

**4Q18 Conference Call
Banco Inter
January 24, 2019**

Operator: Good morning and thank you for waiting. Welcome to Banco Inter's call for earnings release of the fourth quarter 2018.

Today with us are the CEO of Banco Inter, Mr. **João Vitor Menin**, Vice-President, Mr. **Alexandre Riccio de Oliveira**, and the Head of IR, **Helena Caldeira**.

We would like to let you know that this event is being recorded and participants will only be listening to the call during the Banco Inter's presentation. We will have a Q&A session immediately after the call providing more information. In case any of you require assistance during the call, please request the operator for help by typing *0.

The event is also being transmitted simultaneously on the internet through the webcast and you can access it through: ri.bancointer.com.br, where you will find the presentation slides.

The event audio will be available after the end of the call. The participants of the webcast can also submit their questions through the website of Banco Inter, which will be answered by the IR area.

We should inform you we have simultaneous translation into English for the call.

We would also clarify that any eventual disclosure that are made during the call are related to the business outlooks, projections, forecasts on operating targets and objectives and are based on assumptions and information that is available to Banco Inter. Future considerations are no guarantee for performance and also involve risks, uncertainties and assumptions since they are relate to future events and possible circumstances that might or might not happen.

I will now turn it over to Mr. João Vitor Menin, the CEO of Banco Inter, who will begin the presentation. You have the floor, Mr. João Vitor.

Mr. João Vitor Menin: Good morning to all. This is a very important day for us, it's the fourth call of earnings release after our IPO, and we are now closing a cycle of one full year after the IPO.

First and foremost, before we cover and disclose the details of the operating and strategic details, I would like to thank all of you for your presence, we have a growing number of participants attending our call, our earnings release call, and I would also like to extend my gratitude to our clients, over 1.5 million clients of Banco Inter, and every single day – apart from weekends, of course – I check social media platforms to read the platforms and feedbacks from our clients on our business model and our products. We were very happy yesterday when we found 351 comments on our earnings release, and by reading through each of the comments we realize there are very positive people, our clients are very happy with Banco Inter's operating model. We would like to once again thank all of our clients for their support and participation here in the call, in this forum.

I also mentioned this is an important year for Brazil; important reforms will be carried out and we firmly believe it will be a strong positive year. We are happy to be the first company in our estate to disclose our results, very positive results, actually we are very happy for being the first company and for also reporting and releasing positive results, our operating results and the figures that we are sharing are very interesting, and base on important significant and exciting data for us here at the bank.

Banco Inter is actually playing an important role in the Brazilian banking industry, especially when it comes to services fees and the 2.0 market is about transformation, not only an evolutionary movement, because we are helping Brazilian to bring down operating costs by reducing the service fees, and we are very happy about that.

Going back to credit, we have the Inter 2.0 model. Why do we call it 2.0? Banco Inter 2.0 is about changing the quality and the costs of banking services and banking fees. We have a full, free, complete platform, open platform, and now we're moving on to 2.0 platform to provide more efficiency to Brazilian citizens with a lower indebtedness level for families.

How will that be possible? As this virtuous cycle happens, we will have cheaper, lower costs, distribution channel funding will be also more competitive and with decreased costs, and we will have safe products, sound portfolio, and therefore interest rate will be comparable. This is the Inter 2.0 project, where you can see 30% with the growth of the loan portfolio last year despite of the challenging scenario. We believe 2019 will be more robust and positive as we have a more efficient distribution channel now, we are very excited about Banco Inter 2.0.

And lastly, I would like to mention, well, since we are digital, free and full platform, last year it is important to mention that by the end of December to the end of the year, to December 31, we actually deployed an important project to have a more complete bank; that's our Inter Open platform (PAI in Portuguese). It consists of an investment platform, a full investment platform where you can invest in shares with a free broker, you can have social security, public security, private securities, foreign exchange, operations and invest in other banks, and it's a very important project because we realize many of our clients were eager for new investment products and this Inter Open Investments Platform makes our bank more complete.

It is important to mention that we do not provide market guidance. However, we visited a lot of investors and we have IPO roadshows and we tend to say that we have a formal forecast last year, and we achieved all of our goals and forecasts in terms of service and fee income for the total bank fee income. We thought we would surpass 20% and so we did; we surpassed 20% with our income, which is now healthier.

Our ROE was also above 10%... Our ROAE was above 10%. Why is that? Because there was an important effect in terms of the size of equity because of the IPO we had last April last year, 1 million accounts, checking accounts, we also surpassed that number with 1,400 million account holders.

In regards to the effectiveness, and before I turn it over to our CFO, in December we launched a more efficient process for account opening with more experience for users, and we had a 50% conversion of the leads for opening checking accounts versus the 45% we had in the previous year and reduced the calls by 30% to our call center in terms of opening accounts request.

And still on efficiency, yesterday we realized that at 10 AM, when the branches open the bank, Banco Inter had opened 1900 accounts, which comes to illustrate that this

model is actually very interesting and effective.

Thank you all for your presence once again, and I'll turn it over to Alexandre, our CFO, and then we will open for questions.

Mr. Alexandre de Oliveira: Good morning to all. I would like to thank you all for participating in our call for the fourth quarter.

I'd like to begin by talking about growth, customer, engagement, monetization and some financial indicators or aspects. I will begin by talking about growth. We actually maintained this virtuous cycle, we had a very good positive quarter, we had 2 strategic objectives as you may recall, back in 2015 when we first started the digital retail bank project we wanted to have a more competitive funding and broader income certification by providing more services, and that would be possible through retail banking to attract more clients and, well, we actually attained our expectation: 1,000,472 customers and daily growth was quite expressive, 0.5% daily, and the funding cost by the end of 2017 was 91.3% in CDI reached 81.6% of CDI, and therefore we saw ourselves in the position we ranked the 6th among the banks in Brazil that attained actual retail funding, at least 5 other banks (apart from Banco Inter) have this characteristic, and also the income went up by 5.7% by the end of 2017 to 20% in 2018.

And in terms of engagement, we have very important engagement of clients. By the end of 2018, we closed with almost 58,000 active clients. Active clients are clients that generate income, and it was possible to achieve so many active clients because we are complete bank. As João Vitor mentioned, our strategic tripod consists of being digital, free and complete. By being complete we can easily engage clients, out of the 1,472,000 clients by the end of the year almost 650,000 clients used our cards, by the end of the year we had 115,000 investors in different products and a very interesting number; almost 1,100,000 million mobile recharges by the end of the year, or almost 22 digital adhesions for insurance and the savings accounts, the savings balance which was actually a timid initiative initially, after 3 months of the large we have 32,000 savings account holders.

Therefore, as we can see, our clients are highly engaged and there are many indicators that show that there; were 15 million logins in the month of December and when we think about the evolution of our business model in the past we talked about what retailers wanted to have full traffic for this, people walking into their stores, their branches for inspontaneous selling, and in our case we have a high number of logins, therefore higher opportunity to interact with clients and to offer them our products and services. We have 15.5 million logins for instance now, which total 1 login per active client per working day.

When it comes to monetization, I'd like to talk about services and credit and loans and credits, where we went from 47 million to 99 million year on year, 110% growth, and that diversified our income base, the revenue base. In terms of cards, we went from R\$4.5 million interchange to 1.1, and performance is almost 44 million, and cards, the cards business, are floating, that is profitability of demand deposit, 58 million driven by the time deposit going from 231 to 618 million.

Insurance fees also grew from 11 to 17.7 million last year comparing year on year. The DVM will be proven also by the Inter Open Platform, which João Vitor talked about, had an expressive growth in income from 2.3 to 5.1 million. Services, well, we had a positive year clearly in services, and in credit and loans, it was pretty much the same, 28.3%, going from 26 to 23.3 above the market, the Brazilian market, where there was not an expressive growth, and this is also very exciting for us in Brazil, we are growing

more expressively and now with the economy peaking up we are going to have expressive growth, and 3.3 bi was the loan portfolio, with 10% for cards and real estate loans with 58.3%. Our net financial margin increased from 8.2 to 9.6% year on year, and we had an improvement in quality of our portfolio with 1.2 to 4.4%.

Financial highlights. Well, the recurring net income went to 74 million of 38% growth, recurring ROI reached 10.4, it was despite the IPO that we had after the end of the third quarter, we had a recurring ROI of 2 digits, which was an internal goal we had, which was key for us and we achieved it. NPL 383 to 948, almost 950 year on year. And Basel by the end of 2017, we had 17.2 and in 2018 29.9, which makes us somewhat comfortable in terms of growth for the next years.

And I'll turn it over to Helena, she's going to share more information with you and then we will open for questions.

Ms. Helena Caldeira: Good morning to all. I would like to thank you for attending our fourth quarter earnings release.

I have a brief announcement reporting to our IR channel to our individual shareholders over 15,000 people as shareholders, in our shareholder base, and therefore, we are reporting through this channel, which is open to institutional corporate shareholders and also to individual shareholders, which are also key to us.

You may contact us through our website our ri.bancointer.com.br, and leading to the questions that formally arise from the audience, why don't we have a listing of the common shares, because of course our regulatory issues, for regulatory reasons, we cannot list our common shares. However, we have filed a request at the Central Bank, and we are going to analyze this possibility to disclose this list publicly.

I think we can now open for questions, we'll take your questions.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now take questions from the listeners and participants. Please, dial*1 to ask your question.

First question is from BTG Pactual.

Question: Good morning João, Alexandre, Helena, thank you for the opportunity to ask questions during the call. I have 2 questions. One related to possibility of monetization for 2019, I'd like to know, well, the customer base has grown expressively, of course there is still opportunity for growth. I would like to really hear what you have to say in terms of opportunities, products and target audience or clients, which are the strategies you have to monetize the platform in products you traded over 2018. That's my first question.

The second question has to do with effectiveness; how should we actually consider effectiveness in 2019, because you have 2 different forces, right? You have the opportunity to gain scale, to scale many of the initiatives you have deployed – some recent ones included – and at the same time, you probably have the continue investing on the platform to provide an ever more complete and robust service to your clients and to also attract more clients.

So, can you please elaborate on efficiency as well? Thank you.

Mr. Menin: Hello, this is João Vitor, thank you for your question. I will begin with monetization services, and answering your first question, I should say that it's clear to us that we did not want simply to have clients that are account holders, checking account holders in the bank, something that we have also disclosed in our release, well, we have created a super app; Banco Inter is now an app, it provides many different services, you can recharge your mobiles, so just to give you an idea of what this app is about, you have, for example, the parking system, you can get your parking tickets through the app, gift cards and also package, which is also aligned to our platform, we tend to say that people tend to do many different things through our app, they can pay their bills, make transfers, investments.

So, when you ask us for a forecast, what we are going to do going forward, we have worked heavily in 2018 to have the open platform, the Banco Inter Open Platform to monetize on our clients and we have done significant things.

What is new for 2019? Well, we don't have much novelty because we are quite complete by now, but, of course, we have the consortium, the foreign exchange operation that give us scale, foreign exchange operations now can be done on the app, we have many operations that can now be also done through the app, and 2019 will be the year of consolidation of many different products and operations that are available to our clients.

When it comes to efficiency, effectiveness, this is also an important topic, an important area. Market analysts, financial market analysts, of course, want to learn more about efficiency, are interested in what is happening, and of course, this is not a traditional major bank, when we talk about efficiency we need to consider an important aspect, such as, for example, if you consider a large bank in terms of efficiency, if you look at their income or earnings, they are not aligned to our business model, and I should also make a special remark when it comes to bank fees and services, bank fees are actually drivers for low efficiency among large bank, and it's totally different from Banco Inter business model. Our business model is a truly efficiency.

Is our efficiency indicator good? No, because we don't have the fees, which are important, if you look at the fees and we have over R\$600 million for instance, but if we had 20%, 15%, we would see how much we have in efficiency, and we are also making massive investments right now. We were a traditional bank, we became of virtual bank and now we have all the products on the platform, we migrated to the cloud in 2018, we changed our banking core, we had an IPO, we launched... well, we have an XP in our app. So, there are many things happening at the same time, we doubled the number of employees, so we don't charge fees, new fees, and well, there is a low percentage for efficiency, but we feel comfortable with the figure, we are not going to cut investments, we want to continue growing and we do not plan to change this model.

Question: Thank you for your clear answer. The strategy extremely year, so this year, in 2019, would you say we should not expect as many new products and initiatives to be launched precisely because the full system is quite ready, because there were many innovations last year and now you might actually focus on scaling, right, scaling up? Did I get it right from João Vitor?

Mr. Menin: Yes, you did, precisely. Well, of course, we are going to think outside the box in 2019, we will continue using our creativity in innovating, however, not at the same pace as we did in 2018 because our platform is complete, is user-friendly, and of course, there is still room of course for improvement, for innovation, however, we want for more people to use this extremely robust platform and the app that we have.

Question: Thank you very much, excellent. Thank you for your answers.

Operator: The next question is from Rafael Frade.

Mr. Frade: Thank you, I have a question related to payroll credit, payroll loan. I was attracted by the changes and reduction you had in the origination. Could you maybe elaborate more on the process? 100% was originated on the digital channel? Thank you.

Mr. Menin: Frade, thank you, this is João Vitor, thank you for your question. That is an excellent question.

I mentioned earlier that, well, we have Banco Inter 2.0, now we have lower-cost funding, an efficient distribution channel and payroll loan fits perfectly here, so we have reduced our funding cost without cannibalizing our spread, and we actually had a drastic reduction of payroll loan fees and we have our digital sales, and Priscilla, our CRM director, is the head of the action with Omni channel and product sales, payroll loans, and we have shifted the focus; we are no longer focusing on selling through the portfolio, we are rather using our digital sales platform, we have a fishing boat which is what large. Let us use it.

And we have many different initiatives, you know, lower fees and without having expenses on many different fees, we have focus more strongly on payroll loans, which is good, is positive and we are more productive, and we have a higher production quality right now, which is even more important. We had maybe sometimes problems in relation to fraud, the end consumer was not so close as it can be now, so that we can eliminate all those costs and we have one client that is the Banco Inter's client now, we can control the whole process, and that was a great achievement for us, it was a challenge and a major achievement, we were of course focused on the catch-up, we had to act fast and the results were excellent.

Mr. Frade: Thank you, João.

Operator: Please, remember you should type *1 for questions.

Carlos Daltozo has the next question.

Mr. Daltozo: Good morning João, Alexandre, Helena. I'd also like to ask 2 questions. One related to corporate account opening; what are the challenges in this segment when it comes to opening accounts and launching new products and the acquiring customers find?

And the second question has to do with the competition, the license, obtaining a license. You have different products and services, and how do you see the competitive scenario?

Mr. Menin: Hello Daltozo, this is João Vitor, thank you for your question. So, you asked a question about competition and one about corporate account, right? Okay, I'll begin with corporate accounts.

Well, I tend to say that the individual banking service in Brazil for individual was actually not favorable, the fees were very high, service had low quality, and when we say that we revolutionized the market with zero-fees platform, digital platform, digital model I said that actually many people opened accounts with us on the first day after the launch, but the situation was dramatic and that is dramatic for also corporations

with extremely high fees and with mismatches in terms of product offerings – I'm making reference now to small and medium enterprises, the large corporations have no problems whatsoever –, so there is a great potential when it comes to corporations and cross-selling, and of course, since we have a complete platform there are many things we can do in terms of payments, insurance.

However, unfortunately we cannot do everything at the same time, we went to 1.5 million of individual account holders, checking account holders in 2018, by the end of 2018, and in December we launched the first version of an app that we have that it is oriented to corporation, to institutions, this was an embryonic version, it has to evolve now very rapidly so that we can provide the same quality services in products to corporation, and of course, that will provide many opportunities for the bank, and this discipline going forward in 2019 you will more certainly see many corporations adopting Banco Inter's solutions.

And answering your second question on the competition, yes, new banks, upcoming banks, well, market today's huge in Brazil, over 210 million people are unbanked people or population, a large part of the population is unbanked or has poor services. The competition is out there, of course, but if we didn't have competition maybe we wouldn't evolve as much, therefore, we believe that it is a normal thing, we are attracting other competitors' attention, some players are trying to get into this market and they can't, and that is also normal, more dynamic and digital banks are making it into this market, but when we talk about our competitive edge I think that's why we have this sound position, robust position in Brazil because of the combination we have as a bank and Fintech, so a very particular characteristic.

Something we also mention in our road shows; we have this positive part of banks, we are complete because we have the exchange portfolio, the loan portfolio, the finance, real estate portfolio, we have regulatory compliance and everything, but we don't have a legacy, we have the cloud system, we have a very good app, we are digital. So, this is a very robust combination, we cannot, of course, rest on our laurels by no means, we have to keep on evolving in 2 or 3 years from now, we have 5 top leaders in Brazil, of course, they have 95% of the banking retail industry, of course maybe going forward we will have 3 digital players that will have 58% of the market share, so there is plenty of room for these players, we don't want to grow at any cost to gain market share; this is not our mindset, but we are very comfortable with the growth we have been having and there is room to grow in digital for sure.

Mr. Daltozo: Thank you, perfect.

Operator: To ask questions, please, dial asterisk 1.

We have one question, it was submitted by Marcos through our webcast:

"I would like to know what drove the increase of PDD in the fourth quarter 2018."

Mr. Menin: Hi Marcos, thank you for your question. Well, actually what drove the increase was the fact that everyone is used and familiar with our conservative approach, we have payroll loans and, of course, a collateral from receivables and others in this portfolio.

I think the first important piece of news is that this portfolio is very robust, and the provision levels are also doing quite well, so the increase is a result of... well, it might seem expressive because of the base, because we have collaterals and provisions that are very well behaved, any slight increase might seem big.

Well, this was driven by the credit card portfolio, in 2017 we had 17 million and in 4Q we had 325 million, so the portfolio growth falls within what we expected, however, the portfolio also drove more provisioning, and I'd like to say if I may higher allowance, if you compare different quarters even with the small nominal base, this percentage, growth percentage might seem high, but compared to the third quarter in 2018 you realize that the allowance didn't grow as much, which is a good sign.

Q3, which was lower than Q2 and Q1, is a result of the collateralization in other assets, as Alexandre mentioned. 2017/2018 with the poor economy and unemployment, the allowance went up, we had payroll loans and this level was recovered.

And as you gain more scale with cards of course you have an increase, that is a result of a very small base we had earlier, but a sound execution that we had over the past 24 months, and maybe that's the reason why we had the increase.

Operator: We are now closing the Q&A session, and the remaining questions over the webcast will be answered by the IR team. I'll turn it over to Mr. João Vitor Menin for his final considerations.

Mr. Menin: I would like to thank you all once again for your presence, our clients, our employees. We have had shorter calls, and to try to make them more effective as well, Helena I will be glad to take more questions and she will answer the questions that came in through the webcast and we can assure you we will answer all of them.

The outlook is very positive for 2019, not only at the macro level, we are all actually expecting good reforms to be passed, and 2018 was a very important, intensive and good year for Banco Inter where we built a solid foundation through technology, our IPO, ending a complete platform, our team we have an amazing team in place now, in 2018 we hired 4 new directors, 4 new officers, so we had a 40% increase in our personnel, we have new people in risk and control and loan, so it is a top team and that is also key.

And finally, and also bringing Daltozo's question again, complementing the answer on competition and competitive edge, on top of technology, in order to be the top digital bank we need to have the right mindset, we want to be as effective and transparent as possible, and that's not an easy thing to achieve, it's not something you can buy. Technology, you can buy, but this has to be part of our DNA, and it is and that will make the difference in 2019, 2020 and 2021.

I am convinced that we are transforming a massive industry, the banking industry in Brazil, and of course, we want for our shareholders to win and the Brazilian population to also benefit from this banking revolution that we are bringing about, and we are very happy and firmly believe we will have a wonderful year in 2019.

Thank you all once again.

Operator: And we are now closing, adjourning Banco Inter's call. Thank you all and have an excellent day. Thank you for using Chorus Call.