Nubank (NU)

Still Standing, Still Compounding

3Q26 Earnings Review

Nubank delivered another record quarter in 3Q26, although with a less clean composition than in 2Q. Net income reached US$1.09 bn (+5% QoQ and +31% YoY FXN), ~2% above our estimate, with ROE at 32%. **The beat came from the cost side.** Operating expenses were ~11% below our estimate and recurring provisions ~8% below, more than offsetting slightly lower revenues and a higher effective tax rate. Reported Risk-Adjusted NIM eased to 12.1% from 12.4%. **Excluding one-offs, however, it reached 12.7%, up from 11.9% in 2Q, signaling that the bank continues to be successful in pricing for growth and risk-taking within a challenging macro environment, as discussed in our latest update (link).** While NPL 90+ rose 40 bps QoQ to 7.3%, the highest level in the series, and coverage fell to 234% of NPL 90+ (from 244%), we note an important contribution from an increase in the share of the interest-earning portfolio (61% vs. 59% in 2Q26) in the mix. **Overall, we believe the results confirm the strength of Nubank's earnings engine (spreads, efficiency and risk adj. margins). We reiterate our Buy rating.**

Risk-adjusted profitability remains strong. Reported Risk-Adj. NIM declined 30 bps QoQ to 12.1%. Excluding one-offs, the figure reached 12.7%, 80 bps above 2Q. In 2Q, Desenrola had added ~55 bps, while in 3Q the provision on payment-institution receivables took off ~60 bps, with a net income impact of ~$53 mn. Management expects Risk-Adj. NIM to remain strong in 4Q. Faster growth would bring more upfront provisioning, but current levels look sustainable in the short term, demonstrating the resilience of Nu's franchise amid a more challenging macro scenario.

Credit quality: headline deterioration, partly explained by mix. Early delinquency slightly increased to 4.9% (vs. 4.8% in 2Q). In Nu's bridge, intentional risk expansion (+13 bps) more than offset seasonality (–9 bps); YoY, NPL 15-90 is up ~60 bps. NPL 90+ rose to 7.3% from 6.9% (+60 bps YoY). Mgmt attributes the increase to the higher participation of the interest-earning portfolio, where delinquency is concentrated; staging following the same dynamic, with a riskier product mix.

However, coverage is the variable to watch in 4Q26. Coverage of NPL 90+ fell to 234% from 244%. Allowances covered 102% of new 15+ delinquency formation, matching 3Q25 and close to the series low. That said, coverage remains above early NPL formation, and the 2025 pattern supports a seasonal reading: coverage also dipped in 3Q25 (230%) and recovered in 4Q25. That recovery, however, came with a higher CoR: 13.6% in 3Q25 to 15.8% in 4Q25 and 19.7% in 1Q26.

Nubank (NU)	**Buy**
Target Price ($/shr.)	17.0
Current Price ($/shr.)	11.8
Upside (%)	*44.0%*
Market Cap ($ bn)	57.1

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Figure 01: Nubank's 3Q26 Earnings Results

Key Figures | $ mn	3Q26	3Q26E	A/E	2Q26	Q/Q	3Q25	Y/Y
Net Interest Income | NII	**3,432**	**3,498**	**-2%**	**3,204**	**7%**	**2,302**	**49%**
Cost of Credit	-1,668	-1,689	-1%	-1,482	13%	-977	71%
Risk Adj. NII	**1,763**	**1,809**	**-3%**	**1,722**	**2%**	**1,324**	**33%**
Fee & Commission	817	795	3%	753	9%	595	37%
Total Expenses	-1,078	-1,209	-11%	-1,105	-2%	-697	55%
EBT	**1,350**	**1,269**	**6%**	**1,236**	**9%**	**1,116**	**21%**
Income Tax and Social Contribution	-259	-199	30%	-175	48%	-334	-22%
Tax rate (%)	19.2%	15.7%	349 bps	14.2%	499 bps	29.9%	-1072 bps
Net Income	**1,092**	**1,070**	**2%**	**1,061**	**3%**	**783**	**39%**

Growth reaccelerated sequentially. The credit portfolio reached US$41.6 bn, growing 33% YoY and 6% QoQ on an FX-neutral basis (vs. 5% in 2Q). Unsecured loans led (+39% YoY FXN), followed by credit cards (+32%) and secured loans (+23%). In Brazil, unsecured personal loan originations reached a record R$22.1 bn in the quarter (+28% YoY). Management does not see anything that would cause a sharp slowdown, and highlighted that public and private payroll loans are offsetting the decline in FGTS-backed lending.

Expenses came in below expectations. Managerial operating expenses reached US$846 mn (+5% QoQ). The efficiency ratio improved to 19.3% from 19.5%, mainly on lower personnel costs. Part of the spending was deferred to year-end, including the return to the office, so the ratio should rise in 4Q. Management now expects 19%-19.5% for FY26, better than the ~20% soft guidance.

Capital supports both growth and M&A optionality. CET1 stood at 12.1%, with US$1.88 bn of excess capital, and US$500 mn remains available under the buyback program until June 2027. Management reiterated a strong preference for organic growth, but noted that the pace of capital generation leaves room for M&A opportunities. On the macro front, management does not take a view on the economy and underwrites assuming the future will be worse than the past. It sees no visible impact from the betting ban and, given its small size in Brazil, believes it can keep growing selectively.

Mexico: the banking license starts to pay off. The banking license has been live since August. Deposit insurance coverage rose ~16x, from ~US$12k as a SOFIPO to ~US$195k as a bank, and Nu can now offer payroll accounts. Both support more stable funding and deeper customer relationships. The customer base reached 16.6 mn (+27% YoY; 17% of the adult population). Management now sees Mexico reaching ~70% of Brazil's size in its base case (60%-70% in 2Q), with upside — potentially even surpassing Brazil — if digitalization accelerates.

Colombia: strong momentum, with regulatory risk. Customers reached 6.1 mn (+62% YoY) and the credit portfolio grew 80% YoY FXN. Nu is now #1 in credit card holders (3.0 mn) and #4 in deposits, with funding at 76% of the benchmark rate. Management highlighted that the local instant-payment system is advancing faster than Pix did in Brazil. We highlight the probability of changes to how the interest-rate cap is calculated, which could push borrowers to the informal market and would represent a risk to card margins in the country.

Fig 02: Nu Margins Evolution (%)

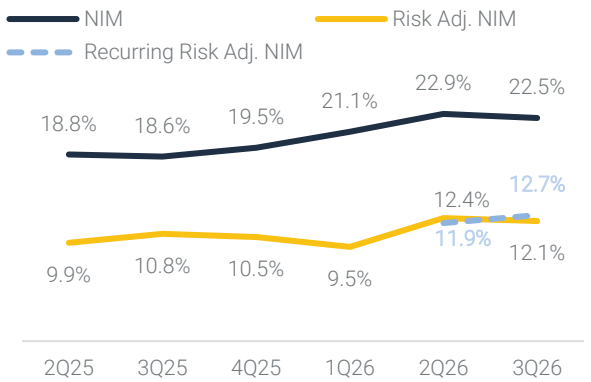


Fig. 03: Nu NPL and Interest-Earning Portfolio (%)

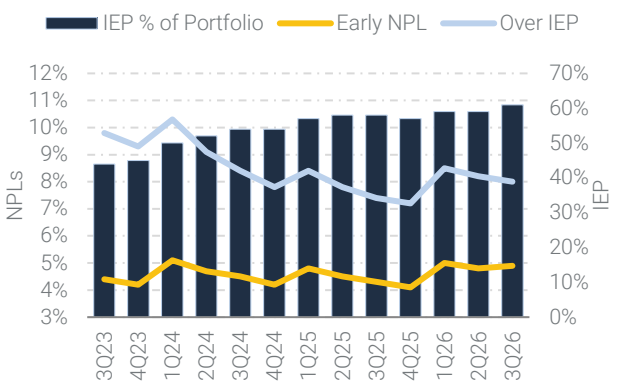


Fig 04: Share of Stages (%)

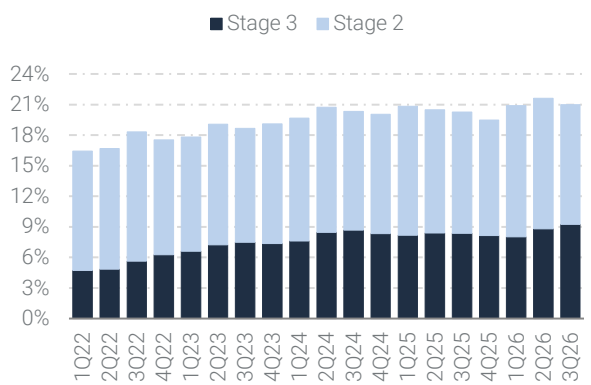
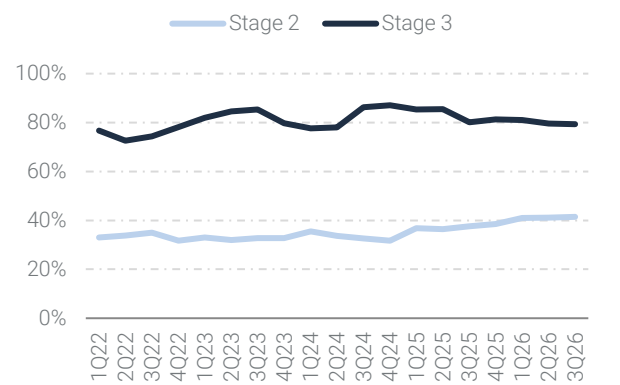


Fig. 05: Coverage by Stage (%)



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