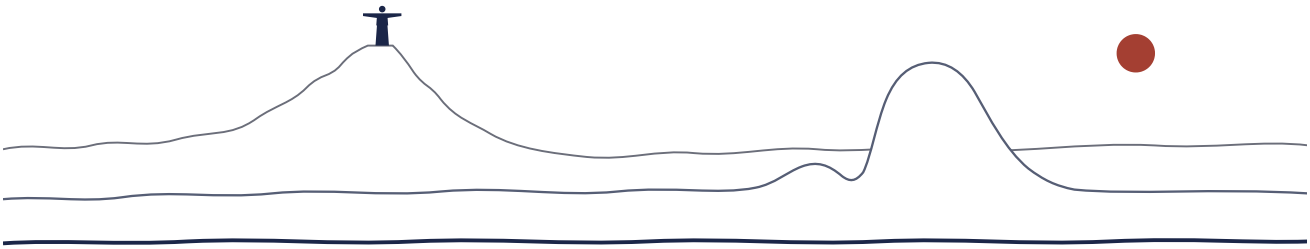
Motomeru Strategies

EQUITY RESEARCH | INITIATION REPORT

Nu Holdings

"The Digital Town Bank": the primary bank for 62% of Brazilian adults, built for about $7 a customer and run for about $1 a month, read as a relationship asset rather than a fintech



REVIEW TYPE	Initiation: first review of this company. Company report 2 of 8 in the *Rails and Relationship Banks* series
SECURITIES	NU, New York Stock Exchange (US$) \| NUBR33, B3 Brazilian depositary receipts (R$)
PREPARED BY	Motomeru Strategies Inc. | Jordan Hiebert, BBA, CFA, Principal
REPORT DATE	October 2026
INFORMATION AS AT	Share price October 21, 2026. Second-quarter 2026 results (April–June, published August 13, 2026) and full-year 2025 results (February 25, 2026)
MODEL STATUS	Below hurdle price. At US$15.10 the model's weighted case returns about 20% a year against a 14.1% required return, if earnings compound near 28% a year to 2030; at about 20% a year the return falls to about 12%. A model output, not a recommendation
CLASSIFICATION	Final. General information; not investment advice. The author personally holds NU. See disclosures.

ABOUT THIS REPORT

Customer, revenue, credit, deposit and profit figures come from Nu's quarterly releases and SEC filings. Market prices and incumbent figures come from public sources available on October 21, 2026. Figures marked EST are my estimates; the pro forma and stress test are my models and every assumption is listed.

INVESTMENT SUMMARY

The town banker's trust at software cost, at a price that underrates its earnings growth

Nu Holdings is a Cayman-incorporated digital bank, founded in São Paulo in 2013 and still run by its founder, David Vélez. It serves 139 million customers in Brazil, Mexico and Colombia from one app, with no branches. In Brazil it is the primary bank for most of its 118 million customers, 62% of the adult population.

At US$15.10 (October 21, 2026) the shares trade at 5.5 times book and 20.6 times trailing earnings, against 2.5 times and 12 times for Itaú, Brazil's best-run incumbent.

What supports the value

- **Trust bought cheaply.** About US$7 to acquire a customer, 80% by referral, and Brazil's most-recommended bank (Bain NPS Prism).
- **Half the cost, higher returns.** An efficiency ratio of 19.5% against 37% at Itaú, and a 33% ROE funded by deposits that exceed loans by 15%.
- **Growth the price does not fully reflect.** Profit rose 49% in the year to Q2 2026. At 12.5 times my 2027 estimate, the shares price in less than the 28% a year EPS growth I model to 2030.
- **A second Brazil starting.** Mexico's bank went live in August 2026 with 16 million customers, and monetises faster than Brazil did at the same stage.

What tempers the view

- **The price already credits it.** Book value would justify about 2.3 times on today's ROE; the market pays 5.5 times, which only sustained growth supports.
- **Unsecured credit.** 92% of the book is cards and personal loans; both NPL ratios rose year on year.
- **The real.** A 40% fall would take about US$4.5bn off book value.
- **The case rests on growth.** If EPS growth slows to about 20% a year, the return falls to about 12%, under the 14.1% hurdle.

MODEL STATUS

Below hurdle price

On the author's assumptions, which need earnings to keep compounding near 28% a year. Not a recommendation

Share price (US$)	**15.10**
Market cap (US$ bn)	**72.9**
Price / book	**5.5x**
P/E, trailing / 2027E	**20.6x / 12.5x**
ROE, Q2 2026	**33%**
Efficiency ratio	**19.5%**
90+ day NPL	**6.9%**
Expected return, % a year EST	**20.2%**
Required return EST	**14.1%**
Spread	**+6.1 pp**
Hurdle price (US$) EST	**~18.8**
Scenario range 2030 (US$) EST	**13.50–52**
Customers (m)	**138.9**
Trust-adjusted score	**17 / 27**

Price: NYSE, October 21, 2026. Book: US$13.3bn at June 30, 2026 over 4.83bn shares.

PRIMER | HOW THE PURPLE CARD WAS BUILT

From an invite-only card to the bank of 62% of Brazilian adults

In 2013 five banks controlled most of Brazil's lending and charged some of the highest card rates in the world. Opening an account meant months of paperwork and a guard at the branch door. Nu was built to take the customers those banks served badly, and to keep them by being liked.

YEAR	WHAT HAPPENED	WHAT IT LEFT IN TODAY'S COMPANY
2013	David Vélez, a Colombian ex-Sequoia investor, founds Nu in São Paulo with Cristina Junqueira (ex-Itaú cards) and Edward Wible (engineer). Sequoia and Kaszek fund the seed.	A founder still running the company and controlling the vote
2014	A no-fee purple Mastercard, run entirely from an app, launched invite-only	The habit of growing by referral, not advertising
2017	NuConta digital account launched	The deposit franchise that now funds the whole book
2018	Tencent invests	Validation at global scale
2019	Personal loans; entry into Mexico	The move from card issuer to lender, and the first market outside Brazil
2020	Colombia entry; Easynvest bought; Brazil's central bank launches Pix	Free instant payments that made Nu the primary account for millions
2021	Berkshire Hathaway invests US$500m (since exited); NYSE listing at US$9, about US$41bn	Capital for the lending build-out
2022	Shares fall to about US$3.50 as rates rise	A market that doubted a fintech could earn bank returns
2023	First full-year profit, US$1.0bn	Proof of the model
2025–26	US charter filed (conditional approval January 2026); Mexico bank licence (July 2026) and launch (August); first US$1bn quarter	Cheaper funding in Mexico and an option on the US

Why it matters to a holder today

Nu was built in three layers: a card that won attention (2014–17), an account that won the salary (2017–21, sped up by Pix), and a lending stack that monetises the relationship (2019 on). Each layer cost little because the customer already had the app. Incumbents built the branch first and had to sell every new product again.

Reading the history plainly

The 2022 fall is part of the record. For a year the market priced Nu as a cash-burning fintech, and it was right to ask. The answer came in profit. That history is why I judge Nu on returns against its cost of capital, and give growth its due only once it shows up in earnings.

Sources: Nu F-1 (2021) and 20-F filings; Nu quarterly releases 2022–2026; Crowdfund Insider (Mexico licence, July 2026). Founding details and early dates are from public histories and may differ by a year across sources.

1 | WHAT YOU OWN

One app, three markets and a deposit base larger than the loan book

Nu earns money three ways from the same customer: interest on cards and loans (61% of Q2 2026 revenue), the spread on deposits it reinvests at Brazil's 13.75% policy rate (25%), and fees (14%). It owns no branches and no commerce network. What it owns is the account where the salary lands.

Brazil is 85% of customers; Mexico is where the next decade of growth sits

Customers by market, millions, June 30, 2026 (139m in total)



Brick red = densification stage. Brazil 62% of adults; Mexico 16.5%; Colombia over 5m; US conditional charter only. Source: Nu Q2 2026 release.

REVENUE, US$M	Q2 2025	Q2 2026
Credit income	2,240	3,605
Float income	991	1,454
Fee income	542	816
Total revenue	**3,772**	**5,876**
Net income	637	1,061

Nu Q2 2026 Form 6-K. US$ figures include the real's rise over the year; FX-neutral revenue growth was 39%.

The book and how it is funded

The US$39.4bn credit portfolio is 66% cards (US$26.0bn), 26% unsecured personal loans (US$10.3bn) and 8% secured lending (US$3.1bn, mostly payroll and FGTS-backed). Much of the card balance is transactor spending that turns over monthly.

Deposits of US$45.3bn (Brazil 36.4, Mexico 5.7, Colombia 3.3) cost 88% of the interbank rate, down from about 91% a year ago. Mexico's loans are only 35% of its deposits.

2 | THE RELATIONSHIP, LOOKED THROUGH

Nu's main asset is the primary account: about US$7 to win and US$1 a month to keep

The white paper argues that the customer relationship is the most foundational of the intangibles that now make up most developed-market capital. Nu tests that idea cleanly, because it has almost nothing else. Its asset is the primary relationship with about 82 million Brazilian adults.

LIGHT-FOOTPRINT MEASURE	NU	BAR
Acquisition cost per customer	~US$7	Single-digit
Share acquired by referral	~80%	>70%
Monthly revenue per active (ARPAC)	US$17.1	
Monthly cost to serve	US$1.0	
ARPAC / cost to serve	17x	>10x
Monthly activity rate	83.5%	>80%
Primary-bank share of actives	>61%	>50%

Nu Q2 2026 release; CAC (2019–23 average, 29% paid), referral share and primary-bank share from Nu 20-F 2023 as cited in the series white paper. Bars are the series scorecard's.

What Nu knows

As the primary account it sees income arrive, Pix flows out, card spend and balances every day. Its NuFormer model, trained on that behaviour, now underwrites cards in Brazil and Mexico. It sees the money but does not sit between the customer and its source, except on secured loans.

Why customers stay

Nu ranks as Brazil's most-preferred financial institution (Bridge Research, Q1 2025) and the most recommended in Bain's NPS Prism study. It has the lowest complaint rate among Brazil's 15 largest institutions in the central bank's ranking and has held Reclame Aqui's top service seal for eight straight years.

The cost of rebuilding that trust shows up in the numbers. Itaú runs at a 37% efficiency ratio with branches and agents. Nu runs at 19.5%. The gap is the asset, showing up in the cost line.

> **A long life in a small town**
>
> A former boss of mine liked to say that it's a long life in a small town. It isn't good or bad in itself; it means reputation has consequences and relationships carry forward. Brazil's incumbents held customers mostly by friction, and when Pix took the friction away, a lot of them left. The ones who stay with Nu stay because they want to, which Aristotle would have called a friendship of character rather than one of utility. The same logic cuts the other way: a relationship that turns extractive, through aggressive revolving-card pricing for instance, spends down the trust that built it.

3 | FIVE YEARS OF NUMBERS

From loss to a 33% ROE, paid for out of its own earnings

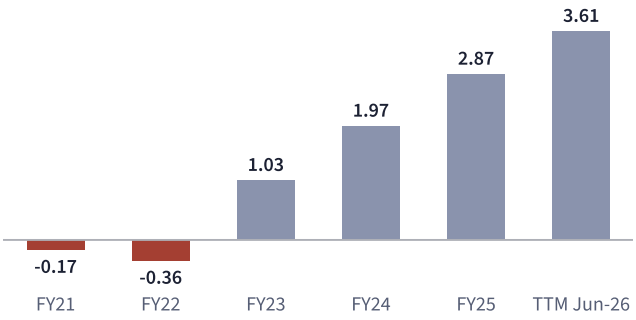
In five years Nu went from a loss to US$3.6bn of trailing profit, roughly tripled its equity from retained earnings, and cut its efficiency ratio from about 47% to 19.5%. Its 90+ day NPL rose only from 5.2% to 6.9% while the book roughly doubled from 2024.

US$, YEAR-END UNLESS NOTED	FY21	FY22	FY23	FY24	FY25	Q2 26 / TTM
Revenue (US$bn)	~1.7	4.8	~8.0	11.7	16.3	20.5 TTM
Net income (US$bn)	(0.17)	(0.36)	1.03	1.97	2.87	3.61 TTM
ROE	Loss	Loss	23% Q4	28%	30%	33% Q2
Efficiency ratio	n.m.	47.4% Q4	36.0%	24.7%	20.7%	19.5%
Customers (m)	~54	74.6	93.9	114.2	131.0	138.9
Monthly ARPAC (US$)			10.6	10.7	15.0	17.1
Credit portfolio (US$bn)				20.7	32.7	39.4
Deposits (US$bn)		15.8	23.7	28.9	41.9	45.3
NPL 15–90 day		3.7%	4.1%	4.1%	4.1%	4.8%
NPL 90+ day		5.2%	6.1%	7.0%	6.6%	6.9%
Shareholders' equity (US$bn)	4.4	4.9	6.4	7.6	11.3	13.3

Nu releases Q4 2022–Q2 2026; equity from StockAnalysis. FY21 revenue and customers and FY23 revenue are approximate. FY22 includes a one-off US$356m non-cash charge; without it the year was about break-even. FY24 balances fell with a 21% drop in the real. Blank cells were not disclosed on a comparable basis.

Profit arrived in 2023 and has nearly tripled since

Net income, US$bn



What the numbers say

- **Operating leverage is the story.** Revenue rose about 12 times since 2021; cost to serve stayed near US$1 a month.
- **Credit quality is steady.** The 90+ NPL has sat at 6–7% for three years. Risk-adjusted NIM rose to 12.4% from 9.9%, so pricing covers it.
- **Little capital spending.** Capex is mostly software; intangibles rose to US$747m. The real capital need is regulatory capital behind the loans.

4 | STRESS TEST OF THE CREDIT SLEEVE

A repeat of 2015–16 would cost about a fifth of a normal year's profit, and a weak real would cost more

Nu stays profitable in an ordinary recession and loses about US$0.9bn in a replay of Brazil's 2015–16 depression, roughly a fifth of a base-case year. Pre-provision profit covers credit costs of about 35% of the book a year, twice today's level, before Nu loses money.

US$BN, ONE YEAR, BOOK HELD AT US$39.4BN	BASE	RECESSION	SEVERE (2015–16)
Credit costs, % of average book	17.7%	23.8%	33.5%
Rough 90+ NPL	6.9%	~9%	~13%
Funding cost shock	—	+200bp	+400bp
Real vs US dollar	Flat	−15%	−40%
Pre-provision profit	13.3	12.2	10.6
Credit costs	(6.8)	(9.1)	(12.8)
Pre-tax profit	6.5	3.1	(2.2)
Net income, local terms (35% tax)	4.3	2.0	(1.4)
Net income in US$ after the currency move	**4.3**	**1.7**	**(0.9)**
ROE	32%	13%	−6%
Translation hit to US$ book value	—	(1.7)	(4.5)

My model[EST] on Q2 2026 annualised: pre-provision profit US$13.3bn (gross profit plus credit costs less operating expenses), credit costs US$6.8bn including up-front IFRS 9 provisions. Severe case: GDP −3.5% and −3.3% (2015–16), unemployment roughly doubling to about 13%, Selic to 14.25%, real down about 45% from mid-2014 (macro figures approximate). 85% of equity assumed in reais.

The credit loss is a year's growth; the currency is the bigger hit

Net income in US$ by scenario, US$bn



Capital holds up

The severe-case loss of about US$1.4bn in reais is 11% of equity. Nu held about US$2.2bn of excess capital in its operating entities and US$3.0bn of holding-company cash at end-2025, so no new equity would be needed.

What the test cannot see

Nu does not disclose full vintage loss curves, and 37% book growth flatters NPL ratios. Only the 8% secured slice is repaid before the borrower is paid.

5 | AGAINST THE INCUMBENTS

Nu out-earns Itaú and Banorte at half their cost, with more bad loans and a higher multiple

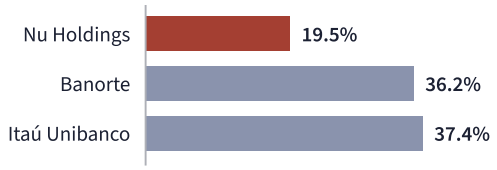
Nu earns a higher ROE than the best incumbents in Brazil and Mexico at about half their cost ratio. It also carries four to five times their bad-loan ratio and trades at more than twice their price to book.

	NU HOLDINGS	ITAÚ UNIBANCO (BRAZIL)	BANORTE (MEXICO)
ROE	33%	24.3%	~22%[EST]
Efficiency ratio	19.5%	37.4%	36.2%
Bad-loan measure	90+ NPL 6.9%	Cost of credit 2.7% of book	NPL (IMOR) 1.5%
Book mix	66% cards, mostly unsecured	Diversified; mortgages R$152bn, cards R$150bn	Corporate, government, mortgage, payroll
Funding	Deposits 115% of loans at 88% of interbank	Deep retail and wholesale	Low-cost demand deposits
Distribution	App only; ~US$1 a month to serve	Branches plus digital	Branches plus digital
Price / book	5.5x	2.5x	2.1x
P/E, trailing	20.6x	12.0x	8.7x

Nu Q2 2026 6-K; Itaú Q2 2026 via Finsee (not checked against Itaú's own release); Banorte 2Q26, B×+ research (July 22, 2026); multiples from StockAnalysis, October 19–21, 2026. Banorte ROE is my estimate.

Half the cost of the incumbents

Efficiency ratio, Q2 2026, %



The NPL gap is mostly mix

Incumbent books are anchored by mortgages, corporate and payroll loans. A 6–7% 90+ NPL is normal for Brazilian unsecured credit. The test is whether risk-adjusted NIM holds near 12%; on Q2 2026 it does.

What the comparison does to the required return

Itaú is my cross-check. At 12 times earnings, an 8.3% earnings yield plus mid-single-digit growth implies the market already asks about 13% in US dollars of a top-tier Brazilian bank. Nu's 14.1% (section 8) sits about a point above that, which is the trust premium plus a higher risk-free rate than that yield implies.

Mexico is the fight to watch

Banorte's 1.5% NPL and cheap deposits come from a corporate and payroll franchise Nu does not touch. Nu's opening is the consumers Banorte and BBVA México never served; its licence now lets it compete for their deposits at bank cost.

6 | SCORECARD

Nu scores 19 of 27, and most of it comes from trust

Nu keeps the white paper's first-pass scores: 19 of 27 on likeness, 7 of 9 on governance, a trust-adjusted 17 and a 1.0-point trust premium. The one change is lifecycle: Mexico moves from pioneer to build-out now its bank is live.

PILLAR	KEY METRIC	NU, LATEST	VERDICT
1. Network credit	Share of book repaid from flow	~8% (secured only)	Weak
	NPL 15–90 / 90+	4.8% / 6.9%, both up y/y	Watch
	Vintage loss curves	Not disclosed	Weak
	Risk-adjusted NIM	12.4%	Strong
	Deposits / loans	115%	Strong
2. Infrastructure	Owned rail	Rides Pix, a public rail	Not applicable
3. Runway	Adult reach, Brazil / Mexico	62% / 16.5%	Mature / long
	Gross-profit vs customer share, Brazil	~5% vs ~30% (Q1 2025)	Long runway
4. Owner economics	ROE; efficiency	33%; 19.5%	Strong
	P/TBV vs ROE ÷ cost of equity	6.1x vs ~2.3x	Fully priced
5. Light-footprint trust	CAC; referral; NPS; ARPAC/cost	US$7; 80%; #1 Bain; 17x	Strong

GROUP	TRAIT	SCORE /3	WHY
Railway	Right-of-way	1	Pix is a public rail
	Fixed-cost leverage	3	139m customers at ~US$1 a month
	Third-party toll	0	No one pays to use Nu's network
Town bank	Private information	3	Primary-account data; NuFormer
	Collection from the flow	2	Sees the salary; deducts only on secured loans
	Network as the penalty	1	Losing the card hurts but does not cut income
Trust	Low acquisition cost	3	~US$7
	Customer trust	3	Most preferred and recommended in Brazil
	Low cost to serve	3	~US$1 a month; AI handles 60%+ of support
Total		**19 / 27**	**Railway 4, town bank 6, trust 9**

Trust discount: 7 of 9, +1.0 pp

Jurisdiction 2: Brazil and Mexico, functioning courts but politically exposed credit rules. Ownership and disclosure 2: Vélez controls about 80% of the vote through 20-vote Class B shares[EST]; NYSE-listed, Big Four audited. Conduct 3: no material findings or open allegations found. Trust-adjusted score 19 − 2 = 17.

Lifecycle

Brazil: densification, growth now from revenue per customer (ARPAC +22% FX-neutral). Mexico: build-out, at Brazil's 2020 reach but monetising twice as fast (ARPAC US$12.3 vs US$5.6 at the same stage). Colombia: pioneer. US: an option.

Series scorecard and benchmarks from *Rails and Relationship Banks*. Voting estimate from Vélez's Schedule 13G/A (October 2025): 901.6m Class B shares at 20 votes against 3.82bn Class A.

7 | VALUATION AND SCENARIOS

A sum of the parts above the share price, and a range skewed upward

I value Nu two ways: a sum of the parts by market today, and a range of 2030 outcomes. Both land above the share price. The market pays for Brazil as it is today and gives little credit for how fast its earnings are still compounding.

COMPONENT, US$BN	BASIS	VALUE	US$/SHARE
Brazil	~US$5.5bn 2027E earnings at 13x[EST]	71.5	14.8
Mexico	16m customers at ~US$550[EST]	9.0	1.9
Colombia	5m customers at ~US$300[EST]	1.5	0.3
United States	Option value of the charter[EST]	0.5	0.1
Holding-company cash	End-2025	3.0	0.6
Sum of the parts		**85.5**	**17.7**
Market value	October 21, 2026	72.9	15.10

2027E earnings from my pro forma (section 9), about US$5.9bn, of which about US$5.5bn from Brazil. Brazil's 13x is a premium to Itaú's 10.4x forward for higher ROE and growth. The market currently pays about US$525 per customer across the group.

SCENARIO TO END-2030	BEAR	BASE	BULL
What happens	Credit cycle plus a 30%+ fall in the real	The pro forma (section 9)	Mexico repeats Brazil; ROE stays above 30%
Probability	25%	50%	25%
2030 EPS (US$)	1.35	2.32	2.90
Exit P/E	10x	14x	18x
Price, end-2030 (US$)	**13.50**	**32.50**	**52.20**
Annual return from US$15.10	−2.6%	20.0%	34.4%

On earnings, Nu looks cheap for a bank growing profit 49% a year: about 12.5 times my 2027 estimate and 6.5 times 2030. Book value is the harder number. At 5.5 times book you need ROE near 30% for most of a decade, which the pro forma delivers but which leaves little room for a long credit cycle.

Weighted 25/50/25, the 2030 price is about US$32.70. The bear case loses about a tenth of today's price over four years and the bull case more than triples it, so on these assumptions the range is skewed upward, as long as growth holds.

8 | RETURN VERSUS REQUIRED RETURN

At US$15.10 the weighted case clears its 14.1% hurdle by about 6 points

REQUIRED RETURN (US$)	
US 10-year Treasury, Oct 19, 2026	5.1%
Equity risk premium[EST]	5.0%
Country premium: Brazil, Mexico[EST]	3.0%
Trust premium: 2 points × 0.5	1.0%
Required return	**14.1%**

EXPECTED RETURN, WEIGHTED	
Entry price, Oct 21, 2026	US$15.10
2030E EPS, base (model)	US$2.32
Weighted 2030 price	US$32.70
Dividends	None; buybacks in share count
Expected return, % a year	**20.2%**
Spread over required return	+6.1 pp

ANNUAL RETURN: 2030 EPS × EXIT P/E	10X	12X	14X	16X	18X
US$1.35 (bear)	−2.6%	1.7%	5.5%	8.9%	12.0%
US$1.74 (EPS growth ~20% a year)	3.4%	8.0%	12.1%	15.7%	19.0%
US$2.32 (base, ~28% a year)	10.8%	15.7%	20.0%	23.9%	27.4%
US$2.90 (bull)	16.8%	22.0%	26.6%	30.6%	34.4%

- **Hurdle price:** about US$18.80 on the weighted case and US$18.70 on the base case alone. On these assumptions a price below it should earn more than 14.1% and a price above it less. It is a model output that moves with the assumptions, not a price target.
- **Growth carries the case.** My base compounds EPS about 28% a year from 2026E, a little below analysts' three-year forecast of about 31%. At about 20% a year, my earlier base, the return falls to about 12%, under the hurdle.
- **The multiple matters less.** On base earnings the return stays above the hurdle down to an exit of about 11x, below Itaú's 12x today.
- **Why no extra credit premium.** The severe stress case costs about a year of growth and needs no new equity (section 4). The currency risk it exposes is already in the country premium.

Put together: the business earns a 27–33% ROE against a 14.1% hurdle, and the market has already paid for much of that spread at 5.5 times book. What it hasn't paid for is the growth still ahead. For a shareholder it comes down to one question, whether earnings keep compounding near 28% a year.

US 10-year Treasury 5.1% (Treasury par yield curve 5.15%, October 19, 2026; FRED DGS10 5.09%, October 16), the rate used across the series; equity and country premiums are my judgement. Holding period October 2026 to December 2030, about 4.2 years. Sensitivity from my model.

9 | PRO FORMA, 2026–2030

My base case: EPS of US$2.32 by 2030

I model the bank as it reports: revenue tracks the loan book, credit costs are a share of average balances, and equity rolls forward by earnings less buybacks. The base case credits the growth Nu is showing: the book compounds about 22% a year, slowing to 15% by 2030, with continued operating leverage.

US$BN UNLESS NOTED	2025A	2026E	2027E	2028E	2029E	2030E
DRIVERS						
Customers, year-end (m)	131	148	162	175	188	200
Monthly ARPAC (US$)	15.0 Q4	16.7	19.3	21.1	23.4	25.5
Credit portfolio, year-end	32.7	46	55	66	78	90
Credit costs, % of average book		17.5%	17.0%	16.7%	16.5%	16.5%
INCOME STATEMENT						
Revenue	16.3	23.4	30.0	35.7	42.5	49.6
Funding and other cost of revenue		(7.0)	(8.7)	(10.2)	(11.9)	(13.9)
Credit costs		(6.9)	(8.6)	(10.1)	(11.9)	(13.9)
Operating expenses		(3.2)	(3.8)	(4.3)	(4.9)	(5.5)
Pre-tax profit		**6.3**	**9.0**	**11.1**	**13.8**	**16.4**
Income tax (35%)		(2.2)	(3.1)	(3.9)	(4.8)	(5.7)
Net income	**2.87**	**4.1**	**5.9**	**7.2**	**9.0**	**10.6**
CAPITAL AND PER SHARE						
Buybacks (40% of earnings from 2028)		0	0	(2.9)	(3.6)	(4.3)
Shareholders' equity, year-end	11.3	15.4	21.3	25.6	31.0	37.4
ROE	30%	31%	32%	31%	32%	31%
Diluted shares, average (bn)	4.83	4.83	4.83	4.83	4.71	4.59
EPS (US$)	**0.58**	**0.85**	**1.21**	**1.50**	**1.91**	**2.32**
Efficiency ratio (opex / revenue net of funding)	20.7%	19%	18%	17%	16%	15%

2025A from the FY2025 release. 2026E includes reported first-half revenue of US$11.2bn and net income of US$1.9bn. All estimates EST. Revenue runs at about 0.59–0.60 times the average book, as in Q2 2026. Buybacks at about 16x earnings hold ROE near 31%; without them ROE drifts toward 25% by 2030. My EPS growth of about 28% a year from 2026E sits a little below analysts' three-year forecast of about 31% (StockAnalysis).

What has to go right

Customers rise by about 69 million to 200 million, mostly in Mexico, and revenue per customer rises 70%. The book nearly triples while credit costs hold near today's share of it, and AI keeps cost to serve flat.

What the model leaves out

A recession year (section 4), a sustained fall in the real and the US charter. Bear and bull flex growth, credit and the exit multiple.

10 | GOVERNANCE, LEADERSHIP AND CONTROL

David Vélez still runs Nu and controls the vote

A founder-led company with founder control

David Vélez has been chief executive since founding Nu in 2013. Through Rua California Ltd. he holds about 902 million Class B shares, each with 20 votes, plus a small Class A stake. Against 3.82 billion one-vote Class A shares, that gives him roughly 80% of the vote[EST], though about 19% of the economic interest.

What the structure means

Founder control has served shareholders so far: it allowed Nu to absorb the 2022 sell-off and keep investing in Mexico when the market wanted profits. It also means outside shareholders cannot force a change in strategy, which is why I score ownership 2 of 3 rather than 3.

Capital allocation so far

Nu has funded its growth since the IPO from retained earnings; equity rose from US$4.4bn to US$13.3bn without a follow-on offering. It has paid no dividend. Its largest acquisitions (Easynvest in 2020, and fintechs in Mexico) were small against the balance sheet.

What I would watch

Three decisions will show how the founder uses control: how much Brazilian capital goes to the US charter; whether excess capital is returned once Mexico is self-funding; and whether stock compensation keeps dilution near zero. My pro forma assumes buybacks from 2028; if they do not come, ROE falls toward 25% by 2030.

Conduct record

I found no material regulatory findings or unresolved allegations against the company. Nu has the lowest complaint rate among Brazil's 15 largest institutions in the central bank's ranking. I score conduct 3 of 3 and will move it if that changes.

A literary lens: the founder's bargain

Thomas Mann's *Buddenbrooks* describes a family firm that fades across generations. Nu is at the opposite end: first generation, founder in the chair. The risk here runs the other way. A founder confident enough to build a bank from nothing may also be confident enough to spend Brazil's profits on a long US campaign.

Schedule 13G/A filed by David Vélez Osorno, October 17, 2025 (shares as at September 30, 2025); Nu 20-F and quarterly releases. Voting share is my arithmetic and excludes other Class B holders.

11 | OWNING IT: TRADING, TAX AND CURRENCY

The shares trade in New York, but most of the value sits in reais

LINE	VENUE AND CURRENCY	LIQUIDITY	COMMENT
NU	New York Stock Exchange, US$	Deep; one of the most traded Latin American stocks	The main market for North American holders
NUBR33	B3, São Paulo, R$	Lower	Brazilian depositary receipts; for local investors

Tax, in brief

- **No dividend today.** Nu retains its earnings, so withholding tax is not yet a practical issue for Canadian or US holders.
- **Cayman domicile.** The Cayman Islands levy no withholding tax, so a future dividend would not lose tax at source to Cayman.
- **PFIC.** Nu is an operating bank, and I would not expect PFIC status, but I have not confirmed a company statement. Check with an adviser.
- **Reporting.** Canadian holders: Form T1135 applies if total foreign property costs more than C$100,000.

Currency: a dollar quote on real earnings

The shares trade in US dollars, but about 85% of earnings and equity are in reais. A US-dollar holder therefore owns the real. The 2015–16 stress case shows the currency can cost more than the credit.

REAL VS US$ TO 2030	−30%	−15%	0%	+10%
Base-case return, % a year[EST]	~10%	~16%	20.0%	~23%

My rough sensitivity: the real's move is applied to 2030 earnings in US dollars at the base exit multiple. Focus survey median for end-2026 is R$5.20 per dollar (August 2026).

Exchange listings; general Cayman, Canadian and US tax rules. This is not tax advice.

12 | MACRO CONTEXT

Lower rates help Nu’s credit book and trim its float income; the election matters for the real

Brazil: rates are coming down slowly

The central bank cut the Selic by 0.25 points to 13.75% on September 16, 2026, part of a gradual easing from the 15% peak. Focus survey inflation for 2026 is about 5%, above the 3% target. Lower rates help credit quality and cut Nu's funding costs, but they also shrink float income, which was 25% of Q2 revenue.

Brazil: the election

Flávio Bolsonaro (47.0%) and President Lula (45.2%) meet in a runoff on October 25, 2026. Brazilian shares jumped in overnight trading after the first round. For Nu the issues are fiscal credibility, which drives the real and long rates, and consumer-credit policy: card and installment interest caps are a recurring political promise.

Mexico: the build-out market

Nu reaches 16.5% of Mexican adults, about where it stood in Brazil in 2020. Mexico's credit depth is a fraction of Brazil's, and its banks earn high returns from corporate, government and payroll lending. That leaves the consumer open. The new banking licence lets Nu take deposits at bank cost and offer a full product set.

Where Nu sits

For a North American investor, Nu is a way to own Brazilian and Mexican household finance without owning their state-linked banks or commodity exporters. It is not defensive: in a Brazilian downturn the real, credit costs and the multiple would likely move against a holder at once.

Copom decision, September 16, 2026 (Atlas Público); Focus survey (September 2026); TSE first-round count via The Rio Times; Nu Q2 2026 release (Mexico reach).

13 | KEY RISKS

RISK	WHAT COULD HAPPEN	EFFECT ON THE CASE
Credit drift	15–90 NPL above 5.5% for two quarters, or risk-adjusted NIM below 9%	Pricing no longer covers losses; ROE and the multiple fall together
Hidden vintage losses	New cohorts prove worse than old once growth slows	Ratios jump as the denominator stops growing
The real	Sustained move above about R$7 per dollar	The bear case: US$ book and earnings down 25–40%
Regulation	New caps on installment or Pix-linked credit, especially after the election	Lower yields on the most profitable products
Trust erosion	Paid acquisition share rises; complaint rankings worsen	The cost edge narrows; the relationship asset depreciates
Competition	Mercado Pago, Inter, PicPay and incumbents' apps target the same customers	ARPAC stalls while cost to serve rises
Mexico execution	Still loss-making in 2028; deposits shrink faster than planned	About US$9bn of my sum of the parts at risk
Falling rates	Selic cuts outrun loan growth	Float income shrinks faster than funding costs
Founder control	Large dilutive deals or a costly US campaign	Capital diverted from buybacks; ROE drifts toward 25%
Growth slows	EPS growth near 20% a year rather than 28%	Return about 12%, under the 14.1% hurdle
Valuation	Exit multiple settles near incumbents' 10–12x	Base-case return falls to 11–16% a year

What would change the view

I would grow more confident if earnings growth stayed above 25% into 2027, if Nu disclosed cohort loss curves showing new vintages no worse than old, or if secured and payroll lending rose above 15% of the book. I would turn negative if risk-adjusted NIM fell below the 9.5% low of 2024 while NPLs rose, if EPS growth slowed toward 20% a year, or if customers began joining Nu for credit rather than trust: that would turn the town banker into the subprime card issuer the series warns against.

14 | CLOSING SUMMARY: THE CASE

The market is pricing Nu for slower growth than I expect

What I found

1. **A relationship business at heart.** Nu is the primary bank for most of its 118 million Brazilian customers, earned for about US$7 each and served for about US$1 a month.
2. **Returns above the incumbents at half their cost.** ROE of 33% and an efficiency ratio of 19.5%, against 24% and 37% at Itaú.
3. **Credit risk is priced in.** A 6.9% 90+ NPL on an unsecured book, covered by a 12.4% risk-adjusted margin. A 2015–16 replay costs about US$0.9bn, a fifth of a good year.
4. **The currency is the investor's real exposure.** A 40% fall in the real cuts US$ book value by about US$4.5bn with no credit loss.
5. **Founder control, used well so far.** Self-funded growth since the IPO; the next test is how capital is split between Mexico, the US and shareholders.
6. **The return clears the hurdle on growth.** About 20% a year expected against 14.1% required at US$15.10, if EPS compounds near 28% a year to 2030. The hurdle price is about US$18.80. At 20% growth the return is about 12%.

My case

Nu is the clearest case in the series of a relationship turned into a balance sheet. The town banker's trust has been rebuilt across Brazil for a fraction of what a branch network cost, and it now earns returns the old banks can't match. At 5.5 times book the market has paid for much of that. At 12.5 times my 2027 earnings, it hasn't paid for the growth.

The growth isn't certain. The base case clears the required return by about 6 points; the bear case, about US$13.50, is what a credit cycle and a weak real arriving together would look like.

MODEL STATUS

Below hurdle price

Expected 20.2% a year vs 14.1% required; hurdle price about US$18.80; scenario range US$13.50–52 by 2030. A model output that moves with the assumptions, not a price target or a recommendation

What to watch

NPL 15–90 and risk-adjusted NIM each quarter; ARPAC against cost to serve; Mexico's path to profit; buybacks or a dividend once Mexico self-funds; the real after the October 25 runoff.

SOURCES AND DISCLOSURES

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3. Schedule 13G/A, David Vélez Osorno (October 17, 2025): Class A and Class B holdings and voting structure. Nu F-1 (2021) and 20-F filings: history, acquisition cost, referral and primary-bank shares.
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5. Prices and multiples: StockAnalysis (NU and ITUB, October 19–21, 2026). Itaú Q2 2026 via Finsee; Banorte 2Q26 via B×+ (July 22, 2026).
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7. Motomeru Strategies Inc., *Rails and Relationship Banks* (October 2026): scorecard, likeness and trust-discount method.

Historical macro figures for Brazil 2015–16, early company dates and FY2021 figures are approximate and from public histories.

ABOUT THE AUTHOR

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DISCLOSURE OF INTERESTS, AS OF OCTOBER 21, 2026

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