Working capital reached R$ 0.6 billion, growing 204% year over year, while credit cards reached R$1.1 billion, up 35%. Payroll loans and other credit products totaled R$3.4 billion, increasing 18% year over year.

It is also worth highlighting the origination trend. While working capital origination was lower on average in Q2 compared to Q1, July already shows a stronger run-rate, at approximately R$ 80 million. This is above the Q2 average and also above the average levels seen in prior quarters, which gives us confidence in the continued momentum and scalability of the product.

When we include financial operations linked to merchants' prepayment, the expanded credit portfolio reached R$52.4 billion, up 9% year over year and 3% quarter over quarter.

Just as important, we're growing the portfolio while maintaining a prudent risk profile. NPL90 stood at 3.4%, remaining well below the Brazilian market average of 6.2%. This reflects the strength of our underwriting, enhanced analytics, risk governance and the proximity we have with our clients through the ecosystem.

As expected, the portfolio mix continues to evolve gradually, with unsecured products increasing as a share of the portfolio. This is consistent with our strategy and remains supported by prudent risk management across cycles.

Slide 12: Let me now move to funding on slide 12, which remains one of our key competitive advantages.

Total deposits reached R$42.8 billion, growing 15% year over year, while total funding reached R$47.2 billion, up 10% year over year. More than 90% of total deposits are generated on-platform, which reinforces the strength of our own ecosystem and the relevance of our digital channels.

The growth of our deposit base, combined with high on-platform concentration and lower funding costs, provides a scalable and efficient foundation to support credit expansion.

During the quarter, we continued to optimize the cost of funding. The Company has now delivered nine consecutive quarters of funding cost reduction as a percentage of CDI, reflecting disciplined liability management and improvements in product pricing and remuneration conditions.

This funding structure gives us the flexibility to continue growing credit while maintaining a healthy balance sheet and strengthening client relationships.

Now, I will hand it over to Gustavo to cover how these business trends translated into our financial performance. Gustavo, please.

Gustavo Sechin: Thanks, Mauad! Hello, everyone, and thank you for joining us today. I will now cover our consolidated financial performance for the quarter.

Slide 14: Slide 14 shows the contribution of business execution and funding efficiency to revenue and gross profit.

Total revenue and income excluding interchange fees reached R$3.4 billion in the quarter, increasing 2% year over year and 1% quarter over quarter.

Gross profit reached approximately R$2.0 billion, growing 3% year over year and 6% quarter over quarter. This performance reflects business execution, continued contribution from banking and credit, and a sequential improvement in financial costs.

At the same time, it is important to note that interest rates remain high for the year, and the rate cuts have not come in the magnitude initially expected. So we continue to manage pricing, funding and capital allocation with discipline.

The banking business is an important driver of our results. Higher transactionality, credit expansion and broader product penetration are contributing to a more diversified gross profit base and reinforcing the value of our integrated ecosystem.

Slide 15: On slide 15 we provide more details on the cost and efficiency drivers behind the quarter.

Financial costs declined 5% quarter over quarter, primarily reflecting management initiatives to optimize the Company’s funding costs, despite still elevated SELIC levels.

Total losses increased 9% year over year, mainly reflecting the expansion and mix evolution of the credit portfolio. This is consistent with our strategy to scale credit in a disciplined way, while maintaining strong asset quality indicators.

Operating expenses represented 25.9% of total revenue and income excluding interchange fees in the quarter. On a year-to-date basis, operating expenses improved as a percentage of revenues, reinforcing our focus on operating leverage, even considering second-quarter effects related to the World Cup broadcast sponsorship in Brazil and the annual collective bargaining agreement.

D&A plus POS write-off also improved as a percentage of revenues in the first half of the year, reflecting better capex allocation and POS management.

Looking ahead, we still see room for additional efficiency gains, and that remains an important part of our value creation.

Slide 16: Slide 16 summarizes how these dynamics translated into bottom-line performance and returns.

Non-GAAP net income reached R$576 million, up 2% year over year.

Diluted non-GAAP EPS reached R$ 2.06, increasing 10% year over year, supported by earnings resilience and the reduction in average shares outstanding following the execution of our share buyback programs.

Annualized non-GAAP ROAE reached 15.6%, increasing 30 basis points year over year, and remaining aligned with our solid capital structure and disciplined approach to profitability.

These results show that we continue to protect profitability while investing in technology, product innovation and the long-term growth of the business.

Slide 17: Slide 17 reinforces the strength of our capital position and our commitment to disciplined shareholder returns.

We've continued to advance our capital optimization agenda, pursuing a Basel ratio within our target range of 18% to 22% over time.

At the end of the second quarter, our adjusted Basel ratio stood at 22.5%, compared to 24.1% in the first quarter and 29.6% in the second quarter of last year. This movement brings us closer to our target range, while preserving flexibility to support growth.

Over the last twelve months, PagBank returned R$2.0 billion to shareholders through dividends and share buybacks.

In the first half of 2026, we completed our Third Repurchase Program, authorized for up to US$200 million, with more than R$370 million repurchased during the period.

In addition, the second tranche of our 2026 dividend was paid in June, and a 3rd tranche of US$ 0.28 per common share will be paid on September 30, with record date on September 16. We continue to expect total cash dividends paid in 2026 to reach approximately R$1.4 billion, subject to the relevant approvals, market conditions and the Company's financial position.

As we have said before, we believe dividends and buybacks remain the most effective way to optimize capital while continuing to support business growth.

Slide 18: Slide 18 shows where we stand against our 2026 commitments after the first half of the year.

At this point, we are maintaining our targets for the year, recognizing that YTD performance is reasonably in line with our strategy. While the macroeconomic environment remains uncertain, our expectations for the year assumed a more challenging first half, given that in the second half of this year we should benefit from easier comps. However, it is important to recognize that current SELIC rate levels create additional pressure for performance and for that reason we now expect to deliver a full-year performance at the bottom of the guidance range, rather than at the top half.

Now, starting with credit, total credit portfolio growth reached 31% year over year in the first half, within our expected range for the full year. We expect to keep this growth within the expected range for the year, as we further evolve our credit offering with the roll-out of new products in the next quarters, such as Private Payroll and PIX Finance.

Gross profit grew 2% year over year in the first half, highlighted by the positive contribution coming from financial cost efficiency.

Diluted non-GAAP EPS increased 11% year over year in the first half, within the guidance range for 2026. This reflects resilient profitability and the positive effect of capital optimization initiatives.

Finally, Capex reached R$1.1 billion in the first half, and we continue to manage investments with discipline, aligned with our full-year commitment.

With that, I will turn the call back to Mauad for a final announcement.

Carlos Mauad: Thank you Gustavo.

Slide 19: Before we move to Q&A, I would like to share a recent leadership update.

We are pleased to welcome Enrique Fragata as PagBank's new COO. Enrique brings strong experience in the financial sector, and his arrival strengthens our focus on execution, efficiency and operational excellence. Enrique comes at an important stage as we continue to expand our ecosystem and advance our long-term strategy.

With that, I thank you all for joining us today. We appreciate your continued trust and partnership.

Operator: Thank you all for the presentation. We will now begin the Q&A session for investors and analysts. Our first question comes from Arnon Shirazi with Citi. You can open your microphone.

Arnon Shirazi, Citi: Hi all, nice to be here. My questions is related to credit and the 2029 goals. If I remember correctly, the expectations were to accelerate the credit portfolio especially in 2027, while 2026 would be a year focused on testing the product. From the current scenario that we are seeing today and the ongoing negative news around delinquency levels, has that changed your thinking at all? Are you seeing any changing plans leading to a reduced growth pace or any revision to the 2029 goals? Thank you.

Carlos Mauad: Hello. This is Mauad. Thank you for your question. No, we are still quite confident in everything that we are doing here. In fact, we see the 31% increase in credit outstanding as a very good number in terms of volume and performance. There is still a long way to go before 2029. Of course there will be different macro cycles that we will have to face. There will also be regulatory milestones that could change the credit landscape in Brazil, especially for the collateralized products. But again, it is our mission to find out the solutions, develop new products and to continue scaling the credit strategy of the company.

So far, despite the macro environment being tougher than we expected at the beginning of the year, we remain quite confident in everything we are doing and in the long-term guidance we published last year.

Ricardo Dutra: Just to complement**.** Just part of the answer here is to remember that, if you look at slide 11, we have very low NPLs. They give us the comfort to keep growing the credit portfolio in a sustainable way. We are still far below the industry, 3.4% compared to 6.2%. So we do have the comfort to keep growing in a sustainable way, same way we've been doing so far.

Arnon Shirazi, Citi: Great. If I may, a follow up on credit regarding the private payroll loans. I remember that the company was testing internally. How is this advancing and has the roll out to other companies started yet?

Carlos Mauad: Yes, we have already started to produce credit outside of the economic group that we have here. We already produced the first few millions in terms of credit outstanding and we're going to keep pushing up these volumes as we get confident on everything related to the operational risks of the product. We are confident, based on the first signs that we saw, that everything that we designed and implemented is solid. But, of course, there are some parts of the credit cycle that we need to still test. Again, answering your question straightforwardly, we are already creating credit production outside of the group on payroll loans.

Arnon Shirazi, Citi: And how's the quality so far? Sorry for the follow-up.

Carlos Mauad: So far, it has been perfect. But, of course, we started with the top tiers in terms of credit quality. So it is coming in at the levels of delinquency that we expected.

Arnon Shirazi, Citi: Great. Thank you.

Operator: Our next question comes from Daniel Vaz with Safra. You can open your microphone.

Daniel Vaz, Safra: Hi everyone. Thank you for the opportunity to ask questions. Maybe two questions on my side. I'm looking at your TPV. It improved sequentially, but we did not see revenues budging at the same pace, right? So you had a beat on TPV and a miss on revenues, maybe versus consensus and also on my side. This could mean your take rate and margin are compressing.

Can you give some comments on whether that has to do with pricing, maybe seasonal World Cup volumes, with more BET in your mix, or more Pix while cards are struggling, or client mix? So that is my question number one.

And question number two: trying to look at your gross profit guidance for 2026, you are currently at 2%, and your guidance is unchanged at between 6% and, I guess, 11%, or 6% and 9%. Any expectation of a pickup in gross profit in the second half of the year to meet guidance?

Thank you.

Carlos Mauad: This is Mauad, and I am going to answer your first question, and then I will hand it over to Gustavo to give you some light on the gross profit question.

So, in terms of TPV, there is a small dilution when we look at the growth of net revenue and TPV itself. That is an impact in terms of product mix, driven by the World Cup, as you mentioned there, but that is nothing that really worries us.

Of course, we keep pushing TPV, and we are being very careful about pricing. And that is, as you probably remember, also a base, let's say, of tough comps when you look at the second quarter of last year, when we had a massive repricing of the entire customer base that we have here due to the hike in SELIC.

So, if you take a look at the evolution of net revenues from the first quarter of last year to the second quarter, it was quite strong. So, we have created this step, and it is a little bit harder to push up the net revenue growth in the second quarter.

But again, that is a price to be paid for the churn that we had to manage later last year. And here, we are much more confident in this balance that we are creating between growth and defending the profitability of the Company.

I will pass the floor here to Gustavo, so he can answer your second question.

Gustavo Sechin: Hi, Daniel. Gustavo here. So, talking about the guidance, especially the gross profit guidance, we know that we have a lot of moving parts and a lot of headwinds coming from the macro scenario, which gives us some level of uncertainty.

But at the same point, as we have been talking, we always said that the second part of the year, the second half, should be the most important in terms of guidance achievement.

And talking about gross profit, we can say that we considered some contribution coming from credit origination, the credit acceleration, as we posted in this presentation. Also, as Mauad said, related to TPV, remember that we have been saying that the third quarter and the fourth quarter of last year were the worst part of the cycle for us, and gradually we have been posting an increase in terms of the payment activity.

Also, in terms of financial costs, despite the headwinds of this higher SELIC when compared to what we were expecting, we have maybe easier comps in the second half of the year.

I can say that we are always looking for different initiatives that could give us the ability to deliver the guidance. But again, probably not at the top of the range, but probably reaching the bottom of the gross profit guidance, as we posted.

Daniel Vaz, Safra: Okay, thank you guys. Thank you for the answers.

Operator: Before moving on to the next question, please remember each analyst should only ask one question. Our next question comes from Kaio Prato with UBS. You can open your microphone.

Kaio Prato, UBS: Hi guys, thanks for the opportunity to ask questions. I have one question on costs, please.

This quarter, actually in the last two quarters, we noticed, I would say, better-than-expected POS write-offs. I think those were lower than expected in the first quarter, and now I think we had a reversal in the second quarter.

Can you give us any color around that? Is there anything happening differently than expected on POS write-offs, and what can we expect going forward as well?

And still on this topic, are you seeing anything related to costs related to POS? We noticed some players are complaining about higher costs related to POS. Just wondering if you have anything on your side as well.

Thank you.

Gustavo Sechin: Okay. Gustavo here, Caio. Good talk to you.

So, talking about the POS write-off, or POS in general, we have implemented a series of different initiatives to organize our logistics and also how we can deploy different initiatives in terms of how we can get the POS that we had on the street, and that our merchants are not using anymore, and how we can deliver a different approach, a different solution for that.

That is the main reason that you are seeing.

Considering going forward, probably we are going to seek continuous improvement in that line. I would say that probably it is not going to be something linear, but the idea is to continuously improve our POS database, and we are looking to generate some kind of initiatives.

And talking about efficiency or other lines in terms of expenses in general, as we said, we are managing the business to get some operational leverage. We have implemented some initiatives in terms of how we can redesign some processes and how we can implement some automations.

We have used AI to help us not only in the back office, but also in customer care and customer assistance. We have been deploying different kinds of initiatives to give us the opportunity to continuously generate operational leverage.

That is the idea. We are managing the company, trying to seek different opportunities to improve our profitability through efficiency gains.

Kaio Prato, UBS: Okay, thank you. Anything on the costs related to POS?

Carlos Mauad: Hello. This is Mauad.

There is nothing major. We do have a memory shortage in the global market, so that kind of pressures terminal prices a little bit. But, on the other hand, FX is helping a little bit, as well as the efficiency that we are building, as Gustavo mentioned, on how to recover the POS that are in the hands of churned customers.

So, everything that we are putting together here, we are not feeling this impact from a unit perspective.

So far, so good here on our side when we talk about POS cost.

Kaio Prato, UBS: Okay, thank you very much Mauad. Thank you, Gustavo.

Operator: Our next question comes from Marcelo Mizhari, from BBI. You can open your microphone.

Marcelo Mizrahi, BBI: Hello, everyone. Thank you for the opportunity. I have two questions.

So, the first question is regarding take rates and financial revenues. Looking forward, with this dynamic of having a lower impact from credit cards and more Pix, is it possible to see this dynamic being maintained and remaining stable going forward? This is the first question.

And the second question is regarding the expense side. We saw some expenses related to the World Cup. So, is it possible to see better profitability or even a reduction in operating expenses in the third quarter, looking forward?

Thank you.

Gustavo Sechin: Hi, Marcelo. It's Gustavo here. I will start with your second question.

I would not say that we could expect a reduction in terms of expenses, but the idea is to manage the Company to grow expenses below revenues. That is the main idea, or at least below inflation.

So, as I said in the previous question, we are looking for opportunities on the operations side. We are looking for opportunities in customer experience, both trying to get and to generate operational leverage for the business and also give us, as I said, space to improve our profitability in general.

So, that is the idea.

I do not know if I understood your first question correctly, but when we talk about the rate or the mix between different kinds of transactions, we are seeing, in general, that they are pretty much similar.

Of course, what does it mean? It means that we are observing an increase in terms of Pix, and that contributes not only to the payment business itself, but also through banking. And at this point, it is very important to highlight the performance of Cash-In.

Remember that we now reached almost 100 billion reais in terms of Cash-In in the quarter. And mainly, that Cash-In comes from Pix, and that gives us the capability to monetize that kind of inflow of money from customers that choose our platforms as their main platforms for different products.

So, when we look at the rate, it gives us only a portion of the relationship with the customers. It is very important to look at transactionality as a whole. So, look at the inflow of money that comes from the payment side, look at the inflow of money that comes from the banking side, and all the opportunities that we have to monetize that kind of inflow of money.

Marcelo Mizrahi, BBI: So, but the question here is that, sorry to do this follow-up, looking forward, with this mix dynamic, we will have to see the gross profit yield, so gross profit compared to revenues, going up. So, that is definitely what we have to see to deliver and to achieve the low-end of the guidance. So, probably, the idea here is that it is accretive in terms of gross profit yield.

Gustavo Sechin: Yeah. Yes. The short answer yes. Not relates to that, but also relates to increasing transactionality in general.

Operator: Our next question comes from Neha Agarwala with HSBC. You can open your microphone.

Neha Agarwala, HSBC: Hi, thank you for taking my question. I have a question on the credit business.

Could you expand a bit more and tell us what kind of NPL and cost of credit you are seeing for your working capital loans at the moment? It is considerably small right now, but just to get a sense of how things are going and where the NPL and costs should normalize as you grow the book.

And what gives you comfort regarding accelerating in July? Was the deceleration in 2Q a more conscious effort to kind of control risk, given the environment?

And if that is the case, why the acceleration in July? Has there been any benefit from the Desenrola program in your customer base?

Thank you so much.

Carlos Mauad: Hello Neha. Thank you for your question.

We do not disclose any information regarding individual products here in terms of credit appetite or anything like that. So, I am going to jump to the first part of your question and go straight to the second part of it.

If you take a look at April, we had a... I am sorry. In the second quarter, we had lower credit production on average due to a new credit model that we deployed at the beginning of the second quarter.

So, we were waiting for the first cohorts here to see if the cohorts would come within the credit appetite and deliver the performance that we wanted before we rolled it out to the entire customer database.

That is why you see this hike in terms of credit production in July, and you see a more, let's say, conservative approach in the second quarter.

That is a little bit what explains the movement between the average of the second quarter and the credit production of July.

Gustavo Sechin: Hi Neha. It's Gustavo here. Just to complement Mauad here, I think it is very important to highlight that we are not seeing any kind of deterioration in our asset side, in any of the products that we operate.

So, it gives us the confidence that we have developed all the capabilities to continue growing the credit portfolio with prudence and solvency.

And despite the fact that we do not provide references in terms of NPLs, you could expect that they will continue growing, but at a sustainable pace, much more related to the change or to the evolution in our product mix than compared to deterioration itself.

Neha Agarwala, HSBC: And just to clarify, has there not been any impact from the Desenrola program? And you don't plan to do secured working capital loans, is it going to be more secured, more from the funding side? You would focus on the unsecured working capital, right?

Carlos Mauad: There is no major impact of these second Desenrola programs here for us. The first program was a much bigger program due to the stock in terms of non-performing assets that we had in the Company. So, the second one has a much lower impact. And again, working capital is going to still our priority here because it is where we have a very clear right to win with the kind of customer that we have in our client base.

Neha Agarwala, HSBC: Thank you so much.

Operator: Our next question comes from Mario Pierry, from Bank of America. You can open your microphone.

Mario Pierry, Bank of America: Hey, guys. Good evening. Thanks for taking my question. Let me ask you a question. What you said about capital distribution, right, that your capital ratio is about 22.5% above your target of 18% to 22%. And you have completed your buyback program. You also mentioned that you'd rather pay dividends then buy back shares.

I just wanted to explore a little bit more why you think paying dividends is better than buying back shares, especially because when we look at your share price, it's back to the levels where it was in September of last year, when you announced your strategic plan.

So just wondering why you'd rather pay dividends than buy back shares. Thank you.

Gustavo Sechin: Hi Mario. Gustavo here. So, the first part of the answer to your question, why we chose dividends at this point, is that dividends give you a much more regular and predictable stream to investors.

So, we can set a target, as we set in terms of capital ratio, between 18% and 22%. And through dividends, we have been deploying a very clear capital optimization, at the same time, in a predictable way. It does not mean that we cannot use buybacks in the future, but we chose to use dividends because of the reason that I said before.

At the same time, as you said here, we use the instrument of buy backs in the last 12, 18 months with two programs that we execute in a very short period, but with limited effect and without the predictability.

So that is why we are now focused much more on dividends than buybacks. That is the main reason.

Mario Pierry, Bank of America: Okay. Now that's clear. So just to be clear then on your EPS guidance, right, where you talk about EPS growth of 9% to 13% for the year, that does not contemplate any more buybacks this year, correct?

Gustavo Sechin: Yes, correct.

Mario Pierry, Bank of America: Thank you.

Operator: Our next question comes from Guilherme Grespan with JP Morgan. You can open your microphone.

Guilherme Grespam, JP Morgan: Hi, good evening, everyone. I'll keep my questions to one.

It is more looking into 2027 already, a little bit coupled with the guidance for the rest of the year on gross profit, but more looking throughout the year and more into 2027.

I think there is a growing risk that we start to get into a scenario in which you have two tailwinds to gross profit. You mentioned two tailwinds to gross profit, but maybe eventually, in 2027, they are going to move in the opposite direction.

So, it is basically rates moving lower in the second half. We do not know what is going to happen in 2027. And then you will have the accretion of credit, right, as you recognize the credit revenues. But maybe, as we have been discussing financials and credit, there could be an eventual credit cycle, and you need to pull back on credit.

So, with all that said, my question is: assuming that, and considering that you are growing gross profit 2% year over year today, if you do not have those benefits next year, what levers can you pull to deliver earnings growth next year?

Thank you so much.

Gustavo Sechin: Hi, Grespan, Gustavo here.

I think it is too early to discuss 2027. As I said in a previous question, we have a lot of moving parts right now.

We are managing the business to deliver the 2026 guidance. That is our main focus, and that is what we are working on here: trying to mitigate the headwinds, especially when they come from Selic, and trying to mitigate the uncertainty or volatility that comes from the internal and external environment.

But I think that the correct time to discuss 2027 should be a little bit later. And, as you said, we have uncertainty.

When we start to discuss that, we will look at alternatives to deliver continuous growth, especially continuous growth of the business, not only in terms of EPS, but also in terms of top line.

So, that should be the answer at this point.

Guilherme Grespan, JP Morgan: Okay, that's clear. Thank you, Gustavo.

Operator: Our next question comes from Pedro Leduc with Itaú BBA. You can open your microphone.

Pedro Leduc, Itaú BBA: Thanks guys, good evening. A question on financial costs this quarter, which were down a little bit. I know you mentioned working days and such, but you also did not have the impact of a lower average Selic, even if only slightly, and we saw some good dynamics in deposits.

So, looking at least until the end of this year, how should we think about financial expenses, especially relative to revenues, and what levers are you pulling there?

Thank you.

Gustavo Sechin: Hi, Pedro, Gustavo again.

I would say that, when we consider the second half of the year, probably we are going to see easier comps in financial expenses. I would say that this is the first quarter, to be clear, in which we are seeing a reduction, at least in nominal terms, in our financial costs after eight quarters, if I am not wrong.

So, I would say that this trend should remain a reality in the second part of this year. So, despite the fact that we are seeing, or we can forecast, a lower pace in terms of the reduction in rates in Brazil, remembering that we assumed in our guidance a year-end Selic around 12.5%, and now we are looking much closer to 14% or 13.75%, we have better comps when compared to the second half of last year.

Pedro Leduc, Itaú BBA: Great. Thank you.

Operator: Our next question comes from Tiago Binsfeld with Goldman Sachs. You can open your microphone.

Tiago Binsfeld, Goldman Sachs: Hi, good evening. Thank you for taking our questions.

Also on the deposit franchise, we see our deposit costs coming down annually to 83% of CDI. So from here, when you look forward, how much more do you think there's space to lower your deposit costs? Would you say it stabilizes around this low 80s, 83%? And what kind of initiatives are you implementing to lower that cost?

Thank you.

Gustavo Sechin: Hi, Tiago. Gustavo here.

So I would say that we are seeing our deposits growing 15% year over year. It should be higher, for sure. We could expect a higher pace, but I think that we have a very healthy pace in terms of deposits, especially considering that we have implemented, as you said, a bunch of different initiatives to mitigate the increasing rates and also reduce the remuneration that we used to pay on our deposits, both CDs and also our Conta Rendeira.

But more important than that, and also connected to deposits, is the inflow of money, as I said, connected to Cash-In, connected to the banking business. So, combined with the payment inflow, it gives us the ability to continue growing our deposit franchise, because that is definitely a clear advantage that we have in the business.

And we are always trying to identify different opportunities, using different instruments in our funding structure, to deliver a continuous reduction in our funding cost and also maintain that advantage that I said.

Tiago Binsfeld, Goldman Sachs: Thanks, Gustavo. That's clear.

Operator: This concludes the question and answers section and today's presentation. You may now disconnect and have a nice evening.