

INTR Earnings Call Transcript

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Quarter: 3

Rafael Vittore: Hello, everyone. I'm Rafael Vittore, IR at Inter, and I would like to welcome all to Inter & Co's third Quarter 2025 Earnings Conference Call. First of all, some instructions. This call is also available in Portuguese. To access it, press the globe icon on the lower right side of your Zoom screen then select the Portuguese room. Please be advised that all participants will be in listen-only mode. And that the conference is being recorded. You may submit online at any time today using the Q&A; box on the webcast. A replay will be available at the company's IR website. With me on today's call are João Vitor Menin, Inter's Global CEO, Alessandra Issu, Brazil CEO, and Santiago Stel, Senior Vice President and CFO. Throughout this conference call, we'll be presenting non-IFRS financial information. These are important financial measures for the company, but are not financial measures as defined by the IFRS. Reconciliations to the IFRS financial information are available in our earnings release and earnings presentation appendix. I would also like to remind everyone that today's discussion might include forward-looking statements, which are not guarantees of future performance. Please refer to the forward-looking statements disclosure in the company's earnings release and earnings presentation. Today, João will discuss Inter's strategy and business overview. After that, Alessandra and Santiago will take you through our financial and operating results in more detail. We'll then open the call for questions. I will now turn the call over to João. João, please go ahead. Thank you, Rafa.

João Vitor Menin: Hello, everyone. I'm excited to share that we have accomplished yet another remarkable quarter of growth while continuing to build Inter for the future. This year is a very special one for us. It marks the ten-year anniversary of the launch of Brazil's first digital account. It's a moment of pride and reflection, as we look back to 2015 and remember the challenges we overcame to get where we are today. What makes us even prouder is that we have never lost our essence. Creating value for every single stakeholder and truly walking the talk of transforming Brazil's financial system into a better, more inclusive environment. For our clients, our no hidden fees approach and more importantly, our sustainable credit products offer an inclusive and accessible way to meet their financial needs. This has led us to grow from zero to 41 million clients in this amazing journey. For regulators, being the pioneer that launched the first digital bank back in 2015, we act as a partner of a better financial system. One that is efficient, transparent, and client-focused. For our shareholders, the disciplined execution of our six thirty thirty plan allows us to deliver an attractive balance of profitability and growth, ensuring long-term value, as shown in our path of growing our ROE. For our employees, Inter remains an exciting, dynamic work environment where our people are empowered to innovate, grow, and contribute to meaningful change every day. As we celebrate a decade of innovation, we remain true to our disruptive spirit. Inter is built for the future, and I believe that our next decade will be even more exciting than this one. As we celebrate our ten-year anniversary, I'm sure that our mission statement was the secret sauce that made it possible. Our mission statement is crystal clear: to create a world where interactions between people generate more value. This mission captures what drives us every day. We create products, services, and solutions that simplify lives, empower people, and build stronger connections. Whether through innovation, flawless execution, or a customer-first approach, every interaction brings meaningful value. Our mission is deeply rooted in our culture, which is built on four core pillars. First, is customer centricity, always prioritizing our clients' needs and delivering great experiences. We are always looking ahead. Second, we lead with true innovation to anticipate our

clients' needs. Third, our operational excellence means we aim for flawless execution in everything we do at Inter. And fourth, our winning mentality by delivering the extra mile and achieving great results together as a team. By living these pillars every day, we are setting the foundation to make our mission a reality. With these pillars as our foundation, my focus for the next steps is clear: keep innovation alive within the company by leveraging AI, hyper-personalization, and introducing new features to our app. Today, we already have 380 AI initiatives live at Inter. For perspective, during our 2024 Tech Day, we had just 80. Second, driving our global expansion, enhancing our global account with new products, and exploring opportunities in new markets to strengthen our international footprint. Third, investing in our talent team by developing our executives, bringing market experts, and continuously nurturing the cultural pillars that make Inter unique. I'm tremendously proud of what we are building and the ability we have to create meaningful value for every client we serve. With that in place, I will pass to Shange and Santi, who will present our operational and financial performance. Shange, please go ahead. Thank you, João. Hello, everyone. Guided by our core pillars,

Santiago Stel: we are on track for another outstanding year of execution. We're the fastest-growing large financial institution in Brazil among those with over 20 million clients, pursuing what we believe is our market fair share. Our Net Promoter Score remains at the excellence zone at 85 points. These results come from clients who use our platform at a high frequency. In September, we saw more than 20 million daily logins, that's 14,000 per minute. On average, we process 20,000 financial transactions per minute, totaling over 850 million in a single month. This level of engagement shows how well our platform works and proves the value created by the synergy between our seven verticals. In the third quarter, we set a new record performance in new active clients and accounts opened. We welcomed 2 million new clients, our highest number ever, beating the 2022 record. This reinforces clients' view of Inter's strong value proposition. Our focus on quality remains strong. Of these new clients, 1.2 million were active, bringing our overall activation rate to 58%. I'd like to stress three aspects that make us confident with the future. First, we have improved cost onboarding dynamics, and that's seen throughout the onboarding funnel. Several improvements are helping us increase the number of new accounts. Second, we have been running an efficient client early activation journey, and that explains why we can consistently increase our activation rate. And finally, the sum of these two points is resulting in a fast payback of around two months after clients onboard. This engagement translates into high transaction volumes. Our active clients transacted over BRL 412 billion on our platform, a year-over-year growth of around 30%. A large part of this volume comes from PIX, which is a strong indicator of clients using Inter as a primary bank. Moving to our credit cards, volume reached a new record surpassing BRL 15 billion for the first time. This represents a 20% growth on a yearly basis. This growth in TPV levels is consistent across all cohorts, but our newer clients present impressive results, transacting more and faster than older ones. Moving to our credit vertical, I have three key highlights. First, we continue disciplined in our strategy of high growth, respecting ROE targets and a balanced ratio of secured to unsecured loans. Roughly two-thirds of our portfolio is secured, one-third of our portfolio is unsecured. Second, private payroll loans have been the main highlight of the year, and we keep a very positive view on the product. We reached a BRL 1.3 billion portfolio with over 300,000 clients. This shows the strength of our digital distribution and our ability to scale a new product quickly. We're also seeing operational improvements coming from data prep and companies' HRs, which increases product quality and our confidence with the delinquency levels that we're going to see long term. We also expect clients from the FGTS loan products to migrate to this product given the similar profile and the new regulatory changes that came in the last few months. And third, two quarters ago, I introduced the concept of reshaping our credit card portfolio as a key focus for the year. We're making good progress in moving clients from being pure transactors to our interest-earning portfolio. IEPs now represent over 23% of our credit card portfolio, up from 20% last year. This is happening through key initiatives like PIX financing, monthly limit reassessments, and new installment plan offerings. Santi will provide more details on our strong loan book performance. Talking about market shares, consistency is the name of the game. We have always used our market share in PIX as an internal benchmark. Our goal was for other products to reach that same level of success. This quarter, I'm proud to announce that two of our key products have surpassed that goal. First, home equity for individuals. Thanks to the amazing work of our credit and distribution teams, we're now the second-largest underwriter of the

product in Brazil. We have reached 8.9% market share in portfolio balance. Second, FX transactions. The success here is driven by the high engagement in our global account and the amazing UX of this product. We have reached 8.4% of the market transactions. I have highlighted two products, but this progress is visible across all of our businesses, with consistent growth quarter after quarter. I am confident we will keep strengthening our position in the market and that more and more products will surpass the PIX benchmark.

João Vitor Menin: To finish,

Santiago Stel: I want to emphasize how these outstanding results are powered by our seven verticals and our commitment to continuous innovation. Each vertical contributes to our growth, working seamlessly and interconnected to enhance client value and compound our profitability. This ecosystem is what makes Inter unique and drives us forward. Now I'll pass the word to Santi who will walk us through our financial performance.

Santiago Stel: Thank you, Shande. And good morning, everyone. Moving to our loan portfolio, we delivered another quarter of strong results. Our loan book grew 30% year on year with quarterly growth accelerating to 9%, 6% on an annualized basis. Within collateralized loans, we achieved impressive growth led by private payroll loans. In credit cards, the reshaping strategy mentioned by Shande together with our continuously improving underwriting and collection processes, gives us confidence to continue growing at a pace from 30% year on year. Looking at SMBs, we have been prioritizing profitability over loan growth, though we see a great potential to accelerate growth soon with the upcoming centralized invoice discounting clearing house known in Portuguese as duplicatas escriturais which is set to be launched by the Central Bank early next year. Once again, we outpace the market in our key portfolios. Private payroll, home equity, and credit cards. In payroll and personal loans, we are moving quickly to capture the private payroll market opportunity. And in just six months, we built a BRL 1.3 billion portfolio from scratch. The overall market, also considering public and other personal loans, grew 22%, while we reached a growth of 38%. Mortgages, we're differentiating our offering through digital distribution and we have been able to grow at 37% on annual comparison reaching a 9 billion reais portfolio. In home equity, the number two player in originations, growing 33% year on year, significantly outpacing the market growth of 21%. And in credit cards, reached 30% growth while maintaining our conservative approach to risk underwriting. As Shande mentioned, we're also successfully reshaping this portfolio to further improve its profitability. Moving to asset quality. Our metrics showed strong performance this quarter. The fifteen to ninety day NPL ratio stayed stable at 4.1% while the ninety day past due metric improved 10 basis points while decreasing from 4.6 to 4.5%. The credit card NPLs analyzed across cohorts, continued to show strong performance validating the improvement made in our underwriting and collection models. And finally, NPL formation and Stage three formation stood at 1.65% and 1.46%, respectively, in line with historical trends. Here, we see the evolution of our cost of risk which reached 5.35% this quarter. The main driver of the recent increase is the new private payroll portfolio, which requires upfront provisioning. The coverage ratio shows the increase associated with those provisions. On the right-hand side, we show an illustrative chart of the return profile of the new portfolio. In which we have been investing throughout this year as we build the portfolio and now pass the breakeven point. And from now on, we expect high-end profitability. Our funding franchise had another great quarter, growing 35% year on year reaching BRL 68 billion. This growth was primarily led by tank deposits driven by the higher Selic rate and the success of my piggy bank. Our product that makes fixed income investing easy for our clients. Our transactional deposits, which are a core competitive advantage of our platform, also had a strong quarter, growing 1.3 billion reais or 7% this quarter. And lastly, on this page, our active clients surpassed for the first time ever an average of 2,000 reais in deposits, which is a great milestone that shows how our clients trust our platform with their deposits. This strong funding franchise translates directly into a key competitive advantage, our low cost of funding, which this quarter reached 68.2% of CDI. What we added this quarter is a complementary metric that fixes the number of business days making the comparison across quarters better. In that sense, our ratio reached 65.1% which was the best one so far this year. Our strong operational performance translates directly into strong revenue growth. In that sense, our net revenue reached 2.1 billion reais, up 29% year on year and 8% sequentially. The key driver this quarter was our growth in our credit book. With NII increasing 39% in a yearly comparison. As already

mentioned, this was fueled by strong results in private payroll, credit cards, mortgages, and home equity portfolios. As Shande showed, higher client engagement is driving faster monetization across our cohort. As Shande showed, higher client engagement is driving faster monetization across cohorts. This quarter, net ARPAK reached BRL 33.2. This shows our potential as our mature clients are already generating close to BRL 90. When we combine this strong monetization, with our low cost to serve of BRL 13.1, the result is our best ever gross margin per active client, reaching twenty point two reais. We are confident that the success of new products, like private payroll will continue to drive monetization even higher in the coming quarters. Now let's dive into our net interest margins. Both our NIM 1.0 and our NIM 2.0, which exclude the noninterest receivables of credit cards, are consistently showing growth quarter after quarter and achieving new record levels. As you can see on the page, we have improved our risk-adjusted NIM by an average of 14 basis points per quarter. In this quarter, in particular, earning was positively impacted by private payroll, and credit cards given the reshaping of this portfolio.

João Vitor Menin: However, we

Santiago Stel: faced lower inflation which impacts our real estate portfolio, which is cost of funding. With all these impacts together, our NIM continued to expand both before and after cost of risk. Lastly, we continue to optimize the use of our capital structure with our assets to equity ratio increasing from 7.9x to 9.4x year on year. On the expense side, this quarter allows us to have a comparable basis given the acquisition of Pinterpak back in 2024. Our strong cost control focus allowed us to report a total expense growth of 5% quarter on quarter and 16% year on year. This growth is approximately half of the pace of our annual net revenue growth, showcasing the strong operational levers of our business. The quarterly growth in personnel expenses reflects mandatory annual salary adjustments as well as bonuses linked to our growing earnings. As our business continues to expand rapidly, we remain focused on renegotiating contracts with major vendors to reduce our cost per transaction and further improve our efficiency. And in terms of ratios, the result of our cost control is an efficiency ratio improving from 47.1% to 45.2% this quarter. This 190 bps improvement is a very significant one which demonstrates that the operating leverage of our digital banking model is very promising. Finally, I'd like to highlight the progress we've made in profitability. This quarter, we reached 14.2% ROE, and delivered a record net income of BRL 336 million, a true milestone in our journey. What makes this quarter even more meaningful is that we maintain this profitability while investing heavily in innovation, enhancing the client experience, and improving operational excellence. These efforts lay a strong foundation as we continue positioning Inter as a world-class financial institution. Thank you all. I'll pass it now to João for his final remarks. Thank you, Shande and Santi.

João Vitor Menin: After hearing what they shared, it's clear that our powerful ecosystem is running seamlessly. And we are exceptionally well positioned within the evolving banking trends being shaped by the regulators in Brazil. The focus on sustainable credit, client-centric solutions, and lowering borrowing costs is perfectly aligned with the Inter by design

Santiago Stel: concept.

João Vitor Menin: We are laser-focused on finishing 2025 with strong momentum, setting the stage to start 2026 energized. We are committed to keeping pushing forward, creating value for our clients, shareholders, partners, and employees. Rafa, let's now open the Q&A; session. Thank you all.

Rafael Vittore: We'll now open the call for the Q&A.; We'll take one question and one follow-up from each participant. Our first question is from Tito Labarta. Tito, your mic is open. Please go ahead.

Tito Labarta: Alright. Thanks, Rafa. Santi. Thank you for the call.

Tito Labarta: And taking my question. I guess my question is more thinking about the longer-term guidance that you've given. The sixty thirty thirty. Right? Because, I mean, you know, trends are looking very healthy. Right? NIM is expanding, risk-adjusted NIM is expanding, loan growth is doing well, efficiency is improving, and ROE is up to 14%. But just to think about, you know, to get to that 30% in the next two years, what else would need to drive that? I mean, you mentioned that you're delivering this ROE despite investing a lot in the business. Do you expect some of these investments to begin to subside or will they taper off and that's gonna boost the ROE? Just because looking at the trends. Right? I mean, NIM, I think you've mentioned in the past, should continue to expand through next year. Still repricing the loan book. But just help us kind of bridge from where you are today to sort of that longer-term view that you had previously given and, you know, what can drive that continued ROE

improvement? Thank you.

João Vitor Menin: Tito, João Vitor speaking. Thank you for the question. So let me start by saying that we are really happy with what we have achieved having this six thirty thirty plan as a guideline for us for the past, let's say, almost three years. If you recap, we came from a 0% ROE back then to almost 15% ROE now on a running base for 3Q. So this is something that highlights what we have achieved in terms of profitability. Also, on the first number of it, the 60, talking about the 6 million clients that we wanted to achieve, this quarter was the best quarter ever in terms of client addition. And also, October was the best month ever for the past three years. So we're really doing a great job in bringing clients to our ecosystem. On the efficiency ratio also, this quarter was a very good one. We dropped almost 200 bps in that. So see that we are on the right direction. About the ROE, which was your specific question, to be honest, we know that we have a tough environment in terms of Selic different from where we were when we predicted the six thirty thirty plan. And therefore, our credit portfolio exposure today is lower than it was supposed to be. But we see very good trends ahead, such as the private payroll loan, we see coming in next year, the factoring clearing house that is going to help us to grow a lot our exposure to SMEs which we are very excited about. And with all that in place, it's hard for us to predict if we're going to be on the 30% ROE by 2027 or later on. But the important thing is that the trend is good, the team is committed. And last but not least, we do have a very strong and very positive room to grow our credit portfolio ahead. I like to say that it's good that we have been growing 30% year over year, but we still have most of the portfolios we operate today in single digits, low single digit in market share. We found that in place and maybe with the 30% ROE by the end of 2027, or I don't know somewhere in 2028. So very committed, excited, and I believe that the platform is well-tuned for us to keep achieving the six thirty thirty.

Tito Labarta: No. That's very helpful, João Vitor. Thank you for that. I guess maybe just ask it a slightly different way, but maybe to paraphrase a little bit what you said. Would the biggest headwind you think be more macro just given, you know, that rates, as you mentioned, are 15%? Is that the biggest headwind to be able to achieve that 30%? Because execution-wise, I mean, you seem to be doing everything that you've said. Right? So just what the biggest risk to achieving that could be.

João Vitor Menin: Yes. Tito. Yeah. I would say that as of today, the biggest headwind is the Selic. So therefore, the, for instance, the payroll segment grows slower, the more than in everything grows slower. But as you mentioned, everything that is in our hands, we're doing well. I mean, we're bringing deposits. We're improving the asset side. We are improving the efficiency by being more diligent on the expense, trying to use AI to optimize how we run the machine. So that's it. I see that as of today, our biggest headwind is the rate in Brazil.

Tito Labarta: Okay. So very clear. It's a right assumption. Okay. Great. Thank you very much, João Vitor, and congrats on the results.

Rafael Vittore: Our next question is from Gustavo. Gustavo, please go ahead.

Gustavo Schroden: Hi. Can you hear me?

Tito Labarta: Yes. Okay. So good afternoon, and thanks for the call, and congrats on the high-quality results. My question is specifically about this higher cost of risk that we saw in the quarter. You mentioned that it is related to private payroll loans. Why we saw the NPLs totally under control? So my question is, is this a new level of cost of risk that we should work with for the coming quarters or is the increase in coverage ratio that you did in this quarter enough for the coming quarters? Thank you. Good morning, Gustavo. Thank you for the question.

Santiago Stel: Yes. So what happens in sequence of factors as we build a new portfolio, cost of risk picks up first since we have the expected credit loss model, and we have to provision upfront. And then as the quarters go by, delinquency starts passing the ninety-day mark, and then the NPL follows. We haven't seen that NPL increase yet, or it was very minimal yet given the life of the book is close to six months by now, and the majority of that was built on the second part of those six months, meaning on this last third quarter. So the NPL should start to catch up a bit, and the cost of risk will likely stabilize very close to the current level of around five and a half percent. Again, as we mentioned many times, we're working to maximize risk-adjusted NIM, not to minimize cost of risk. That's the variable we aim for in a sustainable way, as we call in the Inter by design. By providing our clients with products that are actually good for them and tend to lower their cost of, or borrowing cost relative to alternative processes

they have in the market. So we think we're driving the outcome there in the proper way. The coverage ratio also anticipates that way to help with the cost of risk. But stage three and NPLs are the ones that follow later. We should see that going up a bit in the next quarters without increasing further the cost of risk to the level that we have reported this quarter.

Gustavo Schroden: Oh, great, Santi. A follow-up on this private payroll loan because even with this higher cost of risk, that you mentioned in the product, you showed a nice slide a nice chart demonstrating that the product has reached the breakeven in the second quarter and now it is in positive territory, right? So my question is, could you share with us what is the level of profitability you are delivering in this product? And if there is further room to improve the profitability in the private payroll loan. Thank you.

Santiago Stel: Well, it's super high by now. We are starting to see the cost of risk or delinquency level converge towards the high single-digit level in the prior cohorts. So the first few months were higher, and as the months go by and the system starts working as it was designed originally, then the cost of risk hits the high single digit. With the high single digit, this is significantly higher than 30% ROE. What we think will likely happen is that the interest rate on the asset side will probably go down as more competition comes in. For now, we're seeing it in the high threes percent per month. And with that level of interest rate, the ROE, as I mentioned, is highly above the 30% mark. It's the highest ROE product we have in the portfolio. Nicely, it's 1.3 billion and counting in the loan book, so it starts moving the NIM in the right direction. It's, as I mentioned in the prior question, a product that will the clients have available to go away from more expensive alternatives. And this one, it's one that they can use their income to finance their daily needs or their financing needs in a much better way, which is what we call the Inter by Design. So it's a really win-win product. Hats off to the regulators in having it designed. We think that the TAM is really significant. It should be multiple more than the public payroll time given that you have three times more employees in the private sector than in the public sector. We'll see how much it continues growing in the future. And so far, we're very pleased with the results.

Gustavo Schroden: Okay. Great. Thank you, and congrats on the execution.

Rafael Vittore: Our next question is from Mario Pierry. Please go ahead.

Mario Pierry: Hi, guys. Good morning. Congrats on the quarter. Let me ask you two questions. First one,

Mario Pierry: is on your net interest margin expansion. Right? You're growing your margins 10 to 20 points per quarter as you had talked about at the beginning of the year. In part, that reflects some of the repricing they had done in your portfolio in the past. So have we seen the full benefits of the repricing yet? And should we think about margins now going forward being more stable? Especially as the mix of the loan book is shifting. Right? Like, I would imagine, right, the rates you charge on the private payroll product are lower than a credit card. So help us understand how you're thinking about the outlook for net interest margin, and then I'll ask my second question later.

Santiago Stel: Mario, good morning, and thank you for the question. So the three drivers of NIM expansion are, one, repricing, two, better mix, and three, investment yield going up. Those are the three drivers. On repricing, we have done a very high share of that repricing since we started this a few years ago. Surprisingly, we did more on mortgages than on payroll. Mortgages had higher growth than public payroll. You know, it has a higher longer duration. And then on payroll, we still have a significant part of our loans that are rates not very far from one, 1.2% per month. That have some upside on repricing. So there is an element. It's no longer the higher driver of new expansion as it was in the early days of the sixty thirty thirty, but there is still some potential. I would say that around one-third of those portfolios still have upside in terms of interest rates. And the good thing is that on public payroll, which hasn't grown for several quarters, public payroll specifically, it has grown in the last two quarters. And therefore, that accelerates the repricing or the increase in the yield of that. In terms of better mix within the loan book, the two main drivers were FGTS equity in the prior years. This year is a bit more led by private payroll and credit cards. The reshaping that Shande alluded to. On the investment yield, also, we have been improving in that sense. But we still have to go to make some more progress on optimizing capital. We haven't done much very complicated structures yet in terms of or structured records to optimize the capital more than what we could. That's another lever that could be added to the list of the three that I mentioned before. But when you put all that together to summarize the

answer, Mario, I think that the trend of NIM expansion still has ample room to continue to improve. We have answered this in the prior calls. At least in the next four quarters, we see a continuation in the trend of the risk-adjusted NIM in line with what we have seen in the prior quarters.

Mario Pierry: Okay. So that's clear. And now my second question then on slide 19, right, you show that you're growing faster than the market in all of the products.

Mario Pierry: What gives you confidence? Right? Because when we talk to the big incumbent banks, they seem more concerned about the economic outlook. They seem like they are derisking their loan books. And while you're doing the opposite. Right? You're trying to accelerate growth, maybe this is the best time to grow, right, when the competition is slowing down, you probably can get, like, very good clients, and attractive spreads. So first of all, so then the question is, what makes you comfortable to be growing your loan book at a 30% pace when everyone expects the economy to decelerate? And, how do you think you can maintain this growth once the traditional banks start to accelerate again? Thank you.

Santiago Stel: Hi, Mario. This is Shande speaking. Thank you for your question. So, there is a lot here. Right? I think the first thing is about what we call our right to win. So we're very well positioned to grow overall and to expand in the markets we're operating. So large client base, our brand is getting stronger and stronger as we go. And the products are there. And these products we derive to the next portion of why we believe we can keep growing. Which is about the Inter by design. So we positioned our credit portfolio with those two-thirds in secured lending, one-third in unsecured. Within the secured lending, we're talking about Brazil's largest credit markets, which includes mortgages, and also payroll loans. All these products are growing. And when we think about mortgages specifically, we see a decline in the balance of savings accounts in Brazil when linked mortgages, and this is really good for Inter. So we've been originating for more than ten years, mortgages at market-based pricing. And this gives us confidence that we're gonna keep on growing both mortgages and home equity as the entire market should derive to a more market-based solution that we believe is a lot more sustainable long term. So this takes care of mortgages, payroll loans as Santi mentioned already. Having the client base, having the digital experience, and being playing in a market that should achieve between 250 and 300 billion, we should keep on growing. Credit cards, another point that we have been growing fast and we believe we can stay there. And in here, we talk a lot about share of wallet. So we're occupying still a relatively small part of the share of wallet of our customers. And as we improve as we keep doing all the improvements that we have been doing in underwriting, in growth, in UX, we will keep expanding our penetration. So having said all of this, it's a lot about continuity of good execution, and our team is getting stronger and stronger, and we'll keep on it to sustain these growth levels that we have been seeing.

Mario Pierry: Very clear, Santi. Thank you very much.

Rafael Vittore: Our next question is from Pedro Leduc. Please go ahead.

Pedro Leduc: Thanks, guys, for the call. Congrats on the journey so far.

Pedro Leduc: Question on credit cards. Now we've been watching it carefully. Simple math interest minus provisions was negative, breakeven. Now this quarter, positive, and now sustainably positive. So if you could share with us maybe what you have learned, what actions have led to this? And now at these what look to be much more healthy ROE levels for the product standalone, if we could expect a more meaningful penetration increase within your client base which is still fairly underpenetrated, I would say. So I'm just trying to see if now this product is at the economics that seems fruitful for you to roll it out a little bit more aggressively. I imagine that it maybe could grow ahead of the overall loan book in 2026 again, maybe even faster than it grew this year considering also the income tax boost that a lot of your clients are going to have? Thank you.

Santiago Stel: Hi, Pedro. This is Shande speaking. Thank you for your question. So, yeah, we're very positive on what's been happening in the credit card portfolio. So as you know, we've been evolving on a 360 view. So both credit team getting more and more mature and models getting more and more mature collections same thing. And the product team very engaged on making this evolution that we saw in these last periods. So this is the first to say that, like, the ground to keep the good execution is set, and we're very positive on that. When we get on the metrics in the portfolio, we go back to the reshaping that we talked also during the call. So about two quarters ago, we started saying that the

percentage of interest-earning portfolio at Inter was asymmetrical as compared to the market. We were at only about 20% interest-earning, and the idea is to expand this. So the result that we see in interest is all about the execution or the good execution of the reshaping of the portfolio. We're now at more than 23% interest-earning. And as we execute, we should see this interest-earning portfolio expanding. And the good thing about the lessons learned and you asked about the lessons learned that I want that it's important to explore is as we increase interest-earning portfolio, and we want to get to say 25, 26%, we're also helping clients. Before, we didn't have the number of collection products that we have today, and as we implement them, we help clients pass through moments where they need more time to pay. So it's truly a win-win for the portfolio. And we'll keep on it to deliver this first goal of interest-earning portfolio at 25, 26%. Thank you,

Pedro Leduc: And about maybe rolling out more arms within your deck?

João Vitor Menin: Speaking here on that I think that Shande was explaining how we are more confident on underwriting more credit cards, and we're doing that. But, also, on the other hand, when connecting to my API question about the market, being not too aggressive in credit underwriting, we always connect that type of question to Inter by Design where we want to have the to explore more the collateralized credit solutions, private payroll, the receivables for the SME companies that is going to roll out next year. On credit card, Percept, we believe that we're growing in the right pace, to be honest. I mean, we're growing a lot, I'd say, but we don't want to just go all in on that product. We know that this is the product that gets more impact when the economy is not doing well. So as we always say, we like to produce alpha on our credit portfolio. To try to get away from the data. So even though the employment might not be doing well next year or whatever interest rate is too high. We don't want to get that exposure. What we're trying to do at Inter, we are building exposure to credit as you can see, growing 30% year over year, but doing that in a cautious way, a good balance between unsecured and secured which is today's one-third to two-thirds, and that's how we want to keep doing ahead. So I wouldn't expect Inter, you should not expect Inter to massively grow in our exposure to credit cards going forward. I'd say that we want to compound our portfolio increase news, and sentiment, but without doing enforced errors. So and consumer finance is a segment that we need to be cautious. So that's how we were running the business for the years to come. Okay?

Rafael Vittore: Our next question is from Yuri Fernandes. Yuri, please go ahead.

Yuri Fernandes: Thank you, Rafael. Hi, João. I'm sharing the

Santiago Stel: Also, congrats on the journey.

João Vitor Menin: A follow-up, and I think João already

Santiago Stel: clarified part of my questions here on stage three and stage two. Like, on stage two, my question is what drove the increase quarter over quarter, like, on your total balance? I think last quarter was a little bit low or maybe it's a base. I'm not sure what happened in the second quarter, but stage two balance they went up 28% quarter over quarter. So I'm just trying to understand what drove it. And regarding stage three, like, your new stage three formation is mostly stable. There was a marginal increase. But when we break it down by products, and we take a look at personal loans and credit cards and usually, we look together. Right? Because sometimes refinance, they are part of personal loans and all these. These two products together, they are up 20% quarter over quarter. And I think Pedro was very happy in mentioning interest income because in the end, I think you are building more provisions, but you are pricing the risk and your interest income is higher. But given we are in a moment that are getting a little bit more concerned about asset quality in Brazil, what explained this increase in information for those two products? The private payroll, which personal loans? Like, is there anything on credit cards? And again, I think João was very clear saying that he's cautious and not the time to be super aggressive on, you know, on cards. What I'd love to understand a little bit the moving here on stage two and stage three. Thank

Santiago Stel: So starting with stage three, you're correct that on a by-product basis, it varies, but it's the personal loans category, which includes private payroll, the one that went from 2.1% last quarter to 3.4. Remaining ones, including credit cards, were stable. Quarter over quarter. So the driver was the private payroll, and that's the main one on stage two as well. It's even more pronounced on stage two given the fact that the tenors, no, of the stage two captures in the life of the portfolio being a six-month-old portfolio. More predominant by now in stage two and stage three. But both drivers are

having private payroll. We think there's gonna be more proportionate stage three in the coming quarters on 98 NPL as well as the portfolio continues to grow in size.

Yuri Fernandes: No. No. Thank you, Santi. And regarding the stage three that you're really ninety days, up to two at an absolute figure, the increase on private payroll is because of operational risk, too high and, you know, like, this should be the level because it was they're trying to understand because given this is a new product, stage two is fine, but I will not be expecting stage three to be a problem for this product. Right now.

Santiago Stel: It's within the expected losses that we had, nothing out of the ordinary in terms of the expectation. It's the way we modeled it, Yuri. And differentiate operational risk from credit risk in a product is very early stage. Sometimes it's a bit blurry. But as we mentioned, we are converging to a high single-digit delinquency level in this product. And with that, the return profile is, as I mentioned, in a better question, north of 30%. So it's accretive for the results.

Yuri Fernandes: No. No. Thank you. Thank you, Sergio. Clear on your answer, and congrats on pricing, you know, those losses. Thank you.

Santiago Stel: Thanks.

Rafael Vittore: Our next question is from Marcelo Mizrahi. Marcelo, please go ahead.

Marcelo Mizrahi: Hello, everyone. Thanks for the question and congratulations for a very solid result.

Marcelo Mizrahi: My question is regarding the fee business. So we were seeing the last couple of quarters a deceleration, especially in this last one. On the growth of the fees. Can you share a little bit your ideas and the strategy here? So there are a lot of investments here in insurance, in the international account. So why do you believe that the growth is slowing down? And how to reaccelerate that? Very much.

João Vitor Menin: Marcelo, João speaking. Thank you for your question. Santi will deep dive on the numbers and on the KPIs and economics later on. But just to highlight, we have been since, say, the launch of our digital account, trying to put more and more service business on our that will get us more fees, a better fee ratio. We were running between 25-30% back then. What happened is, because we're growing more on credit, recently due to private payroll, mortgage, and everything that we just discussed on this call. The ratio is lower. There are some one-offs here, something we'll cover. But the thing is, out of our seven verticals, five of them are focused on fees. We have FX, as we mentioned, global account. We have investments, insurance, LIOT, our loop program, and our inter shop. So this is something that is in our DNA, putting new products and we'll keep doing that increasing the addressable market for that. We don't know how our breakdown between fees and NII will behave going forward. Because as again as I mentioned, we're growing fast on NII. But we see still a good opportunity for us to keep running on this 25% range going forward. And, again, I'm sure that once some of these verticals get more mature, we believe that this could be a tailwind for us. So when Santi will mention about the change between quarter over quarter and year over year on that metrics. Okay? Thank you. Good morning, Marcelo. Just to complement

Santiago Stel: João, we had two one-offs in the fee side impacting negatively. One was we shut down I m design or which is a company that we co-owned. It was a graphic design company. Acquired many, many years ago, and that had an impact of 15 million reais. In the fee line as well and another one is the \$4.09 6 impact of deferred fees associated with credit of around another 15 million reais. So those two one-offs together would have given us 30 million reais of additional NII to make it on an apples-to-apples basis to what we had in the same third quarter of last year. With that, the growth would have been 7% instead of 1%. So it's a line that is growing less than NII as we mentioned. NII is growing consistently around 40%. Last five quarters, we had a growth in that level. Fees are trailing a bit behind that, but we could do high hopes on this being a key driver of revenue growth and profitability.

Marcelo Mizrahi: Okay. Thank you.

Rafael Vittore: One-off switchlet on the fee income discussion here. So we do understand these to the weakness, but, would it be fair, like, as you all mentioned, that going forward, we could still see net fees growing in the 20% range? Or is that too high?

João Vitor Menin: Hi, Nika. Santi here. So, yes, that's So if we decompose a bit by line, the biggest component of fees is credit card, and that's highly associated with TPV growth. As Shande showed,

TPV grew percent. So this fee line is growing in line with it. Interesting thing to mention is that Intershop ecommerce platform has a big of the monetization now being driven on the NII through buy now pay later how we call it in Portuguese. So that's a fee driver of NII directly. Mean, FX is performing very well. It's still a smaller line, but it's growing very, very high. So all of that together, we think in the twenties or around 20% is an assumption to have. Which is lower than NII, but still it's a higher an important component of our revenue base.

Rafael Vittore: Okay. Perfect. Then on the private payroll, we already had a lot of discussion on that. But it seems from your comments that things have been improving. The collateral is still not fully functional. The FGDS collateral has been delayed to next year, but it seems like things are going in the right direction. Have you seen more competition from maybe not the incumbent banks, but from other smaller players become a bit more aggressive if the product seems much more viable than it was six months ago?

João Vitor Menin: I knew her. So gonna talk a little bit this is Alex speaking, and thank you for your question.

Santiago Stel: So talking about the payroll loans, we looking at the product as a whole, we're very happy with what we're seeing. In from any angle we look at. So from the capacity of underwriting more, we're happy. So we're growing underwriting. We're doing evolutions in our credit model and our credit policies and this has been driving increased underwriting volumes day after day. So very happy there. From a collection standpoint, we're also seeing improvements. And as Santi mentioned, we should converge longer term to high single digits, which is much better than what we initially forecasted or how we initially calculated the profitability of the product. That, as we mentioned before, we had a scenario of up to 15% and now we're looking at long-term high single digits. Much lower, much higher ROE. And from a competitive standpoint, we don't see any concerns yet. As we mentioned also earlier, we're talking about the \$250 to \$300 billion potential portfolio, that today is running close to 90 billion. So a lot of expansion to happen. And the idea now and the idea in the upcoming quarters is to keep absorbing as much demand as we can. On a static basis, the market share is at 2.1, but on an underwriting basis, we're executing at a much higher percentage of market share probably in the getting close to the 10% range. Of market share. And we'll keep on it. And João will follow-up also on the question, Neha.

João Vitor Menin: Hi, Neha. João speaking. Just more of a high-level

Santiago Stel: view in terms of competition as you asked. We see Inter in a, I would say, in a sweet spot in terms of competing in Brazil. We have elements that the incumbents do have such as a massive number of clients, all the products, we do have elements that only the fintech players have. Such as digital distribution, good NPS, good service, and now, so we have elements that the incumbent banks do have and the fintechs they don't have, which is a very good cost of funding. So when you combine all of that, and I really think that we're in a sweet spot between the incumbents and between the fintech players in on the north of 30% year over year. So and, again, we have been building this platform for many, many years to be in that position. We started from the beginning, from the basics of a good from a good banking approach. So we started having the client. We started doing the digital distribution. We start to bring a very good deposit base. So we have all that in place. So I don't see competition as an issue. As I mentioned. And, again, just to repeat, we are in a position to keep producing alpha in terms of credit underwriting and not just

Rafael Vittore: Fort. Thank you.

João Vitor Menin: Thank you so much, team, and a very interesting performance in terms of net adds and the deposit growth. Which will help you keep maintaining that funding edge that you mentioned. Thank you so much. With that, we conclude the Q&A; session. I will now pass it to João for his closing remarks. Thank you, Rafael.

Santiago Stel: Thank you, everyone, for being with us for this last hour. I would like also to thank our employees. We have a very good team working hard every day to put us ahead of the competition, to drive us to the next chapter. Thank you for all the shareholders that have been supporting us since 2000 when we listed the company. And hope to see you soon. In a few months for us to discuss the 4Q results. Thank you very much. Have a good day. Bye-bye.