

## Q3 2021 Earnings Call

### Company Participants

- Alexandre Riccio De Oliveira, Vice President-Technology, Operations & Finance
- Helena Caldeira, Chief Financial Officer and Investor Relations Officer
- Joao Vitor Menin, Chief Executive Officer

### Other Participants

- Eduardo Rosman, Analyst
- Flavio Yoshida, Analyst
- Geoffrey Elliott, Analyst
- Jorg Friedemann, Analyst
- Neha Agarwala, Analyst
- Pedro Leduc, Analyst
- Unidentified Participant
- Yuri Fernandes, Analyst

### Presentation

#### Operator

Good morning, and thank you for holding. Welcome to Banco Inter's Earnings Call for the third quarter of 2021. We have with us today CEO, Joao Vitor Menin; Vice President, Alexandre Riccio de Oliveira and the Finance and IR Officer, Helena Caldeira. This conference is being recorded and all participants will be in listen-only mode during the company's presentation. Then we will have a question-and-answers question -- session when more instructions will be given. (Operator Instructions)

This conference is also being webcast live and it can be accessed through our [ri.bancointer.com.br](https://ri.bancointer.com.br). A replay of the conference will be available right after it's finished. We'd like to remind you that those of you watching through the webcast can send questions to the company through its website and they will be answered by the company's IR's department after the conference is over. We shall remind you that this call is being simultaneously translated into English for the company's foreign investors.

Before we continue, I would like to mention that forward-looking statements that may be made during this call about the company's business perspectives, as well as its projections, operational and financial goals are based on the management's expectations about the future based on information that is currently available to Banco Inter. Future considerations are not guarantee of performance as they involve risks, uncertainties and assumptions referring to future events that therefore may or may not occur.

I'd like to give the floor now to Mr. Joao Vitor Menin, CEO, who will begin his presentation. Mr. Menin, over to you.

## Joao Vitor Menin

Thank you. Good morning, everyone.

It's a great pleasure to be with all of you here. Alexandre and Helena will be talking about the results of the third quarter of Inter, which are great. I will try to be brief and give good time to Q&A. And I will go through four major points. I believe the main one that I would like to mention is related to the revenue growth of Inter.

You know that we have been in this journey of having our super app created to bring clients, engage them, monetize them. And we see that quarter-over-quarter, we're able to have important milestones when it comes to revenue. So this quarter, we had even a stronger figure that I would even call it, juicier. So this makes us quite happy, and I say that this year is a year where we have the chance of having 250% growth of our revenues compared to 2020. And maybe I am unaware of any company that has any revenue that has reached BRL1 billion that has done that in 2021 at a tough year of the pandemic.

So I believe that the first step of any business that is solid and that has a big profit and a big market importance has to do with revenues that is really the watershed, and that's what we're delivering, revenue growth. But going beyond a revenue growth that is solid, what makes me very glad if you look at Slide 5 and 10 of our presentation, it's what I'd like to see the most, the diversification of our revenue.

Why should you have a strong revenue that grows, but it's anchored on one single product, just credit card figures. No, with Inter the first derivative, which is revenue of services and I -- and when you have these two bigger groups that are about 50% each responsible for the revenue, we have a diversification of revenue and I was just seeing it, which is 25%, 25%, 25% of our four major credit groups, and in terms of service as well. So diversification that's quite big.

And what does that bring to us? A result that is much more stable, much less susceptible to regulatory changes. And I was even checking the result of a major digital player and how dependent of encryption has been. So the best thing about that is that it's strong and it's diversified and sustained.

Point two would be expenses. That's something that we've been talking to a lot with our shareholders, where we have an obsession here at Inter and I say that is our mindset where we are talking about operational efficiency. And we are delivering also quarter-over-year. And it's interesting to see if we break down the expense, obviously, grows as the Company grows as well, but if we have two major groups, the operational and those that come from the growth of the Company, we will see that much of the cost has to do with growth.

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I always say that we have uploaded many expenses to be able to build this machine that we have been building. So even the underwriting credit that are done in-house with no intermediaries, they are also as the overhead. Even like if we talk about payroll credit, credit card, they are also put that into the cost and reverted. Reverted to what? Are we saying what well because the credit underwriting at Inter is really big, so there is a quite healthy part there as well.

And what I wanted to mention about the third one is the positioning of Inter when it comes to the regulatory and market positioning. So I believe we've always positioned ourselves as the best of two worlds, of the FinTech and the traditional banks. And I believe that is becoming clear and clear. We see a bit of inflection when it comes to the regulatory agents in terms of competition and focus on healthy competition so we can reduce the symmetrics we've seen in the market and we are well-positioned that way.

I believe there is a background noise. So let's just make sure we're on the mute. Let me carry on. So we're very well positioned when it comes to regulatory aspects. So the vision we have at Inter to position ourselves in a way that is privileged. I mean one example I'd like to give when it comes to the regulatory point is the prepaid, which brought a big problem. Inter does not have any of these activities. We have a full checking account.

And the other is related to the regulatory capital. Since we are a financial institution and we have a full checking account, we have a very strong structure, where we're able to really face the growth we're going through and that we have delivered lately. So I believe that despite the path to pave of the regulation, we're really well-positioned and that's very important when we talk about the Company in the long run.

And one point that is not less important, we've talked about the acquisition of USEND, a American FinTech, and the more that we really check more about USEND, and in terms of integrating and concluding the integration, I mean the more excited I get with USEND. I believe we can actually position ourselves and to run the risk to really create a global account.

And I think it's important what we have done with our super app in terms of the revenue, the engagement we get, and all of that and bring that to what I would say, the US and then to a global scenario that's very strong. So I believe we have great options ahead. Obviously, we have nothing at this point to share in terms of that for the -- I mean we don't have anything in terms of what we can see. But I am really happy where we can really read from 2022. So those were the four points.

I would like to thank our team. It was a tough year for everyone at Banco Inter and everywhere else with much volatility in the market and I have realized that the more the tougher things are, it seems like the more we deliver, the more dedication and the more passion we get from our employees. So this is something that brings us much satisfaction. I'm so proud of our team. And I say that more and more I see that they are less mercenaries and more missionaries supporting us in this amazing mission, which is transforming the financial Brazilian market. And I would like to thank (Technical Difficulty) 3,600 people, waking up early every single day to be part of our project.

So I'd like to close, and I'd like to send over to Alexandre, so he can bring the financial numbers to us and then Helena will talk about Investors Relations and Q&A. Thank you.

## Alexandre Riccio De Oliveira {BIO 20402984 <GO>}

Okay. Good morning, everyone, and thank you for your participation here. I will go through the highlights of our quarter. And I believe with this external turmoil that we've seen, Inter again shows a very strong quarter. So we have kept our focus and we have been growing resilient growth and with much opportunity to be explored when it comes to our database and as we grow with our maturity and that was our reality and still is.

And our unit economics, CAC, CDF, which are the main points that we're taking to consideration are still going the right way. We're on track with still simultaneous to be able to increase our level. So our CAC is not only very good, or ARPU increase, I mean, we're talking about, we were able to improve the level of service we deliver. So we went over 3,600 employees as we just mentioned. And this has strengthened our capacity to keep innovating and in parallel to that maturing the important aspects of operational excellence.

So, going a bit into the figures, a bit about the growth, we reached a number of customer, where we have growth over and over and the pace increasing. We have 14 million clients. So we have 8% growth in the third quarter, We have 8% over the third quarter. So we're talking about 8 million new accounts and the acquisition of clients still healthy at BRL30.74, although there is an intense competitive market in terms of opening accounts. So we were able to keep and we were able to really have a reduction in cost.

And in terms of cross-selling index we are still growing. We were at 3.43, 17% growth in a year, reflecting our capacity to be able to have the sales of the next product to our customers. This is and will keep being important for the next years for Banco Inter and we've been able to deliver. Our active customer base is still solid. And I have two points to be mentioned about the cross-selling index growth is that, first, it grows significantly compared to the previous cohorts. This shows our capacity to increase value in all cohorts. So it's not just the new cohorts that come with new products, but as we release new products, mature them, we are able to make that this product penetrates in the new and older cohorts. This is true for credit card among other products.

And one other point that I would like to highlight is our delivery when it comes revenues in growth of intra-products. So this is a good example. We also have that in our release. One is the demand deposit that grows four times when we think about the different cohorts, 15 months after the first quarter of relationship and also the revenues of card that grow 15% every 12 months as relationships get mature. NPS our at a great level, 84.

So, going a bit into the figures, specifically, when we're talking about day to day banking. We have reached BRL9.2 billion of demand deposits with a solid behavior with average per customers. So we're talking about keeping our pace over 20% from what we had before. So we see that again. And as it was said in the previous call, we saw throughout the third quarter much growth in terms of credit cards. So again, we can see that including

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-- excuse me, there is no audio in the booth. You can resume please. So we're still exploring opportunity with our customer database and also with the new entrants with users increasing for credit card, increasing the penetration of our product as our goal.

And talking a bit about Inter Shop, we have delivered another excellent growth for the quarter, over 20% growth of the GMV, reaching \$46 million. The revenues take rates have reached a high figure, and activity of customer was again very healthy. So 70% of customers that bought at Inter Shop were recurrent customers. So they come, they enjoy and they are back. And also, we were able to add 438,000 new customers that were able to go for the first time to the platform, increasing the penetration of Inter Shop. Over 6 million transactions. So just to reinforce that, over 6 million transactions on Inter Shop just for the third quarter.

And in terms of investments, I believe that the main highlight is the growth of revenue. So it was a quarter that had much pressure because of the equity dropping. And we were still able to have over BRL70 billion in our balance where we were able to have really an increase there. And the revenue came as very strong, so 137% growth year-over-year, 116% quarter-over-quarter, showing material results when it comes to the focus. And in terms of contribution, we had an offer where we took part in 11 public offerings. That's something that we are always on and we've become stronger and stronger. And this is because of the partnership with ABC Bank has been quite rich. And in terms of insurance, we also had a great quarter. We reached 683,000 policyholders, 28% growth and we are already at BRL2.5 million in the first quarter and also focus in that has become clear.

So this revenue that has increased gets more and more solid and our strategy of sales also is expanding not only from one product but many products, where we're able to reach success in this process to take advantage of the journey that we have in our Super App. In one year alone, we were able to multiply the policyholders four times. And the credit is still a highlight in a positive manner where we're talking about this being possible with our database. We reached BRL16 billion in credit portfolio. And for market share, we have closed the gap in this avenue in terms of the markets that are well established, where we have a space to grow. And what is the gain we're talking about here? In terms of volume of bank transaction, that is very strong for Inter, with 8% to 9% of fixed transactions are at Banco Inter. And with credit, we have about 1%.

So where is the way to pay to have this gap? Here taking into consideration, that will bring growth to some financial figures. We grew at 149% compared to the previous quarter. We reached BRL869 million for the quarter. We grew 157% our revenues of service, comparing also with the same quarter of 2020 reaching BRL346 million. We captured the penetration of the revenue of services, which is 48% of the total revenues, is in service. And lastly, we closed the quarter of BRL19.2 million based on index reaching, close to 50%, much space to our business plan. I'd like to thank again all our stakeholders, our customers, our shareholders and mainly our team that is more and more united, multi-disciplinary trustee, knowing that working together we can be stronger.

I'd like to pass the floor to Helena, who will bring some important highlights. Thank you.

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## Helena Caldeira {BIO 20804655 <GO>}

Thank you, Alexandra. Good morning, everyone. Thank you for being here with us for one more earnings call.

We are highly engaged and excited with our process of corporate reorganization. So on May 24, we released a material fact. So, we have legal and financial consultants and we already have the design of the new structure, and we are aligned with our timeline where we will need to have all approval in Brazil, as well as the whole process of licensee in the United States. This is all confidential for now, but we will keep our commitments to make the market informed of our next steps once we have more relevant news.

I should also take this time to thank you all for the relationship and trust with us, so that we can actually have this major milestone in the company. And that was the main highlight. And that way, we can carry on for Q&A. Thank you.

## Questions And Answers

### Operator

Thank you. We will now begin the questions-and-answer session. (Operator Instructions) Our first question is from Eduardo Rosman, BTG Bank Pactual.

### Q - Eduardo Rosman {BIO 16314825 <GO>}

I have two questions here. First, there has been much question and we see that the provisioning has changed year-over-year. And I think it's normal because you're growing more in credit card and this provision is a bit upfront. So, I'd like you to explain a bit more about how is your coverage rate, why it's a bit lower if we compare with the major banks? And how should we think about this evolution of expense provision when you think about the next years to come? So that's the first question.

And the second question is related to the new app, where you started with the new app with marketplace for non-account holder. And there are some problems of fraud, I know. And that I would like to know a bit about the standstill of the app, when will you open again? What were the major problems? Thank you.

### Operator

Go ahead and answer the question, please. Your mic is on.

### A - Joao Vitor Menin

Okay. Can you hear me? I guess you can. Okay. Great. Well, in terms of the provisions, we just had the numbers disclosed in advance. We never had a provision. We had for the first time, because of all the questions, and I believe you even answered, Rosman, because there are two components when it comes to the greater growth of PD. We have one that

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is very strong with credit, as you can tell, and it's a very healthy. However, we have an upfront provision that is very strong, as I mentioned already.

If it was a continuous cycle, if you get to a quarter, you already get what was going fine and smoothly. So then you have the underwriting. So you have quarter-over-quarter. So, you need to have more provision upfront. In terms of the coverage, this is something that we have been working on in the market and I believe today with all the volatility in the market with the economy, inflation, which we think is essential, we have a level that is very strong.

And what does that end up doing? Well, our coverage then is a bit lower. If you have, for instance, with our famous volume, which is nearly zero and sometimes even positive. So, you don't really need a coverage level as you would have one that would have a bit more delinquency. This is in terms of coverage. And another analyst here made a comment about the coverage of corporate portfolio, business portfolios.

I would say something that doesn't make sense because it's a very quick one. It's of 30 days, 45 days. So you don't have that. You either provision or you'll get it. You will receive it. So just to make it clear in terms of the rate for SME. And for non-account holder, we invested much time and money in terms of that part. And I was and I'm still excited with all these approaches. I believe we need to get our platform open, not for non-account holders, non Brazilians, and I think that is essential. However, we have to do things quickly here at Inter, but we also measure and we quickly fix them. So in terms of the app for non-account holders, the first vertical we had here which was Inter sharp, we had more fraud where the person would get a card. There wasn't -- the (inaudible) would buy a high price like an iPhone, for instance. So, we saw that really quickly. That was the good side of it. And I believe, I mean, we're working pretty much as a retailer. We were a bit naive, but that's okay. We already fixed it. So, we got that out and we were able to really swiftly be able to have the tokenization. And we're already -- up and ready. So, I am really trusting to be able to safely sell to non-account holders. And I will have the second product, which is InterSell [ph] and then it will be another one, which will be our insurance.

So, we have had a delay in our roadmap, but that's okay. It's part of the game and I'm still very excited, and we need to be ready to work with our customers and our customers and all the verticals. I believe those were the main points Rosman. If there is any other question, we can go to the next one.

**Q - Eduardo Rosman** {BIO 16314825 <GO>}

Thank you, Joao.

**Operator**

Our next question will be in English from Geoffrey Elliott.

**Q - Geoffrey Elliott** {BIO 15944940 <GO>}

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Hello. Thanks very much for taking the question especially in English. On that expansion of Inter Shop to non-account holders, can you just give us an update on exactly where you stand now? Is it open again? Is it being advertised? How many non-account holders are currently using it? Just a bit more detail on where things are right now? Thank you.

## Operator

Since you answered in English, we weren't able to translate. So Geoffrey couldn't hear your answer. You need to get that in Portuguese, please.

## A - Joao Vitor Menin

Jeffrey, can you speak in Portuguese to make sure we get that translation. It seems like there was a problem, but I'm very excited with the non-account holder product. In this space we were pioneers. We released a product, we took a bit longer to develop it, but in any case, it's been two months. We had some charge back issues first and so we quickly removed it and fixed it and we already have it up and running and we also have the possibility of buying with Inter Shop, but also of using different payment methods.

So Inter account holders that uses credit cards from other banks debit, credit and in the future other payment method, as Google Pay, PayPal. So we will have a broad number of customers and payment methods and that way I believe we will bring much sales were Inter Shop. So we're very excited and we started a front where we had a bit of issues with charge back in the beginning. We fixed it and we're ready to play and be part of the game again. We're excited.

## Q - Geoffrey Elliott {BIO 15944940 <GO>}

Thank you.

## Operator

Our next question comes from Flavio Yoshida, Bank of America.

## Q - Flavio Yoshida {BIO 20300800 <GO>}

Good morning, everyone. Congratulations for your results. I have two questions. The first one is related to growth. We see that there has been strong growth over the year, but I believe that the future scenario is more challenging. So I'd like to understand a bit more. How is your mindset related to your growth for next year? And how are you in terms of what you're most excited with, and where you can see more challenge in terms of growth? And the second one is related to CAC. So CAC showed an increase for this quarter of nearly BRL31. I think it's the highest ever. I know it's not a high CAC per se, but there was a growth there, an increase, I would say. So why? Why was that the case? Do you have a more tight competitive scenario, was it heavier marketing effort So these are the two questions from my side.

## A - Joao Vitor Menin



I didn't get your name.

**Q - Flavio Yoshida** {BIO 20300800 <GO>}

Flavio.

**A - Joao Vitor Menin**

I apologize Flavio. Okay. Flavio, growth. Let me go back to what I said in the beginning. We are very glad to see that we have a balanced revenue between services and NII. So let's think about this. Market with all the turmoil in 2021 and forward, how are we growing in a consistent manner and sustainable. With the revenue service I would say, it's a no-brainer. We'll just keep investing, with our shopping, our insurance, our interchange, fine. When it comes to NII, we have been growing quickly in a way that has been quite vigorous with our credit portfolio.

There are two main points. One is that we are able to grow with a robust number without needing to do any bad underwriting. When it comes to charging customers and their payment, we have a diversification of NII revenue that is very interesting and much greater than what we see in the market. So this makes us feel more comfortable when it comes to growing, keep growing with our NII. And the other is in terms of quality of deposit that allows us to have the best customers in Brazil, whatever product that is, real estate, payroll loan, car, SME. So also the advantage to have a diversified portfolio. We have shorter ones, which allows you to fixed interest rate to make the commercial changes.

So we are paying attention to it, but we're not concerned. We worked to position ourselves to be at this way with our diversification of revenue, of NII and service, NII specifically. I believe it's a greater concern when it comes to the scenario. Diversification also hedging, good match of duration that allows us to really have a quicker move when it comes to growth from here on.

When it comes to CAC, I believe you said it yourself. Obviously, when you think about the percentage you are like, wait a minute it increased, but actually nominally. It's very low, but yes, it's the highest ever so obviously we're no bubble here. I mean I have to say that we're very proud to say that we have been amazing in terms of our CAC. I mean, but we're no island. We're not a standalone institution I mean.

But we're reacting with in an intelligence manner, in a focused manner and why. I mean, when it comes to perception of the quality of the value proposition of Inter, full free digital super app, all that really helps us grow, don't need to have a lot of expense as other competitors, but when we have a market that is tighter, you need to have a bigger effort. But if we think about this growth of these BRL3, BRL4, a half was marketing and half was OpEx of higher cost of cards shipping and also inflation. We can see that when it comes to marketing, it's a bit still less. So we still feel comfortable, but again, we have tools, capital money, know-how, people, process, and team to compete.

So we can say, oh, we shouldn't compete. No, we will work smartly, focused and we will keep delivering growth with a comfortable CAC. So that's the formula, good CAC. A

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good LTF, I mean, we need to really have that all work well. So we feel comfortable with this formula when it comes to CAC. So I believe it's a bit about that.

## Operator

Thank you. Our next question comes from Pedro Leduc, Itua BBA.

### Q - Pedro Leduc {BIO 20979981 <GO>}

Thank you for the question. Good morning, everyone. Joao Vito, Helena, Alexandre congratulations for your results. And I'd like to explore a bit more about NII with credits. In terms of credit portfolio, we see it better than what we've seen in major banks, but in terms of credit, we see that there was a bit less of a growth. So I believe that you had a good position at NII in the market and you thought you know you would have the protection of the high funding cost. So I'm sure you took advantage of keep increasing share there. But in terms of funding, we see that it's been increasing and it's still growing. So with the indicators in terms of wallet of credit we also see that. When we see that the industry is changing to have that interest grow, to get the funding at the right point, do you see that you are still there seeing a possibility of adjusting the rate and still being competitive but may be closing the gap a bit more? Can we imagine a credit underwriting that can be a bit more from now on?

### A - Joao Vitor Menin

Well, Leduc, that is a great question. Let me try to see if I can break that down. I believe there is a concern of keeping a healthy rate. That's the first point. Well, let's think about this. We have a level of assets compared to capital that is very low. We're talking about BRL16 billion of broad portfolio with the capital of BRL9 billion. So, maybe if the commercial bank that is less leveraged maybe globally why am I saying because even with that pressure, we are still growing to have a leverage on NII. So we do have that condition. We will keep growing. So obviously we want to adjust our NII but there are two elements here, one in an active way, the other one in a passive way.

One is that we have been able to really capture much. So we are able to have a liability that does not grow which is demand deposits. So this is for the low-cost product so that we can respect our process. So when it comes to short term, we have an increase in funding, but they are within an index where they also do grow. But what I find to be interesting, the short-term product that will suffer. Let's talk about inflation that is higher for the next 12 to 24 months is really quick. You can fix it really quickly. So if we think about our supply chain portfolio that has been growing fast, it's easy to fix easily because the whole market can do that. We have space for that but the longer one where we want maybe to focus a bit more like real estate, if we think about a growing more the leverage of the bank, the 30-year portfolio, we need to think about more mid-long-term, so maybe there'll be a bit pressure for the next 12 to 18 months.

Over a horizon of 30 years, that is not really representative. If we take a book in our track record in Brazil, we see the rate of 12, four, five years ago was a bit higher. When the interest rates dropped quickly in Brazil, the portfolios were just I say enough. I mean the whole market absorbed it. So I think we need to have a balance of the cost we have now.

Obviously, we are re-pricing gradually, but not abruptly, but I believe we must think about the interest in the medium, long-term real estate, with the longer ones. The shorter ones is faster to fix and it focuses more on SELIC. So all of that to say that I feel comfortable that we will not have a pressure going ahead. That's where we stand. And that's how we see it in terms of our NII results from here on.

### **Q - Pedro Leduc {BIO 20979981 <GO>}**

Thank you. Thank you very much.

### **Operator**

Our next question comes from Yuri Fernandes, JPMorgan.

### **Q - Yuri Fernandes**

Thank you. Thank you, Joao. I have many questions here, but I'll try to limit myself here to three. So first is about expenses. I thought it was really good, your administrative expenses. And we started seeing like data processing, communications banking services, more starts to get some operating leverage where we see that. Clearly, the question is, how should we see the expenses, this gap, is it something you started seeing now in 2022? If you could maybe help us give some metrics, if it's closer to 75%, 80% today? Thinking about your scalability and how should we think about that in terms of how would it drop? This is the first question.

And the second one is a renegotiated portfolio. We like the quality you had and they already show clearly and the credit card increasing 80%, but still NPL formation is really good, but a question that we have is about the renegotiated portfolio. We see that the total portfolio and the discounts that were renegotiated also increase. So my question is trying to understand why there is an increase, it's because you're growing more in terms of credit? Just so I can understand a bit of where we're at there.

And the third question is in terms of the revenue, distribution, the partnership has been improving, but I want to see that from now on. In terms of how do you see if it's your view that it will keep being that way? If you can talk a bit about the Inter Week, it will be great because we've seen a bit of advertising there and it really is a great tool to bring engagement for the fourth quarter in cure, which was really good. But there was much help of market revenue. We see that there is a follow-on with the CDI. And if you just with the follow-on revenue, you can see that the ARPU can drop. So it's pretty much of (inaudible) question in terms of credit revenue, it's better for us to understand, it will be more interesting how this can grow. And I'm sorry I had many questions.

### **A - Joao Vitor Menin**

Yuri, I will refer to the first, third and fourth, which is our (inaudible) and Alexandre will refer to the other one. So in terms of the first one and this leverage -- this operational leverage, that is true. And in terms of the inflection point and it's interesting to say, as I mentioned in the beginning, I didn't -- don't know if you were here seeing in terms of the expenses of Inter, there is split. First is upfront. We already generated expense, but we

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were still able to reduce some expenses over the whole period. So, we're being able to do that. And I believe, I mean, that this shows a trend of improvement and why? Because at the end of the day, I believe it's not that we're just creating the wheel here. This is something that I'd like to talk about much. It's small improvements like communication expense, diluted per customer processing. So this operational excellence is an important word for us in 2022, and that allows us to be very good when it comes to recurring expenses other than the typical [ph], you have with growth. I believe that's an expectation when it comes to 2022.

Let me skip two. Alexandre can refer to it. And the third were Inter Invest. Well, sure, it has been really great. We really got much engagement. This is our second edition. This is a bit even more heated up than the first one, not because we just have more customers, but we worked really well on it and it's much more exciting than the one we had in 2020. So this will bring more and more monetization.

In terms of the revenues, I believe that we might not have shown as much, but there is a diversification of revenue that is great at Inter Invest. So, it's not that we have, in terms of trading, dependency on other aspects, we have a great diversification. So, we have treasury bonds growing. So it is really great where we're at. And again, the team [ph] has been with us for eight months to nine months, nine months, right, and has done great work. And I believe we will not increase our Inter Invest only with customer. It won't be a perfect increase. We will see ups and downs. Proportionally speaking, one quarter was a bit more revenue than other. But there is a very positive trend in terms of people using the platform, consuming the product, that's very positive, so that will bring revenue to us and even with a higher (inaudible) and you can even have a capacity to expand that is a bit greater. So, I believe that's another truth also in terms of managing the funds. So for Inter Invest, that's the positive side. ARPU, I say that it's a very easy for us to talk about. Oh, the ARPU wasn't that good because of look of this and look at this or that. I would say that, actually, there will be quarters you will have a greater contribution of treasury. The other one where Inter Shop is greater. That is just a common. I mean, let's not try to look at Inter just quarter-over-quarter because there are variations. But let's look at the trend, which is quite positive? Why? Because although on one quarter, you have one greater contribution of a different element, they're all growing. And I say that it's easy to see that, which is our cross-selling, people are consuming more products.

And when we talk about treasury revenue, as you mentioned, we need to have a balance. Things are not a stand-alone point. I can only use resources on my treasury side, if I have deposits on the other side, otherwise on the revenues of credit, which takes a bit to get. I mean, we need to think that through. So to have a solid cash, that comes from many parts, you need to have the deposits there to be able to do that.

## Operator

Ladies and gentlemen, let's wait for the speaker to be reconnected.

## A - Joao Vitor Menin

So, I just wanted to address that and Alexandre can talk about the PD.

FINAL

### **A - Alexandre Riccio De Oliveira {BIO 20402984 <GO>}**

Hi, Yuri. How are you doing? Yuri, I believe that the renegotiation is something that has some components that has to do with the size of our portfolio. This is initially that started with COVID periods, specifically where we had many transactions that were renegotiated and were also delayed to help customers go through that. So then we had a renegotiation portfolio created and that's the first aspect. There is also in terms of the growth of the credit card portfolio, which is an important component where we have reached maturity and very successful in collecting and being able to have a default rate much better than what the market is from 35% all the way to 50% of recovery. There are ones that have more than 90-days delay in the portfolio and this is renegotiation with customers and we bring that transparency here. And I believe it's the whole management of the portfolio itself. We see much opportunity to be able to help customers to have a management in a conservative manner. So, we even have the level of provision, which usually is greater, but we work from a customer standpoint. We want to have a long-term relationship with customers we have recurring businesses with them, an approach that is more aggressive in terms of collecting. It's not constructive. So that's where we're at in terms of the renegotiation. So, I believe it was really good write-offs. It was a really healthy. Also provisioning, we have evolved greatly.

### **Q - Yuri Fernandes**

Thank you. Thank you, everyone, for all your answers and congratulations for the results.

### **A - Joao Vitor Menin**

Thank you.

### **Operator**

Our next question comes from Jorg Friedemann, Citibank.

### **Q - Jorg Friedemann {BIO 15405752 <GO>}**

Hi, everyone. Thank you for this opportunity. I have two questions. The first, Joao Vitor, you mentioned a few times during the call about the problems of Inter Shop and the increase of the chargeback. But when we look at the breakdown of other operational expenses, chargeback for the quarter of 0.2 is very low, right? So, we can't really see the chargeback there. And the problem you had figure wise, I don't know if that should be shown in any other line here with other expenses are here, reimbursement. And if you could make it clear where that effect is and how much it actually was in terms of absolute numbers for chargeback of the quarter that could help us a lot. That's the first question.

And the second question. We were analyzing here, although you are not really showing the breakdown of NPL of cards and other products. When we look into the NPL that you already give us, we realized and calculating here bottom-up that the NPL of card increased greatly, 95 basis point to 6.7 here, 6.7%, which is more than 4.8% reported by the system. So I would like to understand here if that's how it is, if this figure makes any sense? And if you have noticed that more because of the attempt of increasing the concession of card with the customer onboarding if that's what you expected? Thank you

very much. And again congratulations for the engagement and the investment on revenues. I think you're really paving the way.

### **A - Joao Vitor Menin**

Thank you. I will respond. And then Alexandre can add with his expertise. We don't see a deterioration of our credit card portfolio, quite the opposite. So we still and we are more trusting our model as we see it, more confident about it in terms of underwriting for credit card limit. So there is a greater one. If you think about two months ago, so some thought we're losing, No, we did what we felt comfortable with. First, we tested. So we were able to increase and not increase and then see what would happen. So as Alexandre mentioned, our math has an important ask, that you have to get a good concession, good charging, and a good experience so you don't lose that person because that person is, that individual is very important. They need to have a good experience, you need to have cashback, you need to have the right limit. So I believe that is really well balanced with the card. That is our mindset here. Good underwrite, good charging and many transactions. So this is in terms of the card.

And the second one, which is related to chargeback, obviously, we're not going to disclose all the information of Banco Inter because I don't believe that's the case, but in terms of what we have is that it's not all really big number, it's relatively small. Just to put that into perspective and that is something very small and not very significant, bad, but not quite significant. So I believe that's what has already been fixed. We should just carry on now. And it's good to have an important learning quick and to have a better product with higher added-value, so we can know exactly how to work with it. We learned, we fixed it, and we're back up and running with something that is safer, and will keep improving our process because we have a very low chargeback level at Inter Shop for our non-account holders. And Alexandre, if you'd like to add anything, please go ahead?

### **A - Alexandre Riccio De Oliveira** {BIO 20402984 <GO>}

Thank you, Joao. I think, Jorg, I should add also --

### **A - Joao Vitor Menin**

No, go ahead.

### **A - Alexandre Riccio De Oliveira** {BIO 20402984 <GO>}

Well, to add just really quickly about credit card. I believe we should say that today we run with an expected loss of around 5%, which allows us to have an appetite of our higher NPL of what we present. So where is this underwriting, what is 5%? It's the mix of expected loss of the many groups of customers that we can seed a credit card limits. So we feel very comfortable with that growth. We adhere to the models and also the cashbacks we have had are really good. So, we're quite comfortable to be able to carry on, keep growing. So I believe that's we're at.

### **Q - Jorg Friedemann** {BIO 15405752 <GO>}

Okay. Thank you.

FINAL

## A - Joao Vitor Menin

And one last point. I just remember what I wanted to say. Just really quickly there is the reimbursement, which was the last one you asked about to chargeback. That's right. That's what I was going to add. It's very small.

## Q - Jorg Friedemann {BIO 15405752 <GO>}

Okay. Thank you. Thank you, everyone.

## Operator

Our next question comes from Thiago Batista, UBS Bank. Thiago, please. You may proceed. So Thiago Bingstone [ph], Goldman Sachs.

## Q - Unidentified Participant

Good morning. Just a quick question here from my side. In terms of these proceeds of BRL5.5 billion in terms of the speed where you have this resource running, and also can you talk about the organic, inorganic use of the resources? Thank you.

## A - Joao Vitor Menin

Well Thiago, yes, it's become very clear. We see this growth of credit card portfolio that you see. Our credit portfolio, I mean. So it will be important to have in a place where it has a good profitability. But there is more leverage space. So we were only able to go through that. I mean it's no longer something that we can go all the way through. We could have been a bit less with our follow-on. When we talk about general corporate purpose, we have our restructuring that we should not give the details of how that will be because of quiet period until we release that in the adequate form, but we have a support of capital and regulatory that helps us to go through the restructuring in a very healthy manner. So I believe that the three points, growth, corporate general topics, and M&A are being followed up on strictly. So I'm more and more satisfied of doing the offering as we did, at the size we did, with the partners we got, Stone and major partner. So I believe it was well done.

And I always say that I know that some of our shareholders -- I won't say they criticize, but request from us more aggressiveness in terms of expense, marketing and leverage, and I always say that the insurance should always be the last to go. That's the saying I use. I mean, we need to have the diversity in the market and it's really good to have the right capital on. And we're working strong as I talked about the regulatory aspect. In terms of the regulatory aspect for the corporate restructuring, we really doing well there and we feel very comfortable. So in the mid and long term, it's something that's always worth it. So that's a bit of how I see it.

## Q - Unidentified Participant

Thank you, Joao.

## Operator

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Our next question in English comes from Neha Agarwala, HSBC.

**Q - Neha Agarwala** {BIO 17722501 <GO>}

Hi. Thank you for taking my question. This is Neha Agarwala from HSBC. My question is more on the impact of the higher rates that you could expect on the behavior of your loan portfolio, probably mostly on the real estate loans if inflations are high, if rates are high, do you see an impact of that on your real estate portfolio in the coming quarters? And on the margins as well, if I just look at the yield on loans, on the lending portfolio, the yield has been going down, where do you think it should settle in the coming two years, three years time, and how do you see it evolving in the coming quarters? Thank you so much.

**A - Joao Vitor Menin**

We can continue. Let's wait for the speaker to be reconnected. Neha, for real estate loan, we feel very comfortable with our portfolio. We believe that there are some dynamics that's what we expected. There is one in terms of repricing the credit, which we will have to follow up on and see how that mirrors the volume of underwriting, but since our penetration in the market is small, it should -- can you hear us?

**Q - Neha Agarwala** {BIO 17722501 <GO>}

Yes, I can.

**A - Alexandre Riccio De Oliveira** {BIO 20402984 <GO>}

So, since our penetration in the market is small, we shall continue to have a growth potential that is big. In terms of delinquency with real estate loans, we see potential. In Brazil, there is quite uncertainties and it will really depend in terms of the macro scenario in Brazil and how that will mirror real estate loan. But we shall remind you that it has an LTV that is very low, with a default that is close to zero. So I don't think this is a concern per se. We can see NPL with a bit of increase, but it will recover through the recovering of assets as you will have the foreclosure process.

And in terms of the portfolio as a whole, I believe that we will need to have an active management. Joao Vitor mentioned that with one of the last questions. So we should really seize the moment of repricing the short-term portfolio. We have a high volume of underwriting in short term portfolio where we're able to recover that in a very quick period of time. And that way, we have another element that is favorable as well, which is the increase of the SELIC rate where we have a demand deposit that is increasing. And this brings a contribution to NIM that is positive. So I think it's really active management to bring stability and also a certain level of growth with Nil.

**Q - Neha Agarwala** {BIO 17722501 <GO>}

Perfect. Thank you. If I can just follow up on the asset quality. You've improved the coverage ratio slightly in this quarter. Do you plan to gradually build up coverage over time? I know you are comfortable with the 100% coverage around there, but do you plan to gradually improve it over time, or should we expect somewhere around 100% in next two, three years as well? Thank you.



FINAL

### **A - Alexandre Riccio De Oliveira {BIO 20402984 <GO>}**

Neha, there is a natural action of increase of the level of coverage because of the evolution of the portfolio mix. So historically, we have a portfolio with real estate and payroll loan as prevalent, and as was mentioned previously, these are portfolios that run with a lower level of coverage because delinquency is very low and also rate of default very low. So that's why we have a lower coverage. As the credit mix increases, the coverage will increase progressively, but on average, it shouldn't go much beyond 100% which is the number you said yourself. Joao, would you like to add anything?

### **A - Joao Vitor Menin**

No, that's all. Thank you, Neha.

### **Q - Neha Agarwala {BIO 17722501 <GO>}**

Thank you.

### **Operator**

So we should now close Q&A session. I would like to pass the floor to Banco Inter for his final remarks.

### **A - Joao Vitor Menin**

Well, Joao Vitor here. Once again, thank you for being here, all you present and very interested in our development. And hopefully, we were able to help you all and everyone that is here listening to us to understand a bit more about our numbers, our results, our trend, and our outlook into the future. We are very excited, confident, paying attention to the market. It is tough we know, but we are very excited. So we are down to earth, but up in cloud nine as well to carry on, strongly excited. Thank you very much, everyone.

### **Operator**

So the earnings call is closed. Thank you for your participation. And good morning and thank you for using Chorus Call.

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