

## Banco Inter

### Transcription of the 2Q20 Result Teleconference

August 14, 2020 – 11:00 AM

**Operator:** Good morning, and thank you for waiting. Welcome to the conference of Banco Inter for discussion of the results from the second quarter 2020. The chief executive officer of Banco Inter, Mr. João Vitor Menin; the vice chief executive officer, mister Alexandre Riccio de Oliveira; and financial RI executive officer Helena Caldeira are present here with us. We inform that this event is being recorded and that all participants will be just listening to the teleconference during the presentation of Banco Inter. Then, we will start the questions and answers session, when more instructions will be provided. If any of you needs any assistance during the teleconference, please, request help to an operator typing asterisk zero. This event is also being transmitted simultaneously over the internet, via webcast, and it can be accessed at address [ri.bancointer.com.br](http://ri.bancointer.com.br). The replay of this event will be available after closure. Reminding that the webcast participants can enter questions to Banco Inter in the website, and they will be answered at the end of the conference by the IR area. We would like to inform that this teleconference is being simultaneously interpreted into English for the foreign investors of the company. Before we proceed, we would like to clarify that any statements that might be made during this teleconference related to the business perspectives of Banco Inter, forecasts, operational and financial targets constitute sentences and assumptions of the company's administration. As well as information currently available for Banco Inter. Future considerations are not performance guarantee, they involve risks, uncertainties and assumptions, because they refer to future events and therefore, they depend on circumstances that might occur or not. Now I would like to hand over to Mr. João Vitor Menin, chief executive officer, who will start the presentation. Please, Mr. João Vitor, you can proceed.

**João Vitor Menin – Chief Executive Officer:** Good morning, everyone. Thanks for the presence, the attendance of another result event of Banco Inter. We are very glad to have you with us and it is a satisfaction for us to be able to share so satisfactory results and numbers as those we've achieved this quarter. First, I would like to say that it is an atypical quarter not only for Inter, but for all companies, for everyone, in Brazil and in the world, a difficult quarter, marked by the pandemic, which had very bad consequences unfortunately, with a lot of people losing their lives as well. This made us very sad.

But trying to look from the company's business point of view, we can say that this quarter was very positive for Inter, and actually, we are satisfied, despite that bad part we said a while ago, that every month, we send to our Board the monthly figures, and we could sent the figures for July a while ago, and we received an interesting comment from a board member that we have never used the word record so many times as in this statements we shared with our Board. And we have actually hit record in all of our five avenues.

Some time ago, in the last call, we have already spoken a little about this five-avenue concept of Inter, *Day to Day Banking*, Credit, Insurance, Investment and *Marketplace*. And we saw that a lot had been spoken about his new normal, and we saw that collaborates in quite a nice way to the strategy we drew four years ago, and that which have been building since then. Actually, a modern, digital, disruptive company, and a company, which is much more than a simple digital bank service nowadays. So, when we see, for example, the integration of these areas, marketplace in the pandemic, insurance in the pandemic working well, because we don't have to go to bank branches, which are closed, we see that we have a really vanguard company and company of the future.

Still regarding the pandemic issue in this quarter, we even tell our shareholders, who are listening to us, that we have a lightly worse result, it could have been a little better, but part of it, and we say this very proudly, we could give more than BRL 5 million in donations to the Brazilians, to individuals, to institutions, which were helping in combating the pandemic. So, this makes us very happy, very satisfied. I think that Inter is a modern company, which has to participate in this kind of initiatives.

Now speaking a little about the quarter indicators, we see three very good things, regarding the growth of our business, so, we keep adding clients at very high speed. We see the cross selling of products, i.e., how many products each clients has in average here at Banco Inter, so, this number has been increasing every quarter. And we speak a lot about the financial revenues, we, if you remember, I have been telling for a long time that we want to reach a higher level of revenues from services than the revenues from bank spread, the bank product. And this is happening, we have already reached more than 40% revenues from services in this quarter. I think that these three elements, this growth, this cross selling of products and this revenues from services, can show a little that the platform we have designed, which we are operating now, is becoming shaped, it is already a robust business, it is already a big business.

Speaking a little about this platform concept, we like to say a lot that the value it brings to the

shareholder, to the Company, is not just the some of the five avenues we have, i.e., it is a much more exponential business. So, we joke internally that it is not one plus one, one plus one, which is equal to five, but it is probably a value we are generating and will generate in the next quarters, of exponent five at fifth power. So, this is very powerful.

And just to give an interesting example of the value of this platform, we speak, for example, about the deal we signed with Liberty Seguros now. It is interesting because we don't just monetize individuals with the premiums we receive from insurance, but at the time, we monetize the counter, i.e., receiving monetization from the companies using Inter to distribute their products, in this case, insurance. Still a little regarding this platform issue, its importance in the success of our business, I use to say a lot the following, that every time we innovate, put more products and improve these five avenues, we start retaining our clients very strongly, and we start creating, in the good meaning, a barrier, which is almost impossible to overcome, for the clients to leave. That is, we know it is difficult to acquire clients, we have to control our CAC always, so, we have to retain these clients here, for them to be within the ecosystem. Sometimes I make an analogy even with the Apple platform, for example, sometimes the person has one product, starts consuming another producer, maybe a service, hardware, software, and then, it becomes difficult for the purpose to leave, you have to have a product, for example, a very much development telephone for the person to be encouraged to leave.

So, it is the same for Inter, we say that the person is here with us today, the more than 6.6 million clients, they are here using bank services, which is the day to day banking, they are using credit, insurance services, they are using the investment services and now, more recently, our e-commerce, as well. So, we say this is good. Why? For these people to be motivated to leave, they need a specific credit card or investment service in another company, much, much better than our environment, for them to be encouraged to leave. So, this platform value is very important.

Another point that shall be highlighted in this quarter was very nice, how the five avenues have worked together. And an example I would like to give was our Inter Day. On 07/07, we held the first Inter Day, which was a day of specific offers, exclusive for our account holders in our application, and we obtained BRL 31 million in sales. And how did we manage that? First, we used the force of our recurrence of people, who use day to day banking to communicate our offers, then, we used the good structure, the good and the ex of our e-commerce for the people to be able to search and find the products. And finally, we did a new business, which is not yet in the list of e-commerce and bank in Brazil, we extended credit for some products. This

increased sales a lot. So, when we integrated the credit area, day to day banking and marketplace, we had a phenomenal success.

We repeated the same strategy on the Father's Day, we also had marvelous results, we did BRL 25 million in two days of campaign. SO, we are increasingly more convinced that the relation, I would say umbilical, among these five avenues creates a very powerful business. Speaking a bit about innovation, as you know, we are a very innovating company, despite of the fast growth and although we have already delivered a lot of things in the last four years, and now I say very comfortably, we are the most evolved digital platform in Brazil for sure, the most complete, we keep innovating. So, in the last month, we delivered two new products, one is a very good product we made in partnership with Shell, which is Shell Box, so, Inter account holders can fuel the cars at Shell gas stations through the super APP, so, a super nice business, receiving cashback. And finally, the product, which was already ready, which we had put on hold because of the pandemic, and we are releasing now on Monday, which is our travel platform, Inter Viagens, So, our clients will be able to purchase, as of Monday, their air tickets, their domestic, international tickets, and very soon, they will be able to book hotels. So, this is another step, two new products more, which make clients more loyal and help monetizing this platform even more.

Still a little about the value of these five avenues, we have recently noted here at Inter that we start acquiring clients not only through our digital account, which is recognized on the market for being digital, free and complete, but we start making clients, who want to try our e-commerce, our marketplace as well; and want to try our investment platform, such as HB (Home Broker free of charge, with open find platform, clients, who want to try our InterCel, clients, who want to make 100% digital insurance, with 100% digital experience in our APP. Thus, we have more tentacles reaching clients and possible new account holders throughout Brazil, and we manage to reduce our CAC.

Now a little about the relation between the use of the platform and obtaining new clients, I say a lot the following, that we not only grow the number of new clients very strongly, but we also increased our spot deposits very strongly, and even more strongly that this client exponent. That is, we are having a higher level of engagement than we had before. So, the proportions of using Inter services is more exponential than the number of new account holders.

Now speaking a little about my focus as CEO of the company, I like to speak a little like this, people ask about these five avenues, how they are positioned, what the avenues with more

potential are, what the most mature are and I say that before, four years ago, when we started Inter, we developed a lot, I focused a lot on this day to day banking and having a really complete, free digital account, the good experience. In the last four years, we also developed credit, we improved the payroll, real estate credit product, our own LE product, the proper credit card. Then, last year, I focused a lot on this insurance platform, which is a very important business for our clients. We made the deal with Wiz, you remember well, it was very good, phenomenal, insurance is growing at very high speed here at Inter. For example, we say that in this pandemic, some players share with us, some insurance brokerage players, that sales of insurance has dropped absurdly because the agencies we closed. And for Inter, where everything is done exactly on our platform, we hit a record in sales of insurance.

More recently, we did, I spent a lot of time, and invested a lot of time in the building of our marketplace, this was the pitch of hour follow-on last year, we actually grew super APP. So, we actually managed to transform from paper to practice, so, the figures we said here, for example, to sell BRL 115 million in a month, six months after release, prove that we have a model ready to scale and do much more. And I think that finally, in terms of focus, in the middle of last year, at the beginning last year, we released open investment platform, PAI, now we are renaming it to Inter Investimentos. I think that here, we have a wonderful avenue for growth, we have interest never seen in Brazil before, 2%, so the famous financial deepening is happening at impressive speed, considering the numbers of account holders that invest with us, account holders, whose action has already been kept in custody at Inter DTVM, our broker. So, I think that now, this investment platform is an important focus, I think that there will be a lot of good things ahead, after a long time, we even start a TV campaign, which we had never done before, so, a new business for Inter, focus on this investment issue, I am very excited with that. And just to say that we believe a lot in our investment platform as 3.0 concept, we saw 1.0, which was branch, 2.0, which was the independent agent, and we think that this issue to make it digitally on the APP, with cashback, totally free, transparent, it is the 3.0 model. So, I am very excited, dedicating myself a lot to this new front.

Regarding, to close a bit concept of our platform, we will now make an interesting movement, we will change our brand, obviously we will continue with the name Inter, which is the name very much related to our model, which is integrated, interconnected. But will be remove, let's say, from the brand indeed, the word banco, so, we will not be, obviously, in corporate terms, we will continue as Banco Inter S.A., but we will not be Banco Inter for the market anymore, for the consumer population, and we will become just Inter. We think that this is much more

suitable for the time we are living, and we are very excited, soon, you will see this in a more notable way.

And finally, we, the last item I would like to speak about, is that I speak more and more that we are a company of people, we are a digital company, a technological company, this is a vanguard company, of the future, disruptive, and the great ingredient, the great raw material for this are people, not hardware, let's say, software indeed, it is software of the people. And we have more or less 1,750 collaborators here at Inter, and I see two things, as this team were lubricated, so, when people say: "Ah *squad*, innovation, how is this working in a spectacular way at Inter? How is this team lubricated and integrated". And not just that, we, the team, are extremely excited and energized. So, I think that these two components of this integration, this energy and this motivation make Inter keep being this disruptive company, this innovating company. So, shall have more products ahead? We will, for sure, this team will not let us stop. Shall have more growth ahead? Certainly, this team will not let us stop at this level of growth. So, I think that this is the cake icing, this team we have here is spectacular, and they have the correct ingredients today, which are this good integration, and this wish to do, to be able to take Inter even further.

Well, thank you for your time, I will hand over to Alexandre to continue with the financial numbers, and a more technical part of our release, and then, we will come back a bit for questions and answers. Thank you.

**Alexandre Riccio de Oliveira, Vice Chief Executive Officer:** Good morning, everyone. First, thank all of you that attend our call. It is pleasure to share the evolution of what we are doing at Inter with you. And in almost six months of pandemics, with all impacts it brought, from the business point of view, it is very gratifying to look back and see that our team managed to deliver during this period, we believe that in these months, the greatest generation of value in the Company's history has been done. Each area managed to adapt very well to this current *modus operandi*, as hybrid between *home office* and work in office, and we managed to do all this without any impairment of the Business.

We also brought important evolutions for our clients, João Vitor commented a while ago about our products, we evolved our technological platform a lot and we have been consolidating as increasingly more technological company. Today, we already have our 1,750 collaborators, João Vitor commented, more than half of them are from technology and similar, divided in IT, data sciences, processing personnel, whether in the pure technology department or out thereof, permeating our business with technology.

Entering the business a little, the figures, I will follow the line of our five avenues, so, our day to day banking, loans, loans and credits, investments insurance and marketplace, and I will also talk a little about increase of client bases and engagement. We start with this client base and engagement issue, we had a super quarter again, at the end of June, we reached 5.9 million clients, and we already have a number quite above this one after the excellent July we had: Our growth was 132% year after year, and this account-opening record was done upon reduction of CAC, which is almost unimaginable, when we think about the magnitude of the number. Activation and cross selling, so, upon the acceleration, we have some tables in the release, you can see that we managed to obtain better quarter upon the activation, with expressive increase of the activation of the old harvests, which shows that when we put new products, we manage to bring old clients, who might have been inactive, back and we bring clients, who enter the platform more active already. And we reach activation in different harvests, above 70%, showing that this is a reality when we look to the future. And product composition again, making big difference.

We are also working with great engagement, several days exceeding 4 million logins, and we have managed to reduce our cost to serve at great speed, we changed from CTS, as we say Cost to Serve, from BRL 197 per client in the second quarter last year to BRL 116 in the last quarter. And doing all that with NPS recovering. In the first quarter, we saw a small reduction in our NPS, and we came back with great increase, reaching 65 at the end of the first quarter. And to finish this client engagement part, we have seen, increasing more latent here at the bank, the concept that we have a fishing tank, aquarium with 6.5 million clients, ready to do cross selling, this opportunity is already here, and we also have the capacity to bring new clients, the opportunity to do cross selling, selling in house, is very big, and we are very well structured to be able to deliver that and show this in our next releases, in our next calls.

Now entering the first business vertical, day to day banking, some interesting numbers, we reached BRL 3.6 billion in spot deposits, this was 41% growth compared to the first quarter of the year, so, an absurd number, imagine 40% growth in 1 trillion. The balance per account also increased, from 1,044 to 1,170, excellent growth there, showing also higher engagement of the same clients, which is super good, which shows here that our clients prioritize us. The floating revenues reached BRL 21 million, with good growth there, despite the reduction of SELIC, the card revenues remained strong as well, with almost BRL 42 million, despite the pandemic, which we know that it impacts these revenues due to the reduction of the number of transactions in Brazil as a whole. And this evolution of the number of cards being used was also good, we had

great evolution of experience in our APP, so, we released a new experience in the use of cards, which drove the thing a lot, so, it was very good, in addition to launching cashback.

In marketplace, we also had a great growth, in July, we had almost the same volume as in the entire second quarter again, BRL 115 million in July, BRL 123 million in the second quarter, and our marketplace reached the annualized value of BRL 1.4 billion of GMV, super good. Regarding investments, we also had a super quarter, in the second quarter. In addition to the growth, we achieved almost 800 thousand active investors, we grew our custody and management assets by about 30%, it was very good as well. Insurance, we had a very strong second quarter as well, the deal with Liberty announced this week was the crown there, we have 120 thousand insured in the digital platform, our platform, which is the most complete in Brazil today, in terms of digital insurance, with super positive evolution in insurance revenues. And finally, speaking a little about our last avenue, loans and credits, we also had a great highlight, not only because of the origin, but also because of the portfolio behavior. We reached BRL 6.1 billion in portfolio, 50% growth year after year, with no need to change our strategy, which prioritizes collateral credits. These collateral credits are showing their force along the crisis, without great concern about NPL, or allowance and loss. And the non-collateral portfolio, which credit card, has been working without big signs of deterioration as well.

So, we have seen important results in credit card collection, including positive evolution in relation to the pre-crisis periods. But we remain vigilant in this line, in order to be sure that this will work well in the post-crisis as well. And some final highlights, our service CT reached BRL 110 million in the quarter, 137% growth compared to the second quarter 2019. Highlight to marketplace, where we had revenues, which were in that famous others column before, and they already reached 10% of the service revenues of the bank, Inter. So, this was very good. NII, credit revenues, amounted to BRL 172 million, growing 24% in a year. Our result for the quarter was BRL 2.7 million and we closed with 28% Basel.

I would like to finish thanking to all of you, and affirming our trust, our team', that at Inter, we have a Company that shows to be a part of the present and the future of the Brazilians every day. I would like to hand over to Helena. Thank you.

**Helena Caldeira - RI Financial Executive Officer:** Good morning, everyone. Before we open for questions and answers, I would like to highlight that in this release, we disclosed a session about our progress in ESG along this year and there, we talk a bit more about our evolution in the social pillar, which gained great highlight in this pandemic period, and demonstrates how our digital

model and the bank platform, and marketplace have helped the society in this period. We also showed our eco-efficiency based on the elaboration of our carbon emission inventory. And finally, I would like to share that we are happy that now we are officially a signatory of the Global Compact, and we have formalized our commitment to work actively for the achievement of the goals in the national context, and reflect the operation strategies with the 10 universal principles of the Global Compact.

Well, I think that's it, we are also working to disclose our Annual Report, our first Annual Report at the beginning of next year, but we wanted to share everything we have evolved in during the year with you. And now, we can open for questions and answers.

**Operator:** Madams and sirs, now, we will start the questions and answers session. To make a question, please, type asterisk 1 (\*1). Our first question comes from mister Thomas Peredo from BTG Pactual.

**Thomaz Peredo (BTG Pactual):** Good morning, João Vitor, Alexandre and Helena, congratulations for the results. I have two questions, the first, I would like to understand a little better how to look at this revenues of BRL 9 million you started to open, from marketplace with GMV. And also, whether you could share what of this marketplace revenues is still accounted for in digital accounts and others, whether it is a quite small part, and what this kind of service would be. And still in this point, could you explain to us how the deduction of these revenues is done, and whether this number has already been considered, and confirm whether this number already includes the cashback of about 50% of the clients. Otherwise, what line this cashback is considered in.

**João Vitor Menin - Chief Executive Officer:** Well, here it goes, let's start with the first. Regarding our revenues from our marketplace, what happens here? We, I think you know, a lot of people know, we launched the platform, you can buy products and services in our APP and the person has cashback. How the economics of this business is, let's call it like that. We have a sales volume, which is called GMV on the market and over this GMV, our platform, we receive what people call take rate on the market. What is *take rate*? We make a sale, for example, for Amazon do Brasil, we have an agreement with Amazon in Brazil to receive a take rate. In the Amazon case, for example, it varies, it may vary per product from 5% to 15%, let's give an example. Probably for Magazine Luiza it is from 8% to 12%, it depends on the product, it depends on the volume you have as a partner. So, this is our famous take rate. So, over that GMV we said a while ago, from BRL 115 million in July and BRL 120 and something million in the quarter, we generated

BRL 9 million revenues, we actually received BRL 9 million. Which leads to an average take rate of more or less 7%, 7% and something. We think that this take rate shows a trend of improvement, to increase a little, we think that this will stabilize between 8%, 9%, this is what we see as take rate over our GMV, of our platform. This is gross amount, this is what we receive and over it, we have the deduction, not the deductions actually, we have our cashback, which we give to our clients, which is 50% in most cases. Obviously, we can make promotions where we increase this cashback, we have a product, where cashback can be lower than 50%. So this is a quite flexible business we learned to work on very dynamically, that is, retail is like that, so, we work on that in a very fine tuning way. The example I gave you of the success of our Father's Day, had this combination of working on the take rate together with our partners, and on cashback with our clients. So, this is how the finance rationale works, of our marketplace number.

**Thomas Peredo – BTG Pactual:** Perfect. And in which line is cashback accounted for? Is it included in any expense line?

**João Vitor Menin – Chief Executive Officer:** Yes, Thomas, cashback is entered in an expense line, it is, as Helena has just confirmed to me here, it is entered in administrative expenses.

**Thomas Peredo – BTG Pactual:** Perfect. And my second question, it would be like that, whether you could give a little more details on how you are looking to the strategy of Inter *Wealth Management*. A little more color, what the competitive advantages you see are, what Inter can develop in relation to other players, such as Itaú, which is a very traditional player, such as XP, a player, which has a more robust platform as well. Or whether you have a niche of clients you intend to address, and today, how much, if you have a breakdown of how many clients, out of the 6.3 million clients you have today do already classify in this limit of investors with more than BRL 1 million?

**João Vitor Menin - Chief Executive Officer:** OK. I think this is an excellent question, Thomas, because this is exactly what I said at the end of my explanation, this investment framework, which is an endless business, the potential this has in Brazil is impressive, even more now with SELIC we are seeing. What happens? What our strategy here is, for you to understand. First, we launched Inter Investimentos, it was the first social media, which is not Inter, which is one of the products dedicated to Inter Investimentos, this is Twitter, our profile in Twitter. And are we focusing on? You have three big groups in Brazil, let's say, if you take the top of the pyramid, the middle and the base. So, you have in prime, you have intermediary, the old, the famous Prime, *Personalité*, *Estilo do BB*, and you have the base of the pyramid. The base of the pyramid in Brazil, everyone

says the numbers in a different way, but anyway, more or less, you have BRL 1.5 trillion, BRL 1,5 trillion and BRL 1.5 trillion of assets. But what happens? At the base of the pyramid, where most of these assets is savings account, a characteristic of Brazil, Inter is very well, we have already dominated this population. Why? Because it is easy, it is digital, we are very fair. For example, we give CDB with full rate, we do not give CDB with 80% of SELIC. We have cashback in the funds, the person applies from BRL 100 in LCI, DB, it has cashback in that multi-market fund. So, it is very good, we have a very strong penetration. So, those 700 almost 800 thousand investors, we have a very high penetration in this segment. Now, what is good? We did the following, well, let's address a little the top of the pyramid and the middle of the pyramid now. So, we launched the WIN platform, which is Wealth Inter, that is, that wealth management part indeed. We decreased a little, meaning, Inter has this characteristic to be more democratic in a way, so, we decreased those higher limits of private, although this is a lot of money, BRL 1 million, we decreased this threshold a little, for us to be able to have high volume of people. We created a nice business, to mix the administrated portfolio, with all bank services we have here, so, our black card with cashback and this platform was a result from the migration of the administrated portfolio team a little, management of the DLM equity, which is the Asset we bought at the end of last year. So, we are super excited, I think that there is a very nice avenue here.

And now, finally, I think that this is a marvelous business, which is where we will focus our marketing campaign I commented to you a lot, which starts this Sunday, which is this middle of the pyramid, which we call our black segment. We say that, when I commented, this is a 3.0 platform, in your question you spoke a little about Itaú and XP, being digital. Actually, we respect these platforms, but they are not digital. So, I say that a single application, this is important, it is not the broker's application, the bank application, the social security application, a single application, when you have your bank services, your credit card, for example, in this case card Mastercard *black*, with *cashback*, you have your HB (*Home Broker*) free of charge, you have your platform for funds, structured products, with *cashback* of the points you invest. There is not this, that is, and more, with the content you have been building. So, we assembled our economic research area, with Rafaela Vitória, who is our chief economist, we launched our *equity research* a while ago. So, modestly speaking, Thomas, I think that what we have here at Inter today is a hybrid of the good side of the bank services, we have your credit cards, you can make exchange operation, investments, and that nice part of the broker, and everything in a single platform, and really digital, without intermediary, that is, and this money for the intermediary we return to the client, I think this is a unique product in Brazil, and we will take a little of the middle of the pyramid now.

Thus, we have already addressed the base, we are addressing the top of the pyramid, but in the middle, I think there is a great potential, so, this is a little of what you can expect from our investment platform, and as I said, this is a business I am quite dedicated to in this second half-year..

**Thomas Peredo - BTG Pactual:** No, perfect, thank you very much.

**Operator:** Our next question comes from Mr. Henrique Navarro, from Santander.

**Henrique Navarro – Banco Santander:** Well, good morning, everyone. Thank you for the opportunity to ask questions. I have two questions, the first is in *cost of risks*, in allowances. The allowances in the quarter are still above the level verified a year ago, but comparing quarter to quarter, compared to the first quarter, it is flat and decreasing, showing a sign of a little drop, which is kind of what we saw in the balance of the banks, the banks that have published by now. That is, we see the allowances, the banks sent a clear message that in the second quarter, they will have quite lower allowances than those we saw in the first quarter. So, my question, the first question, in allowance, once there is a little drop in the second quarter compared to the first quarter, whether we can consider that, i.e., that the risk has already been mapped in a way, that Inter has already made the necessary allowances, and that we shall see a milder cost of risks in the allowances for the second half-year. This is the first question.

The second question is about the partnership with Liberty. There was already a partnership in force until 2028, and you renewed this partnership for 15 years more, and with economics, which are even more interesting. If you could provide a little more behind-the-scene details, what happened, let's say, the improvement of a situation, which was actually, let's say, good for both parties. What has motivated that? Thank you.

**João Vitor Menin - Chief Executive Officer:** OK, Navarro, this is João Vitor speaking, thank you for the questions. Well, the first, it is good we speak about that, we are satisfied to speak about the cost of risk, because I would say that Inter, now forgetting the Inter platform, speaking about Banco Inter S.A, let's say, Inter has a *sui generis* situation, meaning, it is difficult to find a bank, which has, obviously we don't have a giant credit portfolio, compared to the big banks you mentioned, but it is difficult to find a bank that has more than 95% of its credit portfolio with collaterals. So, what we are talking about here? Morbid, transaction both with low LTV, it's not that 90% LTV, very long operations, anyway, payroll, and even LE, where we have traditions and work a lot, receivables from supply chain of large companies, and receivables from performed card. So, that is, and what are these other 5%? This is the card revolving credit. That is, so, we

are talking about a portfolio of (100) one hundred and something million in asset of more than BRL 6 billion of credit. So, that is, this makes us very comfortable, and therefore, we can have little oscillation in our levels of increase or decrease of provisions, this is one thing. The second thing is interesting, even in this portfolio of ours, which, between inverted commas, is the one without collateral and that with collaterals, we have seen, and I think this reflects a little in the big banks as well, that, no matter how incredible this is, the market is liquid in the following aspect, the families have capacity to make their payments. First, you have money migration, let's say, the state is very good for the citizens, which is very important, and second, you have absurd optimization of the expense matrix of the families. So, the people stopped spending money for superfluous things and there is more money left for the basic. And it ends up, or not, the debt service is a basic business, the people cannot enter Serasa, SPC, so, they insist on that.

So, we have a very constructive dynamics for the second half-year, I think even improvement. And finally, just to shorten the issue, we speak a lot even that Inter's numbers are even a little exaggerated, because when you take the allowances we make for real estate and compare to the famous loss given default, what we actually lose. Because you navigating NPL is one thing, and the loss you have is another. Our loss given default is much lower than our provisioning level. So, I would even say that our provisioning level is even, well, if you think at the end, it is even super-estimated.

Speaking a little about Liberty and insurance, it ended up that the market saw more, and commented this Liberty deal more, but we have a deal similar to the similar resumption movement, which was the Mastercard deal, which we weighed in the first quarter. What happens, in 2018, we made a deal with Mastercard and a deal with Liberty, and now, two years later, what are these partners seeing in us? "Well, I want to be with the biggest digital player in Brazil". As simple as that. That is: "I cannot afford not to be with Inter, if I want to be relevant in the financials sector and in a digital way in Brazil". So, Mastercard called us to renew the deal with them, we renewed in the first quarter as well, with economics, and well, I would say that around 5 to 6 times better than we had made in 2018. And Liberty as well, in this case, we called them to structure the launching of new products and ended up renewing too, in this case, with economics, I would say, even 10 times better. And forces you? That it is as I commented, what companies that want to modernize, and they are modernizing, such as Liberty, want? They do not want that business counter, which is the branch manager, anymore, they want the digital platform, that is, today, only Inter has APP 15 digital insurances, which you can contract with some clicks. So, again, when I commented that the insurance sales in the branches decreased

for obvious reasons, and ours increased a lot, when the partner, which is already ours, Liberty sees that, and says: “Well, I think that it will be good to make a new deal”. Thus, I think that it is a little about the approval of these two players that our platform is a business that grows a lot, engages a lot, and reaches the end client, in final B2C in a modern, smart, nice way. So, I think that this is a proof of this success of our platform.

**Henrique Navarro - Banco Santander:** OK, thank you very much.

**Operator:** Our next question comes from webcast, Mr. Igor Costa asks, is it possible to acquire insurance products without being an account holder of the bank?

**João Vitor Menin - Chief Executive Officer:** Well, Igor, this is an excellent question, because we speak a lot about the success of our platform, and the growth in the number of account holders. And, again, fortunately, in July, we had another record of new account holders, 436 thousand, again, account holders, people, who have check accounts can use all product we have, from foreign exchange to insurance, investment and loan. But is good? In this platform concept we say, we saw that actually, we don't have to restrict all avenues we have to people, who have to have a traditional check account, that is, a check account, let's say, formal one at Banco Central, in the financial system. For example, the people can perfectly buy an insurance in our platform, pay, for example, make TED to pay, they can pay by payment slip, they can perfectly buy products in our marketplace, because they will have a cashback, because they have a better price. They can perfectly, sometimes, buy some investment products, because they don't have to have the suitability term. So, we say: “Well, why not opening this platform for people, who are not account holders?”. So, we have already started that, the first movement to open this platform is in marketplace, so, we will open the web platform first, it will not be in the APP. So, today, there is already a platform called [shopping.bancointer.com.br](http://shopping.bancointer.com.br). We will open this platform for non-account holders probably in September, so, this is a first movement, and we will open the insurance platform, the investment platform, the investment platform is a little more delicate, there are some products, which cannot be consumed if not by account holders. So, you can expect that the people, who are not account holders of Inter, will also have access to the good products we sell in the Inter platform. So, this is a business by which we think we increase our addressed market in a spectacular way. So, it will be very good.

**Operator:** We have some questions via webchat about PIX, could you comment how is the preparation for integration with the Central Bank going?

**João Vitor Menin - Chief Executive Officer:** Well, I don't know who asked, by anyway, let's talk

a little about PIX. I think that PIX, once again we see the regulator very much aligned with Inter's strategy. And it is about Banco Inter and not Inter platform, because when we launched our digital account four years ago, and we started a new business in Brazil, we offered a free account, TEDs free of charge, we were even very much questioned. "Well, but how come TED free of charge? TED costs BRL 10". We say: "Well, this is a simple binary transaction, that is, today, with the computer power, it cannot cost more than BRL 0.01". We even used this expression BRL 0.01 joking. And this actually happened, PIX shows that, and the PIX cost is exactly this, BRL 0.10 for every ten transactions, more or less, rounding roughly. We saw that technology came to make the transaction cost cheaper, to make the transaction cost cheaper and easier for the account holders, for the people in the financial center in Brazil. So, this regulator's initiative is spectacular, we believe a lot in 24 by 7 payment, the base of which is PIX. Inter is extremely prepared already, and we have to be, because we are a S3 bank, with more than 500 thousand account holders, so, we have to follow all that... the biggest Brazilian banks are obliged to be prepared for this anticipated launch. So, I think that it will be a... for us it will be spectacular in terms of reduction of the bank fee costs, and for our client, spectacular in terms of experience. So, we will be extremely constructive with PIX.

**Operator:** Our next question comes from Mr. Marcel Campos, from XP Investimentos.

**Marcel Campos – XP Investimentos:** Good morning, João. Good morning, Alexandre, Helena. Thanks for the opportunity. My question is more regarding short-term profitability, very different from 2019, we had a mindset that 2020 would be a year of inflection, which could have certain profitability. What is your mindset in this short-term profitability issue? And whether you think that possible short-term profitability could not also impair your case? Whether you think that loss could not be more beneficial to base growth, increase of NPS, strengthening of marketplace? That's it.

**João Vitor Menin – Chief Executive Officer:** Marcel, thank you, this is João Vitor speaking. Actually, I think your question is good, this inflection point is very well illustrated in our release, I don't know if you could see. When you increase, improve the ratio between cost to serve and revenues by client, this is exactly, mathematically speaking, the inflection point. So, this improved in the first quarter, improved in the second quarter. So, it is clear for us that we are actually at a point of inflection, although important, although we grew more than we imagined in terms of new account holders in the second quarter. Because when you put more new clients, you, let's say, fill more the denominator of clients, who are not modernizing yet at first. So, even with this strong growth, we managed to remain at our point of inflection, and this is a

mathematical response. Just see how one and the other evolved, you see that this point of inflection is happening. Regarding your question about monetization, if I remember well, whether we want to monetize more or less in short or medium terms, what happens? We see the following, we are a structure, a DNA to take more competitive and cheaper services to our clients. Thus, we know that our monetization in specific products, comparatively to the market, is smaller. But what we have to do? To have more products, there is the value of having our platform, our eco-system, I don't monetize in card only, in TED only, I monetize several things. And more, we believe a lot in the following, that his game will be won by the platform, the success of the platform, where you reduce cost to serve a lot, you have a cheap platform to be able to offer good and cheap services to your consumers. So, this is a game of efficiency indeed. So, we think that, for example, this is where we are winning this war, winning by now, may be tomorrow, future belongs to God, but when we see that we are serving this clients in a better experience, in a single APP, with more products, there is cost of more or less 10% of that the big banks have to serve the same clients, we think that we are on the right way. And reducing this cost to serve even more, this is what we have been doing quarter after quarter, naturally, this point of inflection becomes more and more latent. So, this is a bit of our monetization and revenues dynamics and cost to serve by client in short and medium terms.

**Marcel Campos – XP Investimentos:** Thanks, João. Very clear.

**Operator:** Now we are closing the questions and answers session. The questions from the web will be answered by e-mail. I would like to hand over to Mr. João Vitor Menin for the final considerations. Please, Mr. João Vitor, you can proceed.

**João Vitor Menin – Chief Executive Officer:** Well, I would like to thank the audience once again, thank our employees, thank our partners as well, thank all our shareholders, we are more than 170 thousand shareholders of Inter, this is a lot of people, I think that I have almost 10% of the Brazilian that invest in stock as shareholders of Inter. And I would like to reinforce my commitment, that of the team, to continue working hard, insistently, with passion, innovation, to deliver a more and more disruptive and modern company. You can be sure that we may even commit mistakes sometimes, not deliver, but we are working here with care, passion, focused, dedicated to actually deliver a marvelous company to these shareholders of ours, as well as for our employees. Thank you all, and see you in three months, we expect to be able to bring positive results in the next quarter as well. Thank you and have a good day, everyone.

**Operator:** The teleconference of Banco Inter is closed. Thanks everyone for the attendance,

have a good day, and thank you for using Voitel.