Inter (INBR32) | 1Q25 Review: Slight Miss, but Gradual Improvement Supports Investment Thesis

May 12, 2025

Inter posted a **recurring net income** of **R$ 287 million** in 1Q25, up by **+4.1% QoQ** and **+56.8% YoY**. Despite the strong year-over-year growth, the result came in **5.5% below our estimates** and **4.3% below market consensus**, reflecting the **seasonally weaker first quarter** and the impact of **Resolution No. 4,966 on service fee revenues**. Even so, the bank managed to deliver **sequential growth in both earnings and profitability**.

Return on Equity (ROE) rose to **12.8%** (+25 bps QoQ; +361 bps YoY), continuing its **recovery trajectory in alignment with the "60-30-30" strategic plan** (60 million clients, 30% efficiency ratio, and 30% ROE by 2027).

The **efficiency ratio improved to 48.8% in the quarter**, down **130 bps QoQ**, reinforcing the bank's **ongoing operational improvement** following a temporary setback in 2Q24 and 3Q24, when costs were pressured by investments and the integration of InterPag.

The improvement in results was driven by:
(i) strong growth in Net Interest Income (NII), which reached R$ 1.36 billion (+8.3% QoQ and +37.3% YoY), reflecting asset repricing and a new liquidity allocation strategy;
(ii) expansion of the credit portfolio (+3.4% QoQ and +32.5% YoY);
(iii) increase in net interest margin (NIM), from 8.3% in 4Q24 to 8.4% in 1Q25; and
(iv) tight cost control, with operating expenses down 4.2% QoQ.

We believe Inter will **continue in its path of operational improvement**, in line with its **60-30-30 strategic plan**, although we are **not yet fully incorporating the plan into our models**. We **reiterate our BUY recommendation**, with a **target price** of **R$ 46.40**, implying **+20.2% upside**.

Inter
(INBR32 BZ Equity)

Recommendation: BUY

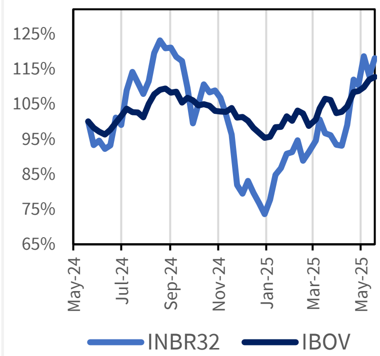
Equity Value (R$ mn):
18.683

Outstanding Shares (mn):
402

Target Price 12M:
R$ 46,40

Current Price (R$):
38,63

Upside:
20,2%



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On the downside, **fee and commission income declined -11.8% QoQ**, despite posting a **+23.2% YoY increase**. The sequential drop is explained by unfavorable seasonality, with a decline in TPV and GMV during the period, as well as the implementation of **Resolution No. 4,966**, which required certain fee revenues to be deferred — in contrast to the previous model, where they were recognized upon contract signing.

Asset quality also continued to improve, with the **90+ days delinquency rate falling to 4.1% (-15 bps QoQ)** and the **coverage ratio increasing to 143% (+6.3 pp QoQ)**. The bank also recorded **strong growth in its active client base** (+4.9% QoQ, +23.9% YoY) and **total deposits** (+3.1% QoQ, +32.9% YoY), which helped reduce the cost of funding and further supported a trajectory of sustainable growth.

Total revenue remained flat in the quarter (-0.4% QoQ), impacted by the weaker performance in the fee and commission segment. Meanwhile, **operating expenses stayed under control (-4.2% QoQ)**, reflecting greater cost management discipline. This contributed to a **130 bps QoQ improvement in the efficiency ratio**, which reached **48.8% in 1Q25**.

Credit portfolio growth was one of the highlights, increasing **+3.4% QoQ** and **+32.5% YoY**, reaching R$ 42.6 billion. Products such as **FGTS-backed loans, home equity, and "buy now, pay later"** significantly contributed to this expansion.

Provisions for expected credit losses showed **controlled growth** (**+3.6% QoQ** and **+25.0% YoY**), **remaining below the pace of loan book expansion**, indicating effective asset quality management.

We believe Inter will **continue in its path of operational improvement**, in line with its **60-30-30 strategic plan**, although we are **not yet fully incorporating the plan into our models**. We **reiterate our BUY recommendation**, with a **target price** of

R$ 46.40, implying **+20.2% upside**. The stock remains attractively valued, trading at **10.0x P/E 2025e, 8.1x P/E 2026e,** and **1.5x P/BV 2024**, reinforcing our **positive view** on the company.

Figure 1: Inter (INBR32) | 1Q25: Fee Income Limits Stronger Sequential Earnings Growth, but ROE Expands 25 bps QoQ

Review (R$m)	1Q25E	1Q25	4Q24	1Q24	Vs. Est	t/t	a/a
Recurring Net Income	**303**	**287**	**275**	**183**	**-5,5%**	**4,1%**	**56,8%**
Financial Statement							
Interest Revenue	1.445	1.807	1.337	1.218	25,1%	35,1%	48,4%
Interest Expenses	-1.074	-1.179	-941	-762	9,8%	25,3%	54,7%
TVM Result	940	735	862	537	-21,8%	-14,8%	36,8%
Net Interest Income	**1.311**	**1.363**	**1.258**	**992**	**3,9%**	**8,3%**	**37,3%**
Revenue from Services and Commissions	593	564	653	468	-4,9%	-13,6%	20,6%
Expenses from Services and Commissions	-150	-145	-178	-127	-3,6%	-18,5%	13,7%
Result from Services and Commissions	**443**	**419**	**475**	**340**	**-5,4%**	**-11,8%**	**23,2%**
Others	124	56	111	68	-54,7%	-49,5%	-17,8%
Revenue	**1.878**	**1.838**	**1.844**	**1.401**	**-2,1%**	**-0,4%**	**31,2%**
Provision for Loan Losses	**-503**	**-514**	**-496**	**-411**	**2,0%**	**3,6%**	**25,0%**
Personnell Expenses	-274	-235	-284	-190	-14,2%	-17,3%	23,3%
Depreciation and Amortization	-56	-67	-61	-42	20,2%	11,4%	61,0%
Tax Expenses	-169	-136	-168	-86	-19,5%	-18,8%	57,6%
Other Administrative Expenses	-493	-528	-496	-395	7,2%	6,5%	33,6%
Operational Expenses	**-992**	**-967**	**-1.008**	**-714**	**-2,5%**	**-4,2%**	**35,4%**
Earnings Before Taxes	**380**	**358**	**340**	**274**	**-5,9%**	**5,1%**	**30,6%**
Income Tax	-57	-51	-45	-79	-11,0%	12,0%	-35,3%
Tax Rate (%)	-15,0%	-14,2%	-13,3%	-28,7%	0,80 pp	-0,88 pp	14,49 pp
Balance Sheet							
Credit Portfolio	**42.712**	**42.595**	**41.183**	**32.144**	**-0,3%**	**3,4%**	**32,5%**
Credit Portfolio (Without Receivables Anticipation)	**38.665**	**37.395**	**35.596**	**30.859**	**-3,3%**	**5,1%**	**21,2%**
Accumulated Provision for Doubtful Settlements	-2.344	-2.472	-2.367	-2.032	5,5%	4,5%	21,7%
Deposits	**54.679**	**54.346**	**52.693**	**40.893**	**-0,6%**	**3,1%**	**32,9%**
Shareholders' Equity	9.363	9.013	9.072	8.538	-3,7%	-0,7%	5,6%
Credit Portfolio Indicators							
Net Interest Margin (NIM)	8,0%	8,4%	8,3%	8,0%	0,37 pp	0,06 pp	0,42 pp
Indicators							
Return on Equity (ROE)	13,2%	12,8%	12,5%	9,1%	-0,41 pp	0,25 pp	3,61 pp
Return on Assets (ROA)	1,6%	1,6%	1,6%	1,3%	-0,08 pp	-0,05 pp	0,29 pp
Efficiency Ratio	48,2%	48,8%	50,1%	47,7%	0,65 pp	-1,34 pp	1,06 pp
Portfolio Quality							
Provision Reserves/Overdue Credit (90 days) (Coverage)	132,3%	142,5%	136,3%	130,8%	10,29 pp	6,29 pp	11,71 pp
Delinquency (90 days) (With Receivables Anticipation)	4,2%	4,1%	4,2%	4,8%	-0,08 pp	-0,15 pp	-0,76 pp
NPL Formation	446	430	413	451	-3,5%	4,1%	-4,7%
Cost of Risk	-4,8%	-4,9%	-5,0%	-5,2%	2,2%	-2,0%	-5,8%
Leverage							
Basel Ratio	15,6%	14,7%	15,2%	20,3%	-0,90 pp	-0,49 pp	-5,58 pp
Tier 1 Capital Ratio	15,6%	14,7%	15,2%	20,3%	-0,90 pp	-0,49 pp	-5,58 pp
Core Capital Ratio	15,6%	14,7%	15,2%	20,3%	-0,90 pp	-0,49 pp	-5,58 pp
Operational							
Net ARPU (R$)	18,4	17,9	19,0	16,4	-2,5%	-5,6%	9,1%
Net ARPAC (R$)	32,5	31,4	33,6	30,1	-3,5%	-6,7%	4,1%
Active Clients (thousands)	21.016	21.579	20.562	17.414	2,7%	4,9%	23,9%
% of Total	56,0%	57,2%	56,9%	54,9%	1,24 pp	0,35 pp	2,34 pp
Net Take Rate	6,0%	7,2%	7,3%	6,2%	1,24 pp	-0,07 pp	1,06 pp

Source: Inter and Genial

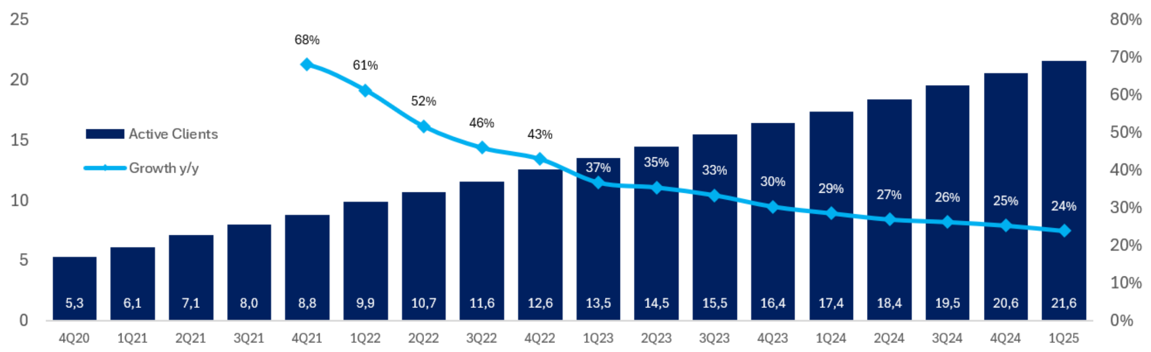
Quarterly Highlights

Clients: Active Base Continues to Expand

In 1Q25, Inter reached **37.7 million total clients**, representing growth of **+4.4% QoQ** and **+18.9% YoY**. The bank **added another 1 million active clients to its base**, totaling **21.6 million**, an increase of **+4.9% QoQ** and **+23.9% YoY**.

The **activation rate** reached **57.2%** — the **highest level since 3Q20** — with an improvement of **+35 bps QoQ** and **+234 bps YoY**, surpassing the previous peak from 4Q24 and reflecting the bank's efforts to increase client engagement.

Figure 2: Active Client Growth: Strong, but Decelerating



Source: Inter and Genial

Loan Portfolio: Expansion Focused on More Profitable Lines

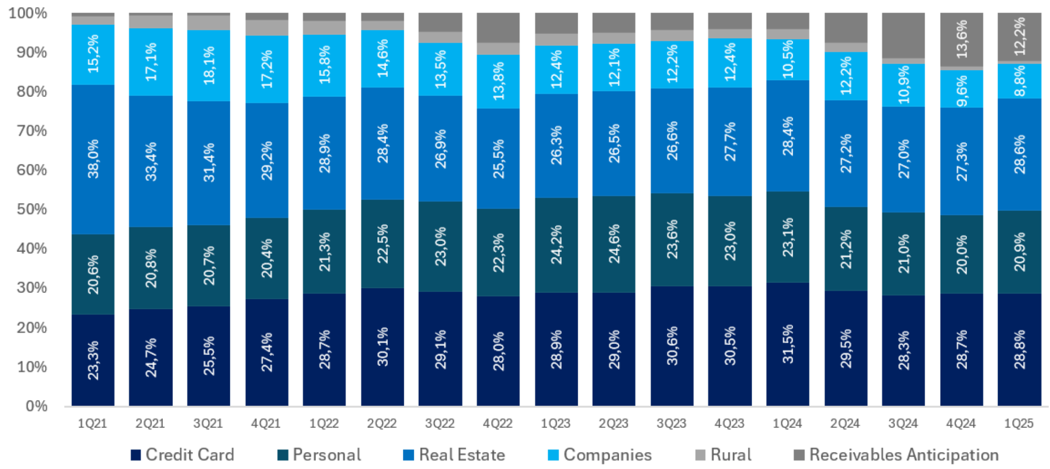
Inter's loan portfolio, excluding receivables advances, reached **R$ 37.4 billion** in 1Q25, increasing **+5.1% QoQ** and **+21.2% YoY**. Including receivables, the **total loan book** amounted to **R$ 42.6 billion**, up **+3.4% QoQ** and **+32.5% YoY**.

Growth was primarily driven by **FGTS-backed loans (+10.8% QoQ** and **+42.6% YoY)** and **Home Equity (+4.4% QoQ** and **+44.6% YoY)**, both of which continue to gain relevance in the bank's credit mix, **reinforcing Inter's strategy of prioritizing products with higher risk-adjusted returns**.

The **personal loan portfolio** also grew (**+8.1% QoQ and +19.8% YoY**), supported by the revamped **digital public payroll loan** offering. Origination in this segment increased **+72% YoY** following the launch of **fully digital issuance** and **portability**, enabling repricing of the legacy portfolio and supporting the bank's refinancing strategy.

Lastly, we highlight the **launch of the private payroll loan in late March**, which reached a **portfolio of R$ 197 million in just 10 days**. The bank emphasized the strategic potential of this product, given its **fully digital, scalable,** and **collateralized profile**, with **low operating cost and minimal overlap** with existing credit lines.

Figure 3: Loan Mix: Increasing Share of Personal and Real Estate Loans



Source: Inter and Genial

Net Interest Income (NII): Robust Expansion Driven by NIM Improvement

Net Interest Income (NII) reached **R$ 1.36 billion** in 1Q25, with **solid growth** of **+8.3% QoQ** and **+37.3% YoY**. The performance was mainly driven by **credit asset repricing** and a **new liquidity allocation strategy**, which redirected funds previously allocated to mandatory Rural Credit towards higher-yielding securities.

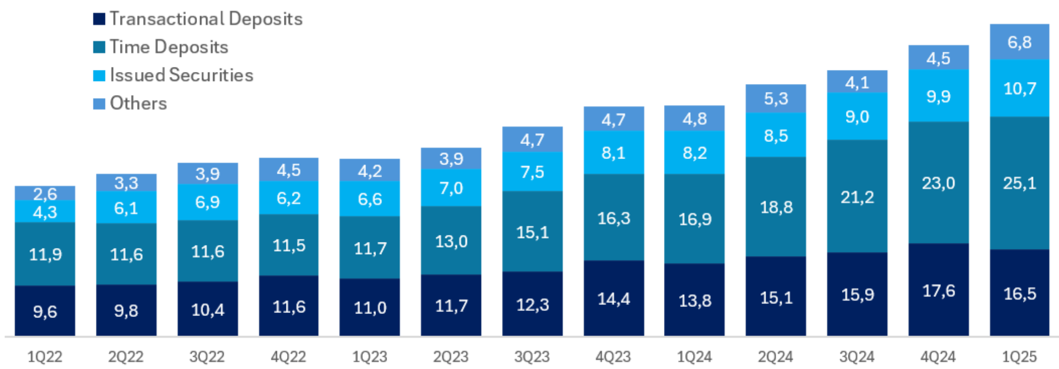
The **expansion in Net Interest Margin (NIM)** was supported by three key factors: **(i) continued improvement in the origination mix**, with a focus on more profitable credit lines; **(ii) more effective segmentation of the client base**; and **(iii) capital allocation to higher-yielding assets**, such as credit operations and real estate-backed securities.

Funding Cost: Still at Healthy Levels

Inter's **deposit base** continued to grow in 1Q25, surpassing **R$ 54 billion**, with increases of **+3.1% QoQ** and **+32.9% YoY**. Growth was primarily driven by time deposits, which rose +48% YoY.

The **cost of funding rose to 8.3%**, reflecting the impact of the higher Selic rate, with a deterioration of **+180 bps QoQ** and **+170 bps YoY**. However, the **cost relative to the CDI remained at attractive levels**, ending the quarter at **63.8% of CDI** — down 40 bps QoQ, albeit up 190 bps YoY.

Figure 4: Funding: Growth Led by Time Deposits



Source: Inter and Genial

Fees and Commissions: Impact from Seasonality and Accounting Reclassification

Fee and commission income totaled **R$ 419 million**, showing a **decline** of **-11.8% QoQ**, but still a **+23.2% YoY increase**. The quarterly performance was affected by **less favorable seasonality**, with a reduction in TPV and GMV during the period.

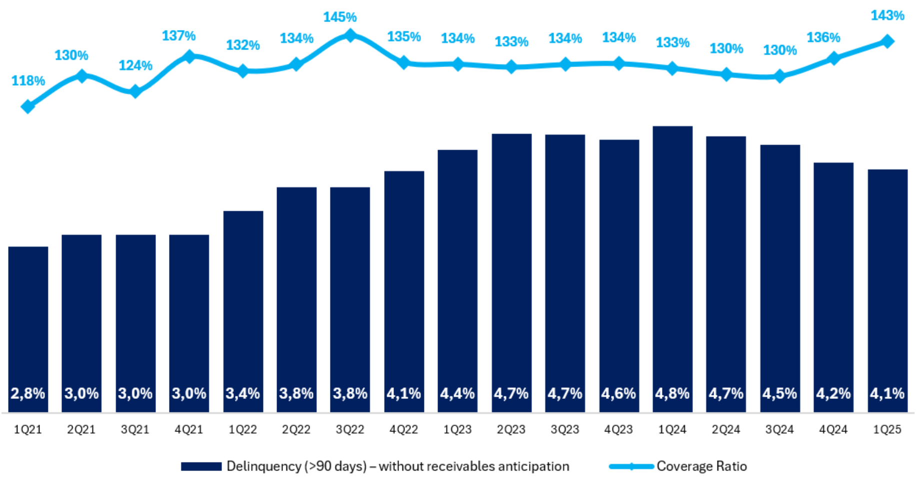
Additionally, the result was impacted by the implementation of **Resolution No. 4,966**, as **certain fees are now deferred over time** — unlike the previous model, in which they were recognized upfront at the time of contracting.

Provisions and Delinquency: Controlled Growth and Decline in NPLs

Provisions for expected credit losses totaled **R$ 514 million in 1Q25**, up by **+3.6% QoQ** and **+25.0% YoY**, in line with the sequential growth of the loan portfolio. The **coverage ratio** rose to **143%**, with a significant improvement of **+6.3 pp QoQ** and **+11.7 pp YoY**.

Delinquency ratios continued to show **gradual improvement**, with non-performing loans over 90 days **(NPL 90+)** falling to **4.1% (-15 bps QoQ and -76 bps YoY)**. Despite a **+4.1% QoQ increase in NPL formation**, the indicator is still down **-4.7% YoY**, reflecting better performance of recent credit cohorts and improvements in the credit card portfolio.

Figure 5: Delinquency and Coverage (>90d): Lower NPLs and Higher Coverage



Source: Inter and Genial

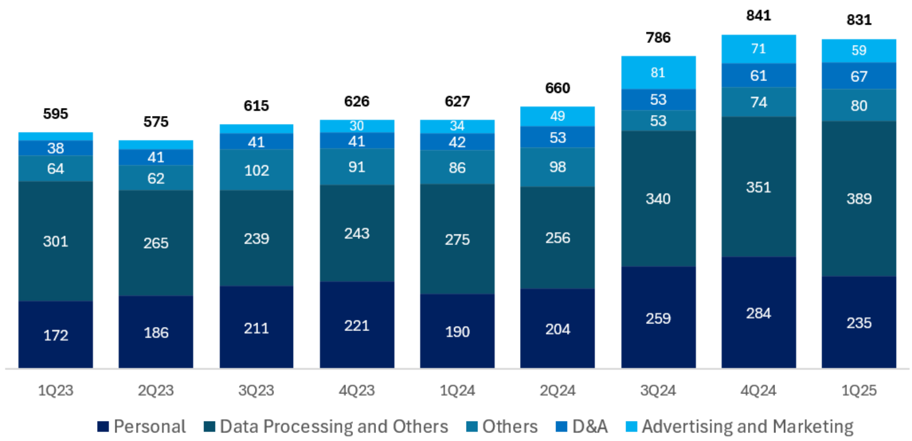
Administrative Expenses: Seasonal Effects Drive QoQ Decline

Administrative expenses totaled **R$ 967 million in 1Q25**, down **-4.2% QoQ** and up **+35.4% YoY**. The quarterly decline was supported by **more favorable seasonal cost dynamics**. On the other hand, the sharp year-over-year increase is explained by **strategic investments**, with notable growth in marketing expenses (+74% YoY), personnel (+23% YoY), and data processing costs (+42% YoY).

The **efficiency ratio** ended 1Q25 at **48.8%**, improving **130 bps QoQ**, reflecting the bank's continued focus on operational leverage and cost optimization. However, the metric **deteriorated 110 bps YoY**, driven by **increased investments** in **technology, infrastructure,** and **advertising**.

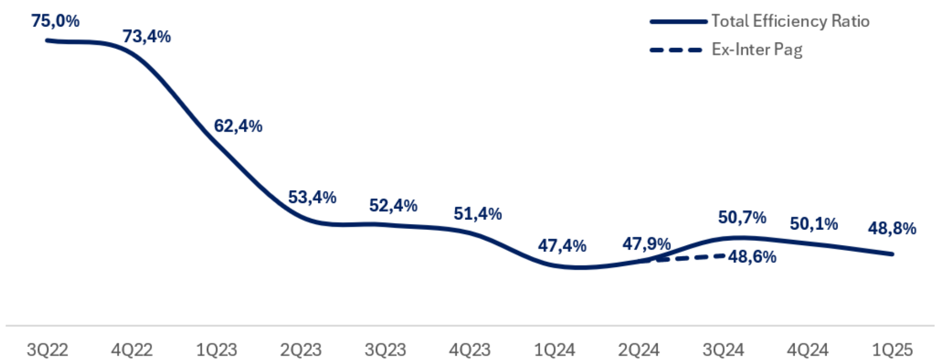
Management emphasized that the ~**300 bps decrease in the efficiency ratio throughout 2024** is a result of two main factors: the **integration of InterPag** and the **acceleration of strategic investments**. For the coming quarters, the bank projects a **gradual improvement** in this ratio.

Figure 6: Administrative Expenses: Technology, Marketing, and Personnel Investments Drive YoY Increase



Source: Inter and Genial

Figure 7: Efficiency Ratio (Cost-to-Income): Sequential Improvement



Source: Inter and Genial

Taxes: Tax Benefits and Interest on Equity Ease Tax Burden

The **effective tax rate stood at 14.2%**, supported by the payment of Interest on Equity (JCP) and favorable tax adjustments, notably the recognition of non-taxable income and profits from subsidiaries not subject to the real profit taxation regime.

Capital: Capital Consumption, but Reinforcement is Expected in 2Q25

Inter's **BIS capital ratio** ended 1Q25 at **14.7%**, down **-50 bps QoQ** and **-560 bps YoY**, mainly reflecting the accelerated growth in the credit portfolio.

At the end of April, Inter issued **R$ 500 million** in **subordinated financial notes**, which will be **included in Tier II capital**. The bank expects a **positive impact of approximately +100 bps** on its capital ratio in **2Q25**.

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under Review	Under review	**5%**

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