Financial Statements on December 31, 2019

BANCO inter

Table of Contents

Administration Report

The Administration of Banco Inter S.A., a private multiple bank specialized in credit and digital services, in compliance with legal and statutory provisions, presents to its shareholders the Consolidated Financial Statements for the period ended on December 31, 2019. The information, unless indicated otherwise, is expressed in Brazilian currency (in thousands of Brazilian Reais) and was prepared based on the accounting practices derived from the Brazilian corporate law, associated with the standards and the instructions of the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN), when applicable.

Banco Inter S.A.

Banco Inter is a fully digital bank, free of charge, and operates as a leader in the Brazilian banking industry revolution, offering a disruptive and unprecedented value proposal. It offers a new concept of a bank - offering a complete portfolio of financial services and products, without charging bank fees, for all types of clients, regardless of age and economic or social condition.

We have a unique business model, bringing together the best features of the traditional banking industry and the financial technology companies (fintechs). The more than 25 years of experience and history of success in the Brazilian banking industry guarantee our credibility and expertise to provide quality services and products in a strongly regulated market. The essence of fintech, in parallel, provides a modern, agile, scalable and digital business model, best serving the demands of customers and growth strategies.

By means of the digital platform, accessed through our 100% digital and free account, via app and internet banking, we offer our own products and third-parties´ products, ranging from traditional financial products to innovative services, such as current account, mortgage, personal credit, investments, insurance, consortium, Interpag (payment via QR Code), credit for prepaid cell phones, currency exchange, digital short term parking, gift cards, rural credit, among others.

The digital platform enables accelerated growth in the base of digital account holders, increasing from more than 1.45 million account holders on December 31, 2018 to more than 4.0 million on December 31, 2019, equivalent to 179,5% growth in the period.

Operational Highlights

Digital Account
On December 31, 2019, we exceeded 4.0 million digital account holders and we continue implementing improvements and releasing new products. The number of accounts opened per business day surpassed 13 thousand in December.

In the period ended on December 31, 2019, the number of transactions carried out via app and internet banking amounted to 211.4 million, an impressive increase of 185% when compared to the same period in the previous year. In addition, the amount traded reached BRL 107 billion in 2019, 179% higher compared to the same period in the previous year.

Credit Portfolio
On December 31, 2019, the balance of the Total Loan Operations amounted to BRL 4.8 billion, a positive variation of 42.6% when compared to December 31, 2018. The home equity portfolio amounted to BRL 2.5 billion, 29.2% growth compared to December 31, 2018, when it reached BRL 1.9 billion. The Individual Credit portfolio, at the amount of BRL 1.2 billion, showed 36.0% growth when compared to December 31, 2018. The Corporate Credit portfolio without real estate collateral grew by 41.3% when compared to December 2018, amounting to BRL 251.4 million. On December 31, 2019, the portfolio of Other Credit with characteristics of credit granting, mainly represented by credit card transactions, obtained 129.2% growth, amounting to BRL 798.2 million. The rural credit portfolio at the amount of BRL 1.5 million, a new credit modality, compared to December 2018.

Funding
On December 31, 2019, total funding amounted to BRL 6.8 billion, 62.8% higher than the amount of BRL 4.2 billion recorded in December 2018. The demand deposits amounted to BRL 2.1 billion, 238.0% growth in 2019.

Economic-Financial Highlights

Net Profit
In the period ended on December 31, 2019, the Net Profit reached BRL 81,6 million, 16.8% growth compared to the same period of 2018. The evolution of Net Profit is a result of the growth in the client base and efforts of Banco Inter to diversify the products and services offered to its clients. In addition, Revenues from Credit Operations also contributed to the expansion of Net Profit, which grew 15.2% when compared to the same period of 2018.

Annualized Return on Average Shareholders' Equity (ROAE) in the period ended December 31, 2019 was 5,6%, 1,7% reduction when compared to the same period in the previous year (ROAE 7,3%).

Gross Result from Financial Operations
On December 31, 2019, the Gross Result from Financial Operations reached BRL 461,0 million, 31.2% higher than the amount recorded in the same period of 2018.

Administrative expenses
Administrative and personnel expenses incurred in the period ended on December 31, 2019 amounted to BRL 475.4 million, 71.4% increase when compared to the same period of 2018, growth explained by the Bank’s preparation for larger-scale operations, in addition to the increasing volume of operations.

Equity Highlights

Total Assets
Total Assets amounted to BRL 10.0 billion in 2019, 77,6% higher when compared to December 2018. The highlight was the Credit Operations, which amounted to BRL 4.8 billion on December 31, 2019, representing 42.6% increase in the period.

Shareholder´s Equity
On December 31, 2019, Shareholders’ Equity reached BRL 2.2 billion, increase due to capital fund of at the amount of BRL 1.2 billion in the third quarter of 2019.

The ratio between Credit portfolio and Shareholders' Equity, one of the indicators measuring the leverage degree of the institution, was 2.2 times on December 31, 2019, reduction by 38.0% compared to December 2018, when it presented a ratio of 3.5 times; however, very much consistent due to the capital increase mentioned above.

Basel Index
According to the regulatory norms of the Central Bank of Brazil, banks must maintain 8% minimum percentage of risk-weighted assets that affect their operations, in order to preserve the solvency and the stability of the financial system in relation to fluctuations and economic hardships.

Banco Inter closed on December 31, 2019 with a Basel Index about 39.40%, keeping a strong capital structure for the maintenance of the institution's growth rates.

Ratings

The Investment Grade rating attributed by the specialized agencies Fitch Ratings and Standard & Poor's, with long-term national ratings of "A-(bra)" and "brAA-", respectively, evidence the comfortable capitalization level and adequate liquidity position of Banco Inter. The agencies give emphasis to the improvement in credit quality, the mitigation of risks of mismatching terms and important progress in cross-selling of products and funding independence, reflecting the benefits of the exponential growth of the client base in recent months.

Securities Portfolio - Letter No. 3,068/2001 - BACEN

Banco Inter hereby declares to have securities classified as "available for sale" at the amount of BRL 455 million at fair market value. These securities are mainly represented by Treasury Bills and Certificate of Receivables.

The Bank also has securities classified as "Securities held to maturity", in the amount of BRL 116.0 million. For these, it declares to have financial capacity and the intention to maintain them until maturity.

Executive Office Statement

The Bank's Executive Office hereby declares to have discussed, reviewed and agreed to the opinions expressed in the independent auditors' report, and reviewed, discussed and agreed to the financial information for the period ended on December 31, 2019.

Relation with Independent Auditors

In compliance with CVM Instruction no. 381, the Bank and its subsidiary companies have had services rendered by KPMG Auditores Independentes other than the external audit services in the period ended on December 31, 2019, as follows:

- Review of ancillary obligations related to the Fiscal Accounting Bookkeeping (ECF)

The adopted policy complies with the principles that preserve the auditor's independence, according to the internationally accepted criteria, i.e., the auditor shall not audit his own work or perform management functions at its client or promote the interests of such client.

Acknowledgments

We thank our shareholders, clients and partners for their trust, and each of our collaborators, who build our history day after day.

Belo Horizonte, February 12, 2020.

The Administration

Independent auditor's report on the consolidated and individual financial statements

To the managers and shareholders of

Banco Inter S.A.

Belo Horizonte - MG

Opinion

We have analyzed the consolidated and individual financial statements of Banco Inter S.A ("Bank") identified as parent company and consolidated, respectively, that cover the balance sheet on December 31, 2019 and the respective income statements, comprehensive income statements, statement of changes in shareholders' equity and cash flow statements for the half-year period and the fiscal year ended on this date, as well as the equivalent explanatory notes, including the summary of the main significant accounting policies.

In our opinion, the foregoing financial statements properly present, in all relevant aspects, the individual and consolidated equity and financial position of Banco Inter S.A. on December 31, 2019, the operating performance and its consolidated and individual cash flows for the half-year period and fiscal year ended on this date, according to the accounting practices adopted in Brazil and applied to the financial institutions authorized to be operated by the Central Bank of Brazil - Bacen.

Basis for Opinion

Our audit was conducted in accordance with the Brazilian and International auditing standards. Our responsibilities, in compliance with such standards, are described in the following section entitled "Auditors' responsibilities for auditing consolidated and individual financial statements". We are independent in relation to the Bank and its subsidiaries, according to the relevant ethical principles set out in the Code of Ethics for Professional Accountants and professional standards issued by the Federal Accounting Council, and we complied with the other ethical responsibilities, according to these standards. We believe that the audit evidence obtained is enough to support our opinion.

Main Auditing Issues

Main auditing issues are those that, based on our professional judgment, were the most significant in our auditing of the current fiscal year. These issues were treated in the context of our audit of the individual and consolidated financial statements as a whole, and in our opinion making on these consolidated and individual financial statements and, therefore, we do not express our separate opinion about these issues.

Provision for Doubtful Accounts	
Refer to Notes 3.i and 9 of the consolidated and individual financial statements	
Main auditing issues	**How the audit did address this issue**
As mentioned in the explanatory notes nos. 3.i and 9, the Bank uses the requirements set out in CMN Resolution no. 2.682/1999 to measure and record the provision for doubtful accounts of its credit operations and other credits with characteristics of credit granting. The Bank rates its credit operations and other credits with characteristics of credit granting at risk levels ranging from “AA” to “H”, mainly taking into account the economic activity, the financial and economic status, the level of indebtedness, the delay and the characteristics of guarantees of the borrower in the credit operations. As the rating of credit operations at risk levels involves assumptions and judgments of the Management, based on its internal methodologies of risk rating, the provision for doubtful accounts represents the best Management’s estimate for losses of operating credit portfolio and other credits with characteristics of credits, we consider a relevant field for our audit.	We evaluated the design, implementation and operational effectivity of the key internal controls in relation to the approval processes, record, rating and update of risk levels in the credit operations and other credits with characteristics of credit granting, and the main assumptions used in the calculation to measure the provision for doubtful accounts. We also evaluated, based on sampling, if the Bank meets the minimum requirements set out by CMN Resolution no. 2.682/1999 in relation to the assessment of the provision for doubtful accounts. We also analyzed the balances composed of a provision in relation to the proper record and presentation of disclosures made by the Bank in the consolidated and individual financial statements. In the course of our audit, we identified deficiencies in internal controls and immaterial adjustments that affected the measurement and disclosure of the allowance for loan losses, which were not recorded and disclosed by Management. Based on evidence obtained by the above procedures summarized, we consider acceptable the level of provision, as well as the disclosures in the consolidated and individual financial statements taken as a group, in relation to the half-year period and fiscal year ended on December 31, 2019.

Controls of applications and general controls of information technology	
Main auditing issues	**How the audit did address this issue**
Due to the Bank' high dependence on an infrastructure of information technology as a result of increasingly using digital platforms, along with high levels of investment in infrastructure of information technology, the high volume of transactions daily processed, as well as the importance of the controls of Information Safety and Technology in its systems and applications to access programs, data and management of changes, such as the consequent impact on preparing consolidated and individual financial statements, we consider this field as relevant for our audit.	We evaluated, with assistance of our experts in information technology and cybersecurity, the design, the implementation and the operational effectivity of the general controls of IT in relation to the access, such as authorization of new users, revocation of inactive users and periodical monitoring of active users, information security policies, and management of changes in the internal systems where planned to trust with information of a certain system and transaction considered relevant in order to prepare consolidated and individual financial statements. We also evaluated the operational effectivity of the automated key controls of the business processes defined as relevant for the audit of the consolidated and individual financial statements, verifying access controls and settings of business standards and also vulnerability analysis in equipment in the perspective of Information Safety. The evidence obtained by means of procedures above described allowed us to consider the information issued by applications and information technology environment to plan the nature, time and extension of our procedures in the context of the consolidated and individual financial statements taken as a group in relation to the half-year period and fiscal year ended on December 31, 2019.

Other issues

Value-added statement

The consolidated and individual value-added statements (DVA) in relation to the half-year period and fiscal year ended on December 31, 2019, prepared under the responsibility of the Bank's Management, whose presentation is not required by the accounting practices adopted in Brazil and applied to the institutions authorized to work by Central Bank of Brazil – Bacen, were submitted to auditing procedures executed in connection with the audit of the Bank's financial statements. For making our opinion, we evaluated if these statements are reconciled with financial statements and accounting records, as applicable, and if its form and content are in compliance with the criteria defined by the Technical Pronouncement CPC 09 – Value Added Statement. In our opinion, these value-added statements were properly prepared, in all relevant aspects, consistently with consolidated and individual financial statements taken as a group.

Other information accompanying consolidated and individual financial statements and the report of auditors

The Bank's management is responsible for this other information covering the Management Report.

Our opinion on the consolidated and individual financial statements does not cover the Management Report and we do not express any form of audit conclusion about this report.

In connection with the audit of the consolidated and individual financial statements, our responsibility is to read the Management Report and, when preparing it, consider whether this report is, in a relevant manner, not consistent with financial statements or with our knowledge gained in the audit, or otherwise it seems to be materially distorted in a relevant way. If based on the work accomplished, we conclude that there is a relevant distortion in the Management Report, we are required to report this event. We have nothing to report about it.

Responsibilities of management and governance for consolidated and individual financial statements

The Bank's management is responsible for preparation and suitable presentation of the consolidated and individual financial statements, according to the accounting practices adopted in Brazil and applied to the financial institutions authorized to work by the Central Bank of Brazil - Bacen, and by internal controls defined as necessary to allow preparing the financial statements without relevant distortion, regardless of whether it is caused by fraud or error.

When preparing the consolidated and individual financial statements, the management is responsible for evaluating the Bank's capacity to continue operating, disclosing, when applicable, the issues related to its operational continuity and the use of this accounting basis to prepare financial statements, unless the management intends to liquidate the Bank or suspends its operations, or does not have any realistic alternative to avoid closing operations.

Those responsible for supervising the preparation process of the financial statements are responsible for the Bank's governance and its subsidiaries.

Responsibilities of auditors for consolidated and individual financial statements

Our purposes are to obtain reasonable safety that the consolidated and individual financial statements, taken as a group, are free of relevant distortion, regardless of whether it is caused by fraud or error; and issue the audit report with our opinion. Reasonable safety is a high level of safety, but not a guarantee that, according to the international and Brazilian auditing standards, possible existing relevant distortions are always be detected. Distortions may derive from fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, in the economic decisions of users taken based on said financial statements.

As a part of an audit carried out, according to the international and Brazilian auditing standards, we act a professional judgment and we keep professional skepticism over the audit. In addition:

- We identify and assess the relevant risks of distortion in the individual and consolidated financial statements, whether caused by fraud or error, we plan and perform audit procedures in response to such risks, as well as we obtain appropriate and sufficient audit evidence to support our opinion. The risk of not detecting relevant distortion of fraud is higher than that arising from error, because fraud may involve the act of breaching internal controls, collusion, forgery, omission, or false intentional representations.
- We obtain an understanding of the relevant internal controls to the audit so that we can plan audit procedures suitable to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Bank's internal controls and its subsidiaries.
- We evaluate the convenience of accounting policies used and the reasonability of accounting estimates and respective disclosures made by the management.
- We conclude on the proper use of the accounting basis by the management for operational continuity and, based on the audit evidence obtained if there is a relevant uncertainty regarding events or conditions that may raise significant questions regarding the operational continuity of the Bank's capacity and its subsidiaries. If we conclude that there is a relevant uncertainty, we should call attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include changes in our opinion, in case of inadequate disclosures. Our findings are based on audit evidence obtained up to the date of our report. However, future events or conditions may lead the Bank and its subsidiaries to no longer be in operational continuity.
- We evaluate the general presentation, the structure, and content of financial statements, including the disclosures, and if the consolidated and individual financial statements represent the corresponding transactions and events in a compatible manner with the purpose of proper presentation.
- We obtain proper and sufficient audit evidence in relation to the financial information of entities or business activities of the Bank and its subsidiaries to express an opinion on consolidated and individual financial statements. We are responsible for direction, supervision and performance of the audit of the Bank and its subsidiaries and, as a result, by the audit opinion.

We inform those responsible for governance in relation to, among other aspects, the scope achieved, audit time and significant auditing findings, including eventual significant faults in the internal controls identified during our work.

We also provide those responsible for governance with the statement that we comply with relevant ethical requirements, including the applicable independence requirements, and we report all possible relationships or issues that might affect, significantly, our independence, including, when applicable, the respective safeguards.

In face of the issues that were the object of communication with the people responsible for governance, we define those that were considered as the most meaningful in the audit of the financial statements in the current fiscal year and that constitute the main auditing issues. We describe issues in our audit report, unless otherwise forbidden by law or regulation the public release of the issue, or when, in rare circumstances, we define that the issues must not be informed in our report due to adverse results for such communication may, from a reasonable perspective, overcome the benefits of communication for public interest.

Belo Horizonte, February 12, 2020

KPMG Auditores Independentes

CRC SP-014428/O-6 F-MG

Anderson Luiz de Menezes

Accountant CRC MG-070240/O-3

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Balance sheets on December 31, 2019 and December 31, 2018

(Amounts in thousands of Brazilian reais)

		Parent Company		Consolidated	
Assets	**Note**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Current Assets					
Cash Equivalents	5	93.995	10.478	94.112	10.479
Interfinancial Investments	6	3.249.765	1.671.274	3.249.765	1.671.274
Investments in the Open Market Funds		3.020.677	1.535.587	3.020.677	1.535.587
Investments in Interbank deposits		229.088	135.687	229.088	135.687
Securities and derivative financial instruments	7	498.124	63.290	514.144	63.310
Own portfolio		292.657	52.309	308.677	52.329
Bound to Repurchase commitment		5.388	-	5.388	-
Bound to Provision of Guarantees		198.059	10.981	198.059	10.981
Bound to the Central Bank		2.020	-	2.020	-
Interbank Relations (assets)	8	416.294	90.118	416.294	90.118
Outstanding Payments and Receivables		24.014	-	24.014	-
Deposits with the Central Bank		392.280	90.118	392.280	90.118
Interdependent relations		15	3	15	3
Internal Funds Transfers		15	3	15	3
Credit operations	9	1.006.355	788.028	1.006.355	788.028
Private sector		1.093.280	824.158	1.093.280	824.158
Allowance for doubtful accounts		(86.925)	(36.130)	(86.925)	(36.130)
Other credits	10	967.794	457.266	979.306	468.031
Foreign Exchange Portfolio		33	15	33	15
Income Receivable		18.304	10.508	20.249	11.758
Outstanding Settlements		2.214	2.020	2.214	2.020
Miscellaneous		953.169	447.231	963.466	456.746
Allowance for doubtful accounts		(5.926)	(2.508)	(6.656)	(2.508)
Other values and assets	11	148.780	97.205	148.040	97.230
Other Values and Assets		138.974	81.480	138.234	81.480
Prepaid expenses		9.806	15.725	9.806	15.750
Total current assets		**6.381.122**	**3.177.662**	**6.408.031**	**3.188.473**
Non-current assets					
Long Term Receivables					
Liquidity interbank applications	6	-	14.613	-	14.613
Interbank Deposit Applications		-	14.613	-	14.613
Securities and derivative financial instruments	7	666.897	245.484	640.245	251.086
Own portfolio		666.897	245.484	640.245	251.086
Credit operations	9	2.829.458	2.123.484	2.829.458	2.123.484
Private sector		2.881.920	2.174.652	2.881.920	2.174.652
(Allowance for doubtful accounts)		(52.462)	(51.168)	(52.462)	(51.168)
Other credits	10	20.164	9.493	20.164	9.493
Miscellaneous		20.239	9.557	20.239	9.557
Allowance for doubtful accounts		(75)	(64)	(75)	(64)
Other values and assets	11	18.864	12.839	18.865	12.839
Other Values and Assets		-	8.727	-	8.727
(Provisions for Devaluations)		-	(277)	-	(277)
Prepaid expenses		18.864	4.389	18.865	4.389
Total Long Term Receivables		**3.535.383**	**2.405.913**	**3.508.732**	**2.411.515**
Permanent Assets					
Investments	12	45.671	17.570	1.105	1.105
In the country		44.566	16.465	-	-
Others Investments		1.105	1.105	1.105	1.105
Property, Plant and Equipment for use		22.418	13.777	22.465	13.826
Real State		5.464	-	5.464	-
Other Fixed Assets for use		28.486	22.450	28.556	22.517
(Accrued Depreciation)		(11.532)	(8.673)	(11.555)	(8.691)
Intangible	13	77.779	26.041	79.245	26.425
Intangible Assets		89.124	27.375	90.825	27.786
(Accrued Amortization)		(11.345)	(1.334)	(11.580)	(1.361)
Total permanent assets		**145.868**	**57.388**	**102.815**	**41.356**
Total non-current assets		**3.681.251**	**2.463.301**	**3.611.547**	**2.452.871**
Total Assets		**10.062.373**	**5.640.963**	**10.019.578**	**5.641.344**

The explanatory notes are an integral part of these financial statements.

Balance sheets on December 31, 2019 and December 31, 2018

(Amounts in thousands of Brazilian reais)

Liabilities	Note	Parent Company 12/31/2019	Parent Company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Current Liabilities					
Deposits	14a	2.740.515	1.212.085	2.734.520	1.210.718
Demand deposits		2.094.127	619.655	2.088.132	618.288
Savings deposits		307.098	73.778	307.098	73.778
Term deposits		339.290	460.482	339.290	460.482
Other deposits		-	58.170	-	58.170
Funding in the open market		178.492	30.704	166.432	25.888
Own portfolio		5.388	30.704	5.388	25.888
Third-party´s portfolio		173.104	-	161.044	-
Funds from acceptances and issuance of bonds	14b	1.091.868	1.197.540	1.091.710	1.197.540
Funds from Real Estate, Mortgage, Credit Letters and Similar		1.091.868	1.197.540	1.091.710	1.197.540
Interbank Relations	8	641.759	265.081	641.759	265.081
Receipts and Payments to be settled		641.759	265.081	641.759	265.081
Interdependent relations		-	440	-	440
Third Parties´ Funds in Transit		-	440	-	440
Borrowing obligations		-	2	-	2
Onlending obligations - Official institutions	15	1.307	1.338	1.307	1.338
CEF		1.307	1.338	1.307	1.338
Derivative financial instruments	7	20.941	996	20.941	996
Other obligations	16	194.931	175.328	209.889	184.191
Charge and Collection of Taxes and Similar		3.631	1.221	3.631	1.221
Foreign Exchange Portfolio		325	1.788	325	1.788
Social and Statutory		11.362	8.033	14.362	8.033
Tax and social security		13.546	8.615	18.904	9.980
Securities Trading and Brokerage		-	-	4.003	7.703
Miscellaneous		166.067	155.671	168.664	155.466
Total current liabilities		**4.869.813**	**2.883.514**	**4.840.278**	**2.886.194**
Non-current liabilities					
Long-term liabilities					
Deposits	14a	2.270.189	1.182.350	2.257.994	1.179.800
Time Deposits		2.270.189	1.182.350	2.257.994	1.179.800
Funds from acceptances and issuance of bonds	14b	666.210	566.396	666.210	566.396
Funds from Real Estate, Mortgage, Credit Letters and Similar		666.210	566.396	666.210	566.396
Onlending obligations - Official institutions	15	28.493	30.648	28.493	30.648
CEF		28.493	30.648	28.493	30.648
Other obligations	16	21.484	18.940	21.484	18.940
Miscellaneous		21.484	18.940	21.484	18.940
Results of Future Periods		5.167	10.334	5.167	10.333
Total Long-term liabilities		**2.991.543**	**1.808.668**	**2.979.348**	**1.806.117**
Shareholders' Equity	19				
Capital Stock		2.068.305	848.760	2.068.305	848.760
Domiciled in the country		2.068.305	848.760	2.068.305	848.760
Capital reserve		1.119	1.290	1.119	1.290
Profit reserve		130.131	102.503	124.889	102.503
(-) Equity Value adjustment		1.462	(3.340)	1.462	(3.340)
(-) Treasury shares		-	(432)	-	(432)
Participation has no leadership control		-	-	4.177	252
Total shareholders' equity		**2.201.017**	**948.781**	**2.199.952**	**949.033**
Total non current liabilities		**5.192.560**	**2.757.449**	**5.179.300**	**2.755.150**
Total liabilities		**10.062.373**	**5.640.963**	**10.019.578**	**5.641.344**

The explanatory notes are an integral part of these financial statements.

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Income Statements

Half-year ended on December 31, 2019 and periods ended on December 31, 2019 and 2018

(Amounts in thousands of Brazilian reais)

	Note	Parent Company			Consolidated		
		2nd Half-Year 2019	12/31/2019	12/31/2018	2nd Half-Year 2019	12/31/2019	12/31/2018
Net Interest Income							
Credit operations	9f	335.206	644.187	559.021	335.206	644.187	559.021
Income from Foreign Exchange Operations		26	431	1.669	26	431	1.669
Income from interbank liquidity investments	6	84.821	139.451	61.952	84.821	139.451	61.952
Income from securities	7	47.232	56.745	20.602	52.349	62.581	23.991
Income from derivative financial instruments	7	2.247	4.235	-	2.247	4.235	-
		469.532	**845.049**	**643.244**	**474.649**	**850.885**	**646.633**
Financial Operational Expenses							
Market funding operations	14c	(132.275)	(251.064)	(215.835)	(135.114)	(253.631)	(215.496)
Borrowings and onlending obligations		(954)	(2.050)	(1.786)	(954)	(2.050)	(1.786)
Allowance for doubtful accounts	9e	(77.520)	(130.959)	(57.607)	(77.520)	(130.959)	(57.607)
Transfer Sales Operations of financial assets (expense)		-	-	(7)	-	-	(7)
Derivative operations	7	-	-	(16.632)	-	-	(16.632)
		(210.749)	**(384.073)**	**(291.867)**	**(213.588)**	**(386.640)**	**(291.528)**
Gross profit from financial operations		**258.783**	**460.976**	**351.377**	**261.061**	**464.245**	**355.105**
Other operational revenues (expenses)							
Income from provision of services	21	55.947	94.116	38.136	78.659	130.457	57.396
Personnel expenses	22	(89.498)	(162.192)	(114.062)	(93.562)	(169.198)	(118.920)
Other administrative expenses	23	(179.035)	(313.189)	(163.351)	(185.725)	(322.530)	(165.094)
Tax Expenses		(20.652)	(36.646)	(24.726)	(22.656)	(39.661)	(26.254)
Result of interests in subsidiaries	12	9.403	15.863	10.037	-	-	-
Other operating income	24	30.023	52.304	38.647	34.387	56.909	38.830
Other operating expenses	25	(33.226)	(68.688)	(28.946)	(33.421)	(68.890)	(29.200)
		(227.038)	**(418.432)**	**(244.265)**	**(222.318)**	**(412.913)**	**(243.242)**
Operational result		**31.745**	**42.544**	**107.112**	**38.743**	**51.332**	**111.863**
Non-operational result	26	(4.811)	31.811	(17.983)	(4.811)	31.775	(17.983)
Income before tax on profit		**26.934**	**74.355**	**89.129**	**33.932**	**83.107**	**93.880**
Income tax	18	3.108	-	(5.444)	308	(3.889)	(7.174)
Social contribution	18	1.918	-	(4.714)	429	(1.970)	(5.485)
Deferred income tax and social contribution	18	1.918	4.525	(11.229)	1.875	4.321	(11.386)
		6.944	**4.525**	**(21.387)**	**2.612**	**(1.538)**	**(24.045)**
Profit of the Half-Year/Period		**33.878**	**78.880**	**67.742**	**36.544**	**81.569**	**69.835**
Profit attributable to:							
Interests of controlling shareholders						78.880	46.748
Interests of non-controlling shareholders						2.691	762
Basic earnings per share - BRL			**0,2248**	**0,5367**		**0,2325**	**0,5455**
Diluted earnings per share - BRL			**0,2238**	**0,5367**		**0,2315**	**0,5455**

The explanatory notes are an integral part of these financial statements.

Statements of comprehensive income

Half-year ended on December 31, 2019 and periods ended on December 31, 2019 and 2018

(Amounts in thousands of Brazilian reais)

	Parent Company			Consolidated		
	2nd Half-Year 2019	12/31/2019	12/31/2018	2nd Half-Year 2019	12/31/2019	12/31/2018
Profit of the half-year / period	33.774	78.776	67.742	36.344	81.369	69.835
Other comprehensive income for the half-year / period						
Items that can be subsequently reclassified to the result						
Evaluation result at fair value of securities available-for-sale	133	107	130	(5.109)	(5.135)	130
Total comprehensive income for the half-year / period	**33.698**	**78.883**	**67.872**	**31.435**	**76.434**	**69.965**
Allocation of comprehensive income						
Share of comprehensive income of controlling shareholders				31.435	73.745	67.872
Share of comprehensive income of non-controlling shareholders				-	2.689	2.093
Total comprehensive income for the half-year / period				**31.435**	**76.434**	**69.965**

The explanatory notes are an integral part of these financial statements.

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Statements of shareholders' equity

Half-year ended on December 31, 2019 and periods ended on December 31, 2019 and 2018

(Amounts in thousands of Brazilian reais)

			Profit reserve								
	Capital Stock	Capital reserve	Legal reserve	Profit retention reserve	Equity Value adjustment	Accrued profit	Treasury shares	Total Bank Equity	Adjustment to market value	Non-Controlling Interest in Subsidiaries Equity	Total Shareholders' Equity
Balance on December 31, 2017	**311.874**	**-**	**9.875**	**63.461**	**166**	**-**	**(2.284)**	**383.092**	**-**	**979**	**384.071**
Capital increase	553.863	(545)	-	-	-	-	-	553.318	-	-	553.318
Cost of share issuance	(16.977)	-	-	-	-	-	-	(16.977)	-	-	(16.977)
Shared based payments	-	1.835	-	-	-	-	-	1.835	-	-	1.835
Result for the semester	-	-	-	-	-	67.742	-	67.742	-	2.093	69.835
Proposed allocations:											
Constitution of legal reserve	-	-	3.387	-	-	(3.387)	-	-	-	-	-
Constitution of profits reserve for distribution	-	-	-	27.685	-	(27.685)	-	-	-	-	-
Dividends and interest on equity (BRL 0.18/share)	-	-	-	-	-	(36.670)	-	(36.670)	-	(2.820)	(39.490)
Treasury shares	-	-	-	(1.905)	-	-	1.852	(53)	-	-	(53)
Capital transactions	-	-	-	-	(3.470)	-	-	(3.470)	-	-	(3.470)
Adjustment to market value	-	-	-	-	(36)	-	-	(36)	-	-	(36)
Balance on December 31, 2018	**848.760**	**1.290**	**13.262**	**89.241**	**(3.340)**	**-**	**(432)**	**948.781**	**-**	**252**	**949.033**
Changes in the period	**536.886**	**1.290**	**3.387**	**25.780**	**(3.506)**	**-**	**1.852**	**565.689**	**-**	**(727)**	**564.962**
Balance on June 30, 2019	**849.387**	**1.280**	**15.512**	**106.367**	**105**	**-**	**-**	**972.651**	**-**	**486**	**973.137**
Capital increase	1.249.639	(212)	-	-	-	-	-	1.249.427	-	57	1.249.484
Cost of share issuance	(30.721)	-	-	-	-	-	-	(30.721)	-	-	(30.721)
Goodwill treasury shares sale	-	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	51	-	-	-	-	-	51	-	-	51
Result for the semester	-	-	-	-	-	36.544	-	36.544	-	2.666	39.210
Proposed allocations:											
Constitution of legal reserve	-	-	1.827	-	-	(1.827)	-	-	-	-	-
Constitution of profits reserve for distribution	-	-	-	6.425	-	(6.425)	-	-	-	-	-
Dividends and interest on equity (BRL 0.2245 per share)	-	-	-	-	-	(28.292)	-	(28.292)	-	968	(27.324)
Treasury shares	-	-	-	-	-	-	-	-	-	-	-
Capital transactions	-	-	-	-	1.224	-	-	1.224	-	-	1.224
Adjustment to market value	-	-	-	-	133	-	-	133	(5.242)	-	(5.109)
Balances on December 31, 2019	**2.068.305**	**1.119**	**17.339**	**112.792**	**1.462**	**-**	**-**	**2.201.017**	**(5.242)**	**4.177**	**2.199.952**
Changes in the period	**1.218.918**	**(161)**	**1.827**	**6.425**	**1.357**	**-**	**-**	**1.228.366**	**(5.242)**	**3.691**	**1.226.815**
Balances on December 31, 2018	**848.760**	**1.290**	**13.262**	**89.241**	**(3.340)**	**-**	**(432)**	**948.781**	**252**	**252**	**949.033**
Capital increase	1.250.266	(299)	-	-	-	-	-	1.249.967	-	268	1.250.235
Cost of share issuance	(30.721)	-	-	-	-	-	-	(30.721)	-	-	(30.721)
Goodwill treasury shares sale	-	192	-	-	-	-	-	192	-	-	192
Share-based payment	-	102	-	-	-	-	-	102	-	-	102
Result for the semester	-	-	-	-	-	78.880	-	78.880	-	2.689	81.569
Proposed allocations:											
Constitution of legal reserve	-	-	3.944	-	-	(3.944)	-	-	-	-	-
Constitution of profits reserve for distribution	-	-	-	23.684	-	(23.684)	-	-	-	-	-
Dividends and interest on equity (BRL 0.2245 per share)	-	-	-	-	-	(51.252)	-	(51.252)	-	968	(50.284)
Treasury shares	-	(166)	-	-	-	-	432	266	-	-	266
Capital transactions	-	-	-	-	4.695	-	-	4.695	-	-	4.695
Adjustment to market value	-	-	-	-	107	-	-	107	(5.242)	-	(5.135)
Balances on December 31, 2019	**2.068.305**	**1.119**	**17.206**	**112.925**	**1.462**	**-**	**-**	**2.201.017**	**(5.242)**	**4.177**	**2.199.952**
Changes in the period	**1.219.545**	**(171)**	**3.944**	**23.684**	**4.802**	**-**	**432**	**1.252.236**	**(5.242)**	**3.925**	**1.250.919**

The explanatory notes are an integral part of these financial statements.

Cash flow statements

Half-year ended on December 31, 2019 and periods ended on December 31, 2019 and 2018

(Amounts in thousands of Brazilian reais)

	Parent Company			Consolidated		
Prepared by the indirect method	**2nd Half-Year 2019**	**12/31/2019**	**12/31/2018**	**2nd Half-Year 2019**	**12/31/2019**	**12/31/2018**
Operational activities						
Net income	**33.878**	**78.880**	**67.742**	**36.546**	**81.569**	**69.835**
Provision for income tax	(3.108)	-	(10.158)	1.181	5.859	(7.657)
Provision for doubtful accounts	77.520	130.959	57.607	77.520	130.959	57.607
Deferred taxes	(1.917)	(4.524)	11.229	(1.776)	(4.178)	11.386
Civil, labor and tax Provisions/(Reversals)	5.085	8.413	15.010	5.085	8.413	15.010
Result of interests in subsidiaries and associated companies	(9.402)	(15.904)	(10.037)	42	-	-
Result of foreign exchange variation	(9)	(397)	(1.592)	(9)	(397)	(1.592)
Depreciation and amortization	8.724	13.838	2.592	8.841	14.050	2.607
Recognized Grant Options and Share-Based Payment	52	103	1.286	52	103	1.286
(Gain) / loss on the sale of permanent assets	(40)	(87)	-	(40)	(87)	-
Other capital gains and losses	-	(40.288)	-	-	(40.288)	-
Other	-	-	8.159	-	-	8.159
Change in assets and liabilities						
Reduction/(Increase) in liquidity interbank investments	(98.470)	(78.788)	(61.106)	(98.470)	(78.788)	(61.106)
Reduction/(Increase) in securities	(385.090)	(385.090)	-	(416.193)	(433.563)	(5.102)
Reduction/(Increase) in Interbank relations	(90.000)	(20.606)	176.681	(90.000)	(20.606)	176.681
Reduction/(Increase) in credit operations	(598.903)	(1.055.258)	(555.180)	(598.903)	(1.055.258)	(555.180)
Reduction/(Increase) in other credits	(204.753)	(466.374)	(317.132)	(211.157)	(468.686)	(327.043)
Reduction/(Increase) in other values and assets	(32.757)	(57.601)	(21.506)	(32.757)	(57.576)	(21.505)
Reduction/(Increase) in deposits	1.873.191	2.616.269	830.294	1.846.548	2.582.474	834.044
(Reduction)/Increase in funding in the open market	105.327	147.788	-	94.704	140.544	-
Reduction/(Increase) in obligations for operations	-	-	20.555	-	-	15.739
Reduction/(Increase) in funds from acceptances and issuance of securities	(77.316)	(5.858)	362.906	(77.316)	(5.858)	362.906
(Reduction)/Increase in interdependent relations	35	696	(239)	35	696	(239)
(Reduction)/Increase in obligations from borrowings and onlendings	(1.546)	(2.188)	(2.830)	(1.546)	(2.188)	(2.830)
(Reduction)/Increase in derivative financial instruments	14.697	19.945	996	14.697	19.945	996
(Reduction)/Increased in results of future periods	(2.584)	(5.167)	-	(2.584)	(5.167)	-
Reduction/(Increase) in obligations sale and transfer operations	-	-	10.333	-	-	10.333
(Reduction)/Increase in other obligations	7.397	52.700	30.281	12.276	53.133	34.805
Net cash used in operating activities	**620.011**	**931.461**	**615.891**	**566.776**	**865.105**	**619.140**
Taxes and Social Contribution Paid	(4.384)	(4.384)	(12.174)	(5.822)	(5.634)	(14.794)
Investment activities						
Acquisition of investments	(5.000)	(23.982)	(10.570)	(5.000)	(18.982)	(10.570)
Disposal of investments	-	45.000	32	-	45.000	32
Acquisition of property, plant and equipment for use	(4.664)	(13.169)	(6.285)	(4.667)	(13.175)	(6.318)
Disposal of property, plant and equipment for use	22	735	-	22	735	-
Acquisition of intangible assets	(32.243)	(61.752)	(22.899)	(32.502)	(63.040)	(23.284)
Increase in securities available for sale	(829.797)	(984.190)	(764.898)	(829.797)	(984.190)	(764.898)
Reduction in securities available for sale	416.571	494.972	773.014	416.568	494.969	773.014
Receipt of dividends	-	6.532	7.976	-	-	-
Net cash used in investment activities	**(455.111)**	**(535.854)**	**(23.630)**	**(455.376)**	**(538.683)**	**(32.024)**
Financing activities						
Capital increase	1.219.562	1.220.101	512.819	1.274.562	1.288.101	522.819
Purchase of options - Share-based payments	-	-	534	-	-	534
Sale of treasury shares	-	457	-	-	457	-
Repurchase of treasury shares	-	-	(53)	-	-	(53)
Interest on equity and dividends paid	(22.725)	(43.571)	(21.175)	(22.725)	(43.571)	(23.410)
Net cash from financing activities	**1.196.837**	**1.176.987**	**492.125**	**1.251.837**	**1.244.987**	**499.890**
Increase (decrease) in cash and cash equivalents	**1.357.353**	**1.568.210**	**1.072.212**	**1.357.415**	**1.565.775**	**1.072.212**
Cash and cash equivalents at beginning of period	1.757.310	1.546.065	472.261	1.757.365	1.548.617	472.262
Cash and cash equivalents at end of period	3.114.672	3.114.672	1.546.065	3.114.789	3.114.789	1.546.066
Effect of exchange rate variation on cash and cash equivalents	(9)	(397)	(1.592)	(9)	(397)	(1.592)
Increase (decrease) in cash and cash equivalents	**1.357.353**	**1.568.210**	**1.072.212**	**1.357.415**	**1.565.775**	**1.072.212**
Noncash transactions						
Provision for interest on equity	12.810	38.436	27.502	12.810	38.436	27.502
Payment off of capital with interest in equity	-	-	9.857	-	-	9.857
Adjustments to fair value instruments available for sale	576	576	-	576	576	-
Capital increase - share-based payments	212	212	545	212	212	545
Expenses for issuance of shares	1.198	4.198	13.365	1.198	4.198	13.365
Update Securities x Equity	(5)	(31)	77	(5)	(31)	77

The explanatory notes are an integral part of these financial statements.

Consolidated value added statement

Half-year ended on December 31, 2019 and periods ended on December 31, 2019 and 2018

(Amounts in thousands of Brazilian reais)

	Parent Company			Consolidated		
	2nd Half-Year 2019	12/31/2019	12/31/2018	2nd Half-Year 2019	12/31/2019	12/31/2018
Revenue	**431.540**	**821.583**	**639.647**	**463.538**	**868.127**	**662.241**
Financial operations	462.081	845.049	666.601	467.198	850.885	669.990
Provision of services	55.947	94.116	38.136	78.659	130.457	57.396
Financial asset transf. sale operations	-	-	(7)	-	-	(7)
Borrowings and onlending obligations	(954)	(2.050)	(1.786)	(954)	(2.050)	(1.786)
Provision for doubtful accounts	(77.520)	(130.959)	(57.607)	(77.520)	(130.959)	(57.607)
Other operational revenues/expenses	(3.203)	(16.384)	12.293	966	(11.981)	12.238
Non-operating	(4.811)	31.811	(17.983)	(4.811)	31.775	(17.983)
Expenses on Financial Operations	**132.275**	**251.064**	**232.467**	**135.114**	**253.631**	**232.128**
Materials and services purchased from third parties	**157.992**	**290.390**	**179.796**	**164.411**	**299.328**	**181.444**
Materials, energy and others	147.204	255.824	130.353	148.957	258.860	131.371
Third Party Services	10.788	34.566	49.443	15.454	40.468	50.073
Gross value added (1-2-3)	**141.273**	**280.129**	**227.384**	**164.013**	**315.168**	**248.669**
Retentions	**(8.724)**	**(13.838)**	**(2.592)**	**(8.841)**	**(14.050)**	**(2.608)**
Depreciation and amortization	(8.724)	(13.838)	(2.592)	(8.841)	(14.050)	(2.608)
Net value added produced by the entity (4 + 5)	**132.549**	**266.291**	**224.792**	**155.172**	**301.118**	**246.061**
Value added received on transfer	**9.403**	**15.863**	**10.037**	**-**	**-**	**-**
Equity income result	9.403	15.863	10.037	-	-	-
Value added to distribute (6 + 7)	**141.952**	**282.154**	**234.829**	**155.172**	**301.118**	**246.061**
Distribution of value added	**141.952**	**282.154**	**234.829**	**155.172**	**301.118**	**246.061**
Personnel and Charges	77.041	139.754	114.063	80.489	145.747	118.921
Direct remuneration	59.495	109.275	114.063	62.362	114.276	118.921
Benefits	14.054	24.281	-	14.529	25.070	-
FGTS	3.492	6.198	-	3.598	6.401	-
Taxes, contributions and fees	26.166	54.559	46.112	33.119	64.653	50.299
Federal	23.529	50.139	46.112	29.686	59.033	50.299
Municipal	2.637	4.420	-	3.433	5.620	-
Rents	4.867	8.961	6.912	5.020	9.149	7.007
Interest on Equity	25.624	51.250	36.668	25.626	51.252	36.668
Dividends distributed	12.813	12.813	-	12.813	12.813	0
Result retained in the semester	(4.559)	14.817	31.074	(4.561)	14.815	33.166
Interests of non-controlling shareholders	-	-	-	2.666	2.689	-

The explanatory notes are an integral part of these financial statements.

Explanatory notes to the financial statements

(in thousands of Brazilian Reais, except where indicated otherwise)

1 Operational Context

Founded in 1994, Banco Inter S.A. started operations in March 1995, with the credit operations and provision of other services allowed by the Central Bank of Brazil as main purpose, being allowed, under the terms of the applicable legislation, to participate in other companies. The Bank is a publicly traded private company in Brazil, operating as a Multiple Bank.

Banco Inter, a multi-service digital retail bank, with a complete platform for individuals and legal entities, provides credit focused on Real Estate Credit, Personal Credit, Corporate Credit and Credit Card. The funding portfolio is composed of diversified portfolio of investment products, including the following funding lines: Savings, Real Estate Secured Bill (LIG), Certificate of Deposit (CDB), Letter of Real Estate Credit (LCI), Letter of Agribusiness Credit (LCA), Financial Letter (LF) and Time Deposit.

New insurance lines were launched during the 2nd half-year 2019, in addition to the new categories Shopping and Parking to increase our marketplace.

2 Presentation of the financial statements

The financial statements were prepared based on the provisions set forth in the Brazilian Corporate Law, including the amendments introduced by Law 11,638 dated December 28, 2007 and Law No. 11,941 dated May 27, 2009 in compliance, as applicable, with the regulations of the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN), based on the Accounting Plan for Institutions of the National Financial System (COSIF).

Adhering to the process of convergence with the international accounting standards, some standards and their interpretations were issued by the Accounting Pronouncements Committee (CPC). These will be applicable to financial institutions when approved by CMN.

In this context, the accounting pronouncements approved by the CMN are:

Resolution no. 3,566/2008 - Impairment of assets - CPC 01 (R1).
Resolution no. 3,604/2008 - Cash Flow Statement - CPC 03 (R2).
Resolution no. 3,750/2009 - Disclosure on related parties - CPC 05 (R1).
Resolution no. 3,823/2009 - Provisions, Contingent Liabilities and Contingent Assets - CPC 25.
Resolution no. 3,973/2011 - Subsequent events - CPC 24.
Resolution no. 3,989/2011 - Share-based Compensation - CPC 10 (R1).
Resolution no. 4,007/2011 - Accounting policies, change in estimate and correction of error - CPC 23.
Resolution no. 4,144/2012 - Basic Conceptual Pronouncement - CPC 00 (R1).
Resolution no. 4,424/2015 - Employee benefits – CPC 33 (R1).
Resolution no. 4,524/2016 - Effects from variations in foreign exchange rates and conversion of financial statements – CPC 02 (R2).
Resolution No. 4,534/2016 - Intangible assets – CPC 04 (R1).
Resolution no. 4,535/2016 - Fixed assets – CPC 27.

Currently, it is not possible to estimate when CMN will approve further accounting pronouncements from CPC, nor whether their use will be prospective or retrospective.

The Administration hereby declares that the disclosures made in the individual and consolidated financial statements of Banco Inter present all relevant information used in its management and that the described accounting practices were consistently applied in the periods.

CMN Resolution 3,786/09 and BACEN Circular Letter 3,472/09 established that annually, since December 31, 2010, financial institutions and other institutions authorized to operate by this body, constituted as a publicly-held company or required to set up an Audit Committee, must prepare and disclose their consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), following international pronouncements issued by IASB - International Accounting Standards Board, within 90 days after the base date of December 31.

Additionally, CMN Resolution No. 3,853/10 and BACEN Circular Letter 3,447/10 were published, which govern the disclosure of interim consolidated financial statements in IFRS and clarify that the obligation applies to financial institutions that publish interim financial statements in this financial standard.

The issuance of the financial statements was authorized by the Board of Directors in the minutes of Meeting of the Executive Office held on February 12, 2020.

Use of estimations and judgments

In the preparation of these financial statements, the Administration used judgments, estimates, and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from such estimates.

Estimates and assumptions are reviewed continuously. Reviews of the estimates are recognized prospectively. Information on the uncertainties related to assumptions and estimates that have a significant risk to result in material adjustment in the years after 2019 are included in the following explanatory notes:

- Explanatory Note no. 7 - estimates of the fair value of certain financial instruments and impairment of securities classified as available-for-sale.
- Explanatory Note no. 9 - provisioning criterion: the measurement of estimated loss from credit operations.
- Explanatory Note no. 10 - recognition of deferred tax assets: availability of future taxable income against which tax losses can be used.
- Explanatory Note no. 20 - recognition and measurement of provisions and contingencies: main assumptions about the likelihood and the magnitude of fund outflows.

3 Main accounting policies

a. Basis for consolidation

The following table shows the subsidiaries included in the consolidated financial statements:

Entidade	Ramo de atividade	Participação no capital (%)	
		31/12/2019	31/12/2018
Inter Distribuidora de Títulos e Valores Mobiliários	TVM Distributor	98,3%	98%
Inter Digital Corretora e Consultoria de Seguros	Insurance Broker	60,0%	100%
Inter Asset Gestão de Recursos Ltda.	Fund Admnistration	99,9%	-
Inter Marketplace Ltda.	Service Provision	99,9%	-
Inter Titulos Fundo de Investimento	Investment Fund	98,1%	-

(i) Subsidiaries

The Bank is the controlling company of an entity when it is exposed to, or is entitled to, the variable returns arising from its involvement with such entity and has the ability to affect those returns by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements as of the date the Bank and its subsidiaries gain control until the date on which the control ceases to exist.

In the individual financial statements of the parent company, when required, the financial information of subsidiaries is recognized using the equity income method.

(ii) Non-controlling interest

The Bank and its subsidiaries recognize the non-controlling interest in the net equity in the consolidated balance sheet. In transactions involving purchase of shares from holders of non-controlling interest, the difference between the amount paid and the interest acquired is recorded in the income for the period.

Profits or losses attributed to non-controlling interest are presented in the consolidated income statements as profits or losses attributable to non-controlling interest.

(iii) Balances and transactions eliminated in the consolidation

Balances and transactions between companies of the Bank and its subsidiaries, including any unrealized gains or losses arising from intercompany transactions, are eliminated in the consolidation process. Unrealized losses are removed as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Basis for measurement

The financial statements were prepared based on historical cost, except, when applicable, for certain financial instruments measured at their fair values, as described in the accounting practices below. Historical cost is usually based on the fair value of the compensation paid in exchange for assets.

c. Functional currency

These financial statements are presented in Brazilian Reais, which is the Institution's functional currency. All financial information presented in Brazilian Real has been rounded to the nearest thousand, unless provided otherwise.

d. Income calculation

In compliance with the accrual basis, revenues and expenses are recognized in the income statement in the period they belong to, and, when they are correlated, simultaneously, regardless of receipt or payment of cash. Contracts with variable rates are measured based on the pro rata die criterion, based on the variation of the respective agreed indexes, and contracts using fixed rates are recorded at the redemption value, adjusted for unearned income or expenses corresponding to the future period. Transactions indexed to foreign currencies are adjusted up to the balance sheet date by the current rate.

e. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, securities purchased under agreements to resell and interbank deposits, highly liquid short-term investments with negligible risk of variation in value and limit, with 90-day maturity or less on the date of acquisition, which are used by the Bank to manage its short-term obligations. These are presented in Explanatory Note no. 5.

f. Interbank investments

Interbank investments are recorded at the acquisition cost, plus the income earned up to the balance sheet date, deducting the allowance for impairment losses, when applicable.

g. Securities

Securities are recorded and classified in compliance with BACEN Circular Letter no. 3,068/2001, which sets forth the evaluation and accounting assignment criteria for securities. The Bank has securities classified as:

- **Securities available-for-sale** - Include securities booked at market value, their interest income being recognized in the statement of income and gains and losses arising from changes in market value, not yet realized, recognized in a specific equity account (valuation adjustment reserve), net of the corresponding tax effects, when applicable, until realized through sale.

- **Securities held for trading** - securities acquired for the purpose of being actively and frequently traded. Gains and losses arising from changes in market value are recognized in the income statement.

- **Securities Held to Maturity** - these are bonds and securities for which the Bank intends and has the financial capacity to hold them until maturity. The financial capacity is supported by a cash flow projection that disregards the possibility of selling these securities. These securities are not adjusted to market value.

Securities classified in the available-for-sale category, as well as derivative financial instruments, are shown in the balance sheet at their estimated fair value. Fair value is generally based on market price quotations or market price quotations for assets or liabilities with similar characteristics. If such market prices are not available, fair values are based on forecasts made by market operators, pricing models, discounted cash flow or similar techniques for which the fair value determination may require Administration's judgment or significant forecast.

h. Derivative financial instruments

Derivative financial instruments are valued at market value upon preparation of trial monthly and annual balance sheets. The changes in market value are booked in the income or expense accounts of the respective financial instruments.

The market value methodology of derivative financial instruments was established in compliance with consistent and verifiable criteria, taking into account the average trading price on the day of calculation or, if not available, pricing models that reflect the likely net settlement value according to the characteristics of the derivative.

Transactions are recorded at fair value considering the mark-to-market methodologies adopted by the Bank, and their adjustment may be accounted for in profit or loss or in equity, depending on the classification between hedge accounting, its categories and economic hedge.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposures to variations in market value or in the cash flow of financial assets or liabilities, expected future obligation or transaction are considered hedge instruments and are classified according to their nature in:

Market risk hedge: financial instruments classified as such, as well as the hedged item, have their changes in fair value recognized in the income statement for the year.

Cash flow hedge: for the financial instruments included in this category, the effective portion of the changes in fair value is recorded in equity net of tax effects, in account "Net Equity Evaluation Adjustment". The effective portion is understood as the variation in the hedged item, directly related to the corresponding risk, it is offset by the variation in the financial instrument used for hedging, considering the cumulative effect of the transaction. Other variations in these instruments are recognized directly in the income statement for the period.

For derivatives classified in the accounting hedge category, there is monitoring of: (i) effectiveness of the strategy, through prospective and retrospective effectiveness tests, and (ii) mark-to-market of hedge instruments.

i. Loans and allowances for loan losses

Basically, they consist of loans and financing with fixed and variable rates. These are presented at accrued values, including income earned as a result of the contractual terms, and are classified in the respective risk levels, in compliance with: (i) the metrics set forth by CMN Resolution no. 2,682/1999, which requires its classification into nine levels, being "AA" (minimum risk) and "H" (maximum risk); and (ii) the Administration's assessment of the level of risk.

This evaluation, carried out periodically, considers the economic environment, past experience and specific and global risks in relation to specific contracts, debtors and guarantors. In addition, the periods of delinquency defined in CMN Resolution no. 2,682/1999 are also considered for assigning customer rating levels as follows:

Default period	Customer rating
from 0 to 14 days	A
from 15 to 30 days	B
from 31 to 60 days	C
from 61 to 90 days	D
from 91 to 120 days	E
from 121 to 150 days	F
from 151 to 180 days	G
more than 180 days	H

Interest is accrued for loans past due up to the 59th day, from the 60th day, it will only be recognized as income when it is actually received.

Renegotiated loans are maintained at least at the same risk level as that they have been classified on the date of renegotiation. Renegotiated loans that have been written off and which were in control accounts are recognized again, but classified as "H" level, and any gains from the renegotiation are only recognized as income when actually received.

Overdue operations classified as "H" level remain in this rating for six months, when they are then written off against the existing provision and controlled in a control account for at least five years.

For loans with a maturity of more than 36 months, double counting of the periods of delay described above is allowed.

The allowance for loans losses is calculated in an amount sufficient to cover likely losses in compliance with the rules and the instructions issued by the Central Bank of Brazil, in connection with evaluations carried out by the Administration when determining credit risks.

j. Other assets

They comprise mainly assets not for own use and pre-paid expenses. Assets not for own use corresponding to real estate available for sale are classified as assets received as payment in kind and are recorded at the book value of the loan or financing, or at real estate evaluation value, the lowest of the two, as provided in BACEN Circular Letter No. 909/1985.

The pre-paid expenses correspond to investments of resources which benefits will occur in future years.

The appropriation of prepaid expenses related to the commission on loans originated by correspondents is carried out in accordance with the provisions of CMN Resolution no. 3,954/1989 and its amendments.

k. Permanent assets

(i) Investments

When there is control or significant influence in the administration, the investments are evaluated by the equity method. When there is no significant control or influence, investments are recorded at acquisition cost.

(ii) Fixed assets for own use

It corresponds to the rights on physical assets intended for the continuation of activities or exercised for this purpose, including those pursuant to contracts that transfer risks, benefits, and control of the assets to the entity.

Items of fixed assets are measured at the historical cost of acquisition or construction, after deducting accumulated depreciation and any accumulated impairment losses, when applicable. Depreciation is calculated using the straight-line method, using the following annual rates: furniture and equipment for own use and communication system 10%, and data processing system, 20%.

(iii) Intangible assets

Intangible assets correspond to acquired rights related to intangible assets intended for the maintenance of the entity or exercised for this purpose. It consists mainly of: (i) Rights of use, amortized over the contract terms or as the economic benefits flow to the company; and (ii) Software and internally generated intangibles, amortized within ten years.

Intangible assets with finite service lives are amortized on a straight-line basis over their estimated service lives and those with indefinite service lives are tested semiannually to identify possible impairment losses.

l. Impairment of assets

Financial and non-financial assets are evaluated in order to verify whether there is objective evidence that an impairment loss has occurred in their book value.

Objective evidence that financial assets will lose value may include non-payment or late payment by the debtor, indications of bankruptcy proceedings, or even a significant or prolonged decline in the value of the asset.

An impairment loss on a financial or non-financial asset is recognized in the income for the period if the book value of the asset or cash-generating unit exceeds its recoverable value.

On an annual basis, always on the same date, the Bank evaluates whether there is evidence of impairment.

If there is evidence of impairment, the recoverable value of the asset is estimated and compared to the book value. The recoverable value refers to the higher figure between the fair value minus selling costs and its value in use.

m. Contingent assets and liabilities

Recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are made in compliance with CMN Resolution no. 3,823/2009, according to criteria, namely:

Contingent assets: are not recognized, except when there is sufficient evidence to ensure a high level of confidence of realization, usually represented by the unappealable decision in relation to the lawsuit and by the confirmation of the ability to recover the amount by receipt or compensation with other eligible liability.

Contingent liabilities (when applicable): These arise basically from legal and administrative proceedings, inherent in the normal course of business, filed by third parties, former employees and public bodies, in civil, labor, tax proceedings and other risks. These contingencies are evaluated by legal advisors and take into account the likelihood that financial resources will be required to settle the obligations and that the amount of the obligations can be estimated with sufficient accuracy.

Contingencies are classified as: (a) likely, for which provisions are recognized; (b) possible, which are only disclosed but are not provided for; and (c) remote, which do not require provision nor disclosure. The amounts of contingencies are quantified using models and criteria that allow them to be properly measured, despite the uncertainty inherent in relation to the term and value.

Regarding the measurement bases of provisions, the entity shall seek, according to CPC 25, the best estimate of the disbursement required to settle the obligation at the balance sheet date, considering the risks and uncertainties involved, including:

- When relevant, the financial effect produced by the discount to present value of the future cash flows required to settle the obligation; and

- Future events that might change the amount required to settle the obligation.

The provision for civil, tax and labor risks is recorded in the financial statements when, considering the opinion of legal advisors, the risk of loss of a judicial or administrative actions is considered probable; settlement of the obligation will require a probable outflow of funds; and the amounts involved are measurable with sufficient accuracy, being measured at the time of notification of the claim and remeasured on a monthly basis, as follows:

- Group method: processes related to causes considered similar and usual, whose value is not considered relevant, according to the statistical parameter. Civil provisions are made based on the average historical ticket of the convictions in the last 24 months and the labor provisions are made based on the average historical ticket of the convictions in the last 36 months. We consider as the basis of calculation the actions judged, and the historical value of the convictions. Thus, we forecast the average ticket for all proceedings in progress, for which we consider the possibility of an outflow of resources, assuming a reliable estimate.

Legal, tax and social security obligations derive from tax obligations set forth by law, which, irrespective of the likelihood of success of legal proceedings, have their amounts recognized, when applicable, in whole, in the financial statements.

n. Taxes

Provisions for Income Tax, Social Contribution, PIS/PASEP, COFINS and ISS are recognized at the rates listed as follows, considering the calculation bases established in the legislation in force for each tax:

Taxes	Rates
Income tax	15%
Income Tax Additional	10%
Social Contribution on Profit - until August 2015 and after December 31, 2018	15%
Social Contribution on Profit - from September 2015 to December 31, 2018	20%
Social Contribution on Profit - from January 2019 to March 31, 2020	15%
Social Contribution on Profit - as of March 2020	20%
PIS/PASEP	0.65%
COFINS	4%
ISS	Up to 5%

The deferred tax assets (tax credits) and deferred tax liabilities derive from the application of the current tax rates on their respective bases. For the constitution, maintenance and write-off of deferred tax assets, the criteria established by CMN Resolution no. 3,059/2002, amended by CMN Resolutions no. 3,355/2006 and CMN no. 4,192/2013, are complied with.

The social contribution on profit was calculated until August 2015, considering the rate of 15%. For the period from September 2015 to December 2018, the rate was changed to 20%, according to Law no. 13,169/2015, returning to the rate of 15% since January 2019.

Constitutional Amendment No. 103 dated 2019, in force as of March 01, 2020, increased the rate of Social Contribution on Net Profit (CSLL) by 5% (five percent) for banks. Such increase leaded to adjustment of the balance of deferred CSLL assets and liabilities to be used under the new rules.

Income tax and social contribution expenses comprise current and deferred income tax and social contribution recognized in income.

(i) Current income tax and social contribution expenses

Current tax expense is the tax payable or receivable estimated on the taxable profit or loss for the year and any adjustment to taxes payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as a tax asset or liability for the best estimate of the expected value of the taxes payable or receivable that reflects the uncertainties related to its assessment, if any. It is measured based on the tax rates enacted on the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized with respect to temporary differences between the accounting amounts of assets and liabilities and those used for tax purposes. Changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution income or expense. Deferred tax is not recognized for:

- Temporary differences not affecting the taxable profit or loss or the accounting result.

- Temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Bank is able to control the timing of reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future.

- A deferred tax asset is recognized in respect to tax losses and unused deductible temporary differences to the extent that it is likely that future taxable income will be available against which it will be used. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer likely.

Deferred tax assets and liabilities are measured based on the rates expected to be applied to temporary differences when they are reversed, based on the rates enacted until the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the way how the Bank expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are only offset if certain criteria are met.

o. Other assets and liabilities

Other current and non-current liabilities are reported at known or estimated amounts, including, when applicable, accrued expenses, adjusted to their present value.

Employee vacations, due and proportional, and other benefits are fully provisioned on a monthly basis, including the applicable taxes.

p. Subsequent events

Subsequent events are events, favorable or unfavorable, occurring between the closing date of the period to which the financial statements refer and the date on which the issuance of these statements is authorized. Two types of subsequent events can be identified:

Those evidencing conditions already existing on the closing date of the period to which the financial statements refer (an event after the accounting period the statements refer to, which give rise to adjustments).

Those indicating conditions occurred after the closing date of the period to which the financial statements refer (an event after the accounting period the statements refer to, which do not give rise to adjustments).

q. Statement of value added (DVA).

Banco Inter S.A. has voluntarily prepared the individual statement of added value (DVA) in the terms of Technical Pronouncement CPC 09 – Statement of Value Added, which is presented as an integral part of the financial statements.

r. Earnings per share

The Bank’s earnings per share are calculated by dividing net profit attributable to owners of the parent company by the total number of common and preferred shares.

s. Share-based payment

The fair value on the grant date of the share-based payment agreements granted to employees is recognized as expenses, with a corresponding increase in shareholders’ equity, during the period over which the employees unconditionally earn the right to the payment.

4 Operating segments

The information by segment was prepared based on the criteria used by the chief operating decision-maker to evaluate performance, in making decisions regarding the allocation of funds for investment and other purposes, considering the regulatory environment and the similarities between products and services.

The operations of the Bank and its subsidiaries are basically divided into three segments: banking, securities and insurance brokerage.

Management income by segment

The measurement of management income by segment takes into account all revenues and expenses calculated by the companies that make up each segment, pursuant to the distribution stated below. There are no common revenues or expenses allocated between the segments for any distribution criteria.

Inter-segment transactions are carried out under terms and rates compatible with those practiced with third parties, where applicable. Such transactions do not involve abnormal collection risks.

a. Banking segment

The banking segment is responsible for the substantive portion of the Group's income and comprises a wide range of products and services such as deposits, loans and advance payments to customers and services, which are available to customers through various distribution channels in the country.

The banking segment's operations include business with the retail, wholesale and government markets undertaken by a customer service network and teams, with business with micro- entrepreneurs and the informal sector carried out by banking correspondents.

b. Securities segment

This segment is essentially responsible for operations inherent to the acquisition, sale and custody of securities, portfolio management, institution, and organization and management of investment funds. Revenues are derived primarily from management commissions and fees charged to investors for the rendering of such services.

c. Insurance brokerage segment

This segment offers products and services related to warranties, life, property and automobile insurance. Revenues from insurance brokerage commissions are recognized when it is probable that future economic benefits shall flow to the entity. Revenues include considerations received or receivable for the provision of services.

d. Service provision segment

This segment offers brokerage, intermediation and business mediation services, computer system development services, exploration of use licenses for own or third parties´ systems, data processing, research activities, technological innovation, data handling services, hosting, sites, providers and internet services. Revenues include considerations received or receivable for the provision of services.

e. Investment fund segment

This segment registers the profitability of quotas in real estate investment funds, in accordance with the investment policy defined in the Fund's Regulation, mainly by investing in financial assets of real estate origin, including bonds and securities and/or their rights allowed to real estate investment funds, as designated in CVM Instruction 472/2008.

Management income statement by segment

	12/31/2019							
	Banking	Securities	Insurance Brokerage	Investment fund	Insurance Brokerage	Combined Banco Inter	Adjustments and exclusions	Consolidated
Net Interest Income								
Credit operations	644,187	-	-	-	-	644,187	-	644,187
Income from Foreign Exchange Operations	431	-	-	-	-	431	-	431
Income from interbank liquidity investments	139,451	280	-	171	205	140,107	(656)	139,451
Income from securities	56,745	2,079	15	5,809	-	64,648	(2,067)	62,581
Income from derivative financial instruments	4,235	-	-	-	-	4,235	-	4,235
	845,049	**2,359**	**15**	**5,980**	**205**	**853,608**	**(2,723)**	**850,885**
Financial Operations Expenses								
Market funding operations	(251,064)	(40)	-	(8)	-	(251,112)	(2,519)	(253,631)
Borrowings and onlending obligations	(2,050)	-	-	-	-	(2,050)	-	(2,050)
Allowance for doubtful accounts	(130,959)	-	-	-	-	(130,959)	-	(130,959)
	(384,073)	**(40)**	**-**	**(8)**	**-**	**(384,121)**	(2,519)	**(386,640)**
Gross profit from financial operations	**460,976**	**2,319**	**15**	**5,972**	**205**	**469,487**	**(5,242)**	**464,245**
Other operational revenues (expenses)								
Income from provision of services	94,116	17,471	-	-	18,870	130,457	-	130,457
Personnel expenses	(162,192)	(2,565)	-	-	(4,441)	(169,198)	-	(169,198)
Other administrative expenses	(313,189)	(6,892)	(210)	(888)	(1,351)	(322,530)	-	(322,530)
Tax Expenses	(36,646)	(1,739)	(1)	-	(1,275)	(39,661)	-	(39,661)
Result of interests in subsidiaries	15,863	-	-	-	-	15,863	(15,863)	-
Other operating income	52,304	2,352	-	389	1,864	56,909	-	56,909
Other operating expenses	(68,688)	(67)	-	(68)	-	(68,823)	(67)	(68,890)
	(418,432)	**8,560**	**(211)**	**(567)**	**13,667**	**(396,983)**	**(15,930)**	**(412,913)**
Operational result	**42,544**	**10,879**	**(196)**	**5,405**	**13,872**	**72,504**	**(21,172)**	**51,332**
Non-operational result	31,811	-	-	-	(38)	31,773	-	31,775
Income before tax on profit	**74,355**	**10,879**	**(196)**	**5,405**	**13,834**	**104,277**	**(21,172)**	**83,107**
Provision for income tax	-	(2,199)	-	-	(1,690)	(3,889)	-	(3,889)
Provision for social contribution	-	(1,353)	-	-	(617)	(1,970)	-	(1,970)
Deferred tax assets	4,525	(270)	66	-	-	4,321	-	4,321
	4,525	**(3,822)**	**66**	**-**	**(2,307)**	**(1,538)**	**-**	**(1,538)**
Income of the period	**78,880**	**7,057**	**(130)**	**5,405**	**11,527**	**102,739**	**(21,172)**	**81,569**
Total assets	10,062,373	48,297	4,885	56,198	11,095	10,182,848	(163,270)	10,019,578
Total liabilities	7,861,356	11,843	14	792	4,814	7,878,819	(59,193)	7,819,626
Total equity	2,201,017	36,454	4,871	55,406	6,281	2,304,029	(104,077)	2,199,952

	12/31/2018					
	Banking	**Securities**	**Securities**	**Insurance Brokerage**	**Consolidated Banco Inter**	**Consolidated**
Net Interest Income						
Credit operations	559,021	-	-	559,021	-	559,021
Income from Foreign Exchange Operations	1,669	-	-	1,669	-	1,669
Income from interbank liquidity investments	61,952	97	313	62,362	(410)	61,952
Income from securities	20,602	3,389	-	23,991	-	23,991
	643,244	**3,486**	**313**	**647,043**	**(410)**	**646,633**
Financial Operations Expensens						
Market funding operations	(215,835)	(71)	-	(215,906)	410	(215,496)
Borrowings and onlending obligations	(1,786)	-	-	(1,786)	-	(1,786)
Allowance for doubtful accounts	(57,607)	-	-	(57,607)	-	(57,607)
Financial asset transf. sale operations (expenses)	(16,632)	-	-	(16,632)	-	(16,632)
Derivative operations						
	(291,867)	(71)	-	-291,938	410	-291,528
	351,377	3,415	313	355,105	-	355,105
Gross profit from financial operations						
Other operational revenues (expenses)	38,136	1,558	17,701	57,395	0	57,396
Income from provision of services	(114,062)	(1,618)	(3,240)	(118,920)	-	(118,920)
Personnel expenses	(163,351)	(1,049)	(710)	(165,110)	-	(165,094)
Other administrative expenses	(24,726)	(399)	(1,129)	(26,254)	-	(26,254)
Tax Expenses	10,037	-	-	10,037	(10,037)	-
Result of interests in subsidiaries	38,647	30	153	38,830	-	38,830
Other operating income	(28,946)	(233)	(3,473)	(32,652)	(3,452)	(29,200)
Other operating expenses						
	(244,265)	(1,711)	9,302	-236,674	-13,489	-243,242
	107,112	1,704	9,615	118,431	(13,489)	111,863
Operational result	**(17,983)**	**-**	**-**	**(17,983)**	**-**	**(17,983)**
Non-operational result						
	89,129	1,704	9,615	100,448	-21,172	93,880
Income before tax on profit					-	
	(5,444)	(260)	(1,469)	-7,174	0	-7,174
Provision for income tax	(4,714)	(233)	(538)	(5,485)	-	(5,485)
Provision for social contribution	(11,229)	(157)	-	(11,386)	-	(11,386)
Deferred tax assets						
	(21,387)	(650)	(2,007)	-24,045	0	-24,045
Income of the period	**67,742**	**1,054**	**7,608**	**76,404**	**(8,040)**	**69,835**

	12/31/2018					
Total assets	5,640,962	20,355	5,226	5,666,543	-25,199	5,641,344
Total liabilities	4,692,181	7,735	1,128	4,701,044	-8,734	4,692,310
Total equity	948,781	12,620	4,098	965,499	-16,465	949,034

5 Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Cash and due from banks	93,995	10,478	94,112	10,479
Short-Term Interbank Investments* see Note 6	3,020,677	1,535,587	3,020,677	1,535,587
Total cash and cash equivalents	**3,114,672**	**1,546,065**	**3,114,789**	**1,546,066**

(*) Refer to transactions whose maturity, on the transaction date, was equal to or less than 90 days and present a negligible risk of a change in fair value.

6 Interbank investments

Interbank investments comprise the following items:

	Parent Company and Consolidated	
	12/31/2019	12/31/2018
Investments in repurchase agreements	**3,020,677**	**1,535,587**
Financial Treasury Letters (LFT)	499,996	140,294
National Treasury Letters (LTN)	2,420,682	108,000
National Treasury Security (NTN)	99,999	1,287,293
Investments in Interfinancial Deposits	**229,088**	**150,300**
CDI - ABC do Brasil	14,820	14,791
CDI - Banco BS2 S.A.	5,133	5,361
CDI - Banco Itaú S.A.	29,555	28,310
CDI - Banco Safra S.A.	-	20,524
CDI - Banco BTG Pactual S.A.	30,643	60,652
CDI - Rural credit related operations	148,937	20,662
Total	**3,249,765**	**1,685,887**
Current	3,249,765	1,671,274
Non-current	-	14,613

The maturity of the investments is shown below:

	Parent Company and Consolidated		
	12/31/2019		
Securities	**Up to 3 months**	**From 3 to 12 months**	**Total**
Investments in CDI	67,603	161,485	229,088
Financial Treasury Letters (LFT)	499,996	-	499,996
National Treasury Letters (LTN)	2,420,682	-	2,420,682
National Treasury Security (NTN)	99,999	-	99,999
Total	**3,088,280**	**161,485**	**3,249,765**

	Parent Company and Consolidated			
	12/31/2018			
Securities	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Total**
Investments in CDI	88,582	47,105	14,613	150,300
Financial Treasury Letters (LFT)	140,294	-	-	140,294
National Treasury Letters (LTN)	108,000	-	-	108,000
National Treasury Security (NTN)	1,287,293	-	-	1,287,293
Total	**1,624,169**	**47,105**	**14,613**	**1,685,887**

On December 31, 2019, the balances of securities purchased under agreements to resell with maturities of 90 days or less from the date of the investment, without expectation of significant change in fair value and redeemable at any time were considered as cash equivalent, they amounted to BRL 3,020,677 (2018: BRL 1,546,066).

The remaining balances of securities purchased under agreements to resell and the amount of interbank deposits refer to investments with maturities of 24 months or less from the date of application, without expectation of significant change in value and redeemable at any time.

The income arising from interbank investments was as follows:

	Parent Company and Consolidated		
	2nd Half-Year 2019	Accrued 2019	Accrued 2018
Securities purchased under agreements to resell (unpledged)	73,109	120,933	52,739
Securities purchased under agreements to resell (repledged)	6,256	8,720	1,163
Interbank deposits	5,456	9,798	8,050
Total	**84,821**	**139,451**	**61,952**

7 Securities and derivative financial instruments

These are represented mainly by Federal Public Bonds (LFTs), Certificates of Real Estate Receivables (CRI) and by the updated amounts of the investment fund quotas.

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Own portfolio	**961,574**	**297,793**	**951,046**	**303,415**
Federal Securities	**117,524**	**199,439**	**118,257**	**200,772**
Financial Treasury Letters (LFT) - TVM	117,524	199,439	118,257	200,772
Private Securities	**844,050**	**98,354**	**832,789**	**102,643**
Real Estate Receivables Certificates	136,217	35,065	113,404	37,241
Bank Deposit Certificates	-	-	4,371	-
Agricultural Receivables Certificates	-	-	781	19
Mortgage Letter	-	-	139	-
Agricultural Letter of Credit	-	-	594	-
Debentures	260,409	-	266,076	2,071
Quotas of investment funds	447,424	63,289	447,424	63,312
Given in guarantee	**203,447**	**10,981**	**203,343**	**10,981**
Private Securities	**5,389**	**-**	**5,388**	**-**
Real Estate Receivables Certificates - TVM	5,389	-	5,388	-
Federal Securities				
Financial Treasury Letters (LFT) - Guarantee	198,058	10,981	197,955	10,981
Subtotal securities	**1,165,021**	**308,774**	**1,154,389**	**314,396**
Current	**498,124**	**63,290**	**514,144**	**63,310**
Non-current	**666,897**	**245,484**	**640,245**	**251,086**
Derivative financial instruments	**(20,941)**	**(996)**	**(20,941)**	(996)
Swaps	(20,941)	(996)	(20,941)	(996)
Total	**1,144,080**	**307,778**	**1,133,448**	**313,400**

On December 31, 2019, Banco Inter had obligations with derivative financial instruments amounting BRL (20,941) (2018: BRL (996)).

Investments in investment fund quotas are classified in the “for trading” category, taking into account the management's intention to operationalize these securities.

Securities can be shown as follows:

Classification by type and maturity

Parent Company 12/31/2019	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Above 5 years	Market/ booking value	Accrued value	Unrealized gains / (losses)
Available for sale								
Financial Treasury Letters (LFT)	-	52,140	189,957	70,191	-	312,288	312,242	46
Held to maturity								
Debentures	-	11,740	88,195	160,409	-	260,344	260,344	-
Held for trading								
Quotas of investment funds	433,980	-	15,658	-	-	449,638	449,638	-
Total	**433,980**	**64,144**	**293,810**	**329,316**	**43,771**	**1,165,021**	**1,164,975**	**46**

Total Current	498,124
Total Non-Current	666,897

Parent Company 12/31/2018	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Market / booking value	Accrued value	Unrealized gains / (losses)
Available for sale							
Financial Treasury Letters (LFT)	-	-	82,445	127,975	210,420	210,483	(63)
Certificates of real estate receivables	-	-	-	35,064	35,064	35,064	-
Quotas of investment funds	63,290	-	-	-	63,290	63,290	-
Total	**63,290**	**-**	**82,445**	**163,039**	**308,774**	**308,837**	**(63)**

Total Current	63,290
Total Non-Current	245,484

Consolidated 12/31/2019	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Above 5 years	Market/ booking value	Accrued value	Unrealized gains / (losses)
Available for sale	**434,935**	**64,144**	**293,810**	**329,316**	**43,771**	**1,165,976**	**1,165,930**	**46**
Financial Treasury Letters (LFT)	-	52,140	189,957	70,191	-	312,288	312,242	46
Held to maturity								
Debentures	-	11,740	88,195	160,409	-	260,344	260,344	-
Held for trading								
Real Estate Receivables Certificates	-	264	-	98,716	43,771	142,751	142,751	-
Quotas of investment funds	434,935	-	15,658	-	-	450,593	450,593	-
Held for trading	**20,944**	**-**	**-**	**-**	**-**	**20,944**	**215,240**	**(194,296)**
Financial Treasury Letters (LFT)	735	-	-	-	-	735	199,502	(198,767)
Real Estate Letters of Credit (LCI)	140	-	-	-	-	140	140	-
Real Estate Receivables Certificates	3,839	-	-	-	-	3,839	1,401	2,438
Agricultural Receivables Certificates	781	-	-	-	-	781	611	170
Bank Deposit Certificates	9,189	-	-	-	-	9,189	9,189	-
Debentures	5,667	-	-	-	-	5,667	4,028	1,639
Agricultural Letters of Credit (LCA)	593	-	-	-	-	593	369	224
Quotas of investment funds	-	-	-	-	-	-	-	-
Total	**455,879**	**64,144**	**293,810**	**329,316**	**43,771**	**1,186,920**	**1,381,170**	**(194,250)**

Consolidated 12/31/2018	Up to 3 months	From 1 to 3 years	From 3 to 5 years	Above 5 years	Market / book value	Accrued value	Unrealized gains / (losses)
Available for sale							
Financial Treasury Letters (LFT)	-	82,445	127,975	1,334	211,754	210,483	1,271
Real Estate Receivables Certificates	-	6	37,235	-	37,241	37,241	-
Agricultural Receivables Certificates	-	-	20	-	20	20	-
Debentures	-		380	1,691	2,071	2,071	
Quotas of investment funds	63,310	-	-	-	63,310	63,310	-
Total	**63,310**	**82,451**	**165,610**	**3,025**	**314,396**	**313,125**	**1,271**

Total Current	63,310
Total Non-Current	251,086

The income from securities was:

Parent Company	2nd Half-year 2019	Accrued 2019	Accrued 2018
Income from fixed income securities	10,561	17,723	16,797
Income from investments in investment funds	36,671	39,022	3,805
Income from securities	**47,232**	**56,745**	**20,602**
Derivative transactions	2,247	4,235	-
Total	**49,479**	**60,980**	**20,602**

	Consolidated		
	2nd Half-year 2019	Accrued 2019	Accrued 2018
Income from fixed income securities	12,503	20,384	20,186
Income from investments in investment funds	39,846	42,197	3,805
Income from securities	**52,349**	**62,581**	**23,991**
Derivative transactions	2,247	4,235	-
Total	**54,596**	**66,816**	**23,991**

Such income is booked under “Financial income from securities and derivative financial instruments”.

On December 31, 2019, Banco Inter recorded an income for hedging operation gain at the amount of BRL 4,235 (December 31, 2018: expense at the amount of BRL 16,632).

a. Financial instruments and derivatives

Securities classified in the available-for-sale category, as well as derivative financial instruments, are shown in the balance sheet at their estimated fair value. Fair value is generally based on market price quotations or market price quotations for assets or liabilities with similar characteristics. If such market prices are not available, fair values are based on estimates made by market operators, pricing models, discounted cash flow or similar techniques for which the fair value determination may require Administration’s judgment or significant forecast.

The Bank has part of its real estate credit portfolio indexed to the General Price Index (IGP-M) of Fundação Getúlio Vargas, a part indexed to the Broad National Consumer Price Index (IPCA) and a big part of its LCI funding is indexed to the Interbank Deposit (DI) rate. In order to seek protection of the institution’s revenue in relation to IGP-M and IPCA fluctuations, the administration decided to enter into swap operations, whose points are inverted in relation to part of its active and passive portfolios. Transactions with derivatives were agreed upon, in which the Bank pays the variation of IGP-M plus coupon, IPCA plus coupon and receives a certain percentage of the DI variation on given date.

The operations were carried out via B3 and feature guarantee margin and control by this exchange. On December 31, 2019, Banco Inter had 11 active swap agreements CDI x IGP-M, with a total notional of BRL 216,989 (two hundred and sixteen million, nine hundred and eighty-nine thousand Brazilian reais) and 6 active swap agreements CDI x IPCA, with a total notional of BRL 310,000 (three hundred and ten million Brazilian reais) registered at B3 and for which there is a guarantee margin deposit, whose value can be adjusted at any time. The swap transaction is the exchange of risks between two parties, consisting of an agreement for two parties to exchange the risk of an active (creditor) or passive (debtor) position, at a specified date, under previously established conditions.

Banco Inter’s swap operations are classified as Hedge Accounting (“Fair Value Hedge”), as a safeguard for the exposure to changes in the fair value of a recognized asset, or of an identified portion of such asset attributable to a particular risk that might affect the result.

The hedge instrument (swap) was used for the purpose of protecting risks related to the mismatch of indexes between the asset and liability portfolios, specifically between interest rate and variations of price index, and was recognized at fair value in the result for the period. The fair value is the value to be received, according to market conditions, by the assets and paid in the settlement of the liabilities, calculated based on the rates practiced in the Exchange markets.

Contracts in the real estate credit portfolio are the objects of the hedge, protected by the above-detailed instruments for which the spread are discounted, hedging only the specific risk of the portfolio.

(i) Value of derivative financial instruments recorded in equity and compensation accounts

Parent Company and Consolidated

12/31/2019

			Cost Value		Market Value		Gain (loss) hedge operation
		Reference Value	Bank	Counterpart	Bank	Counterpart	
CDI x IGPM	906722276	38,397	39,631	40,589	39,631	41,931	(2,300)
CDI x IGPM	906722594	35,842	36,994	37,900	36,994	38,900	(1,906)
CDI x IGPM	906722608	29,894	30,855	31,628	30,855	33,003	(2,148)
CDI x IGPM	906723043	17,550	18,114	18,589	18,114	19,571	(1,457)
CDI x IGPM	906723159	17,306	17,863	18,338	17,863	19,396	(1,533)
CDI x IGPM	906723160	12,000	12,297	12,389	12,297	12,906	(609)
CDI x IGPM	906723161	14,000	14,347	14,455	14,347	15,083	(736)
CDI x IGPM	906723162	11,500	11,771	11,866	11,771	12,327	(556)
CDI x IGPM	906723163	16,000	16,376	16,522	16,376	17,294	(918)
CDI x IGPM	906723164	11,000	11,259	11,360	11,259	11,951	(692)
CDI x IGPM	906723165	13,500	13,818	13,952	13,818	14,718	(900)
Total		**216,989**	**223,325**	**227,588**	**223,325**	**237,080**	**(13,755)**

Parent Company and Consolidated

12/31/2019

			Cost Value		Market Value		Gain (loss) hedge
		Reference Value	Bank	Counterpart	Bank	Counterpart	
CDI x IPCA	905638565	80,000	82,978	83,008	82,978	83,004	(26)
CDI x IPCA	905638573	60,000	62,233	61,893	62,233	62,523	(290)
CDI x IPCA	905638581	60,000	62,233	62,044	62,233	63,609	(1,376)
CDI x IPCA	905638590	50,000	51,861	51,776	51,861	53,715	(1,854)
CDI x IPCA	905638603	10,000	10,372	10,382	10,372	10,914	(542)
CDI x IPCA	905638611	50,000	51,861	51,955	51,861	54,959	(3,098)
	Total	**310,000**	**321,538**	**321,058**	**321,538**	**328,724**	**(7,186)**

Parent Company and Consolidated

12/31/2018

	Reference Value	Cost Value		Adjustment MTM Hedge	Market Value		Differential Amount (payable) receivable
		Bank	Counterpart		Bank	Counterpart	
CDI x IGP-M 60421339	50,000	63,941	65,647	710	63,941	64,937	(996)
Total	**50,000**	**63,941**	**65,647**	**710**	**63,941**	**64,937**	**(996)**

8 Interbank accounts

Interbank accounts consist mainly of compulsory deposits made at the Central Bank of Brazil linked to the Bank’s deposit liabilities and outstanding settlement amounts, represented by transactions in electronic currencies and other securities in clearing (asset and liability position) and are as follows:

	Parent Company and Consolidated	
	12/31/2019	12/31/2018
ATIVO		
ASSETS	24,014	-
Other Settlement Systems	-	49,528
Deposits Central Bank - Electronic Currency	76,779	22,090
Deposits Central Bank - Others	315,501	18,500
Deposits Central Bank - Compulsory Reserves	**416,294**	**90,118**
LIABILITIES		
Amounts payable to Financial Institutions	(641,759)	(265,081)
Total	**(641,759)**	**(265,081)**

9 Credit portfolio and allowance for losses

Loans consist primarily of real estate loans and financing, working capital loans collateralized by receivables, and personal credit operations, guaranteed by checks or direct payroll deductions.

The Central Bank of Brazil, through CMN Resolution No. 2,682/1999, introduced criteria for the classification of loans, defining rules that came into effect as from March 2000, for the constitution of allowance for loan losses and for the disclosure of data relating to the credit portfolio, namely:

a. Composition of the portfolio by type of customer and economic activity

Loans	**12/31/2019**	**% portfolio**	**12/31/2018**	**% portfolio**
Legal entity	251,416	5.27%	177,923	5.32%
Corporate loans with real estate guarantee	557,552	11.68%	360,526	10.77%
Real estate financing	1,352,509	28.33%	1,071,725	32.02%
Individual loans with real estate guarantee	605,938	12.69%	514,970	15.39%
Rural funding	1,500	0.03%	-	0.00%
Individual	1,189,207	24.91%	874,375	26.12%
Adjustment of hedged loan operations	17,078	0.36%	(709)	-0.02%
Subtotal of loans	**3,975,200**		**2,998,810**	
Total current	1,093,280		824,158	
Total non-current assets	2,881,920		2,174,652	
Other credits				
Other credits with credit granting characteristics	164,126		83,687	
Amounts receivable in relation to transactions of payments	634,081		264,549	
Other credits with credit granting characteristics	798,207		348,236	
Total other receivables (current - Note 10)	788,342	16.52%	340,833	10.18%
Total other receivables (non-current - note 10)	9,865	0.21%	7,403	0.22%
Subtotal of credit operations and other credits with credit granting characteristics	**798,207**		**348,236**	
	4,773,407	**100.00%**	**3,347,046**	**100.00%**
(-) Allowance for losses accounts (current)	(86,925)		(36,130)	
(-) Allowance for losses accounts (non-current)	(52,462)		(51,168)	2.5%
Total (-) allowance for losses accounts	**(139,387)**		**(87,298)**	
(-) allowance for losses on other receivables with credit granting characteristics (current) (Note 10)	(5,926)		(2,508)	
(-) allowance for losses on other receivables with credit granting characteristics (non-current) (Note 10)	(75)		(64)	
Total (-) allowance for losses on other credits	**(6,001)**		**(2,572)**	
Total (-) allowance for losses accounts	**(145,388)**		**(89,870)**	
Total	**4,628,019**		**3,257,176**	

b. Maturity and counterparty of the credit portfolio

	12/31/2019				
	Installments due	Maturing installments			
Loans	**as of 15 days**	**Up to 90 days**	**From 91 to 360 days**	**Above 360 days**	**Total**
Private sector					
Legal entity	6,545	67,606	79,844	97,421	251,416
Legal entities Loan - Real estate guarantee	5,127	34,031	99,119	419,275	557,552
Real estate financing	12,684	41,521	116,183	1,182,121	1,352,509
Individual Loan - Real estate guarantee	9,026	21,044	50,585	525,283	605,938
Rural funding	-	1,500	-	-	1,500
Individuals	160,185	172,395	198,807	657,820	1,189,207
Adjustment of hedged loan operations	17,078	-	-	-	17,078
Total credit portfolio	**210,645**	**338,097**	**544,538**	**2,881,920**	**3,975,200**
Other credits with credit operating characteristic					
Other credits with credit granting characteristics	276	151,241	2,747	9,862	164,126
Credit card - purchase on demand and on installment to merchant	-	620,309	13,769	3	634,081
Total other credits with credit operating characteristic	**276**	**771,550**	**16,516**	**9,865**	**798,207**
Total credit portfolio	**210,921**	**1,109,647**	**561,054**	**2,891,785**	**4,773,407**

	12/31/2018				
	Installments due	Maturing installments			
Loans	**as of 15 days**	**Up to 90 days**	**From 91 to 360 days**	**Above 360 days**	**Total**
Private sector					
Legal entity	4,814	83,945	51,002	38,162	177,923
Legal entities Loan - Real estate guarantee	3,448	21,368	58,899	276,811	360,526
Real estate financing	12,435	32,620	81,591	945,079	1,071,725
Individual Loan - Real estate guarantee	8,902	18,075	45,687	442,306	514,970
Individuals	56,005	170,455	175,621	472,294	874,375
Adjustment of hedged loan operations	-	(709)	-	-	(709)
Total credit portfolio	**85,604**	**325,754**	**412,800**	**2,174,652**	**2,998,810**
Other credits with credit operating characteristic					
Other credits with credit granting characteristics	6,795	67,121	2,368	7,403	83,687
Credit card - purchase on demand and on installment to merchant	-	264,549	-	-	264,549
Total other credits with credit operating characteristic	**6,795**	**331,670**	**2,368**	**7,403**	**348,236**
Total credit portfolio	**92,399**	**657,424**	**415,168**	**2,182,055**	**3,347,046**

c. Composition of the portfolio by risk level (rating) and economic activity

		31/12/2019		31/12/2018	
	Percentual	**Valor da carteira**	**Provisão**	**Valor da carteira**	**Provisão**
AA	-	653,180	-	432,268	-
A	0.50%	3,502,686	(22,703)	2,472,641	(12,363)
B	1.00%	275,525	(2,755)	191,106	(1,911)
C	3.00%	130,447	(3,913)	112,853	(3,386)
D	10.00%	46,854	(4,685)	42,999	(4,300)
E	30.00%	45,658	(13,697)	24,987	(7,496)
F	50.00%	31,021	(15,510)	11,882	(5,941)
G	70.00%	19,704	(13,793)	12,792	(8,955)
H	100.00%	68,332	(68,332)	45,518	(45,518)
Total		**4,773,407**	**(145,388)**	**3,347,046**	**(89,870)**

c.1 Composition of Allowance by economic activity

	Parent Company and Consolidated	
	12/31/2019	12/31/2018
Legal entity	(3,390)	(1,841)
Corporate loans with real estate guarantee	(6,014)	(7,975)
Real estate financing	(23,645)	(23,156)
Individual loans with real estate guarantee	(10,306)	(13,752)
Rural funding	(8)	-
Individual	(96,024)	(40,573)
Other credits	(6,001)	(2,573)
Total	**(145,388)**	**(89,870)**

During the period ended on December 31, 2019, the total amount of credits recovered was BRL 23,894 (December 31, 2018: BRL 31,936), the amount of renegotiated credits was BRL 11,716 (December 31, 2018: BRL 3,040) and credits written off as loss was BRL 75,320 (December 31, 2018: BRL52,949).

d. Rollforward of allowances

	Parent Company and Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Start Balance	**(112,074)**	**(89,870)**	**(85,212)**
Provision made	(90,124)	(153,991)	(34,695)
Reversal of provision	12,725	23,153	5,914
Write-off	44,085	75,320	24,123
End Balance	**(145,388)**	**(145,388)**	**(89,870)**
(-) Allowance for loan losses (Note 9a)	(139,387)	(139,387)	(87,298)
(-) Allowance for losses on other receivables (Note 10)	(6,001)	(6,001)	(2,572)

e. Allowance for loan losses expense

	Parent Company and Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Provision made	(90,245)	(154,112)	(51,871)
Reversal of provision	12,725	23,153	11,499
Allowance for loan loss expense	**(77,520)**	**(130,959)**	**(40,372)**

f. Income from credit portfolio

	Parent Company and Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Income Legal entities	62,590	115,215	86,210
Income Real estate financing	78,523	158,815	160,083
Income Real Estate Loans	54,540	109,673	104,437
Income Individuals	133,723	251,932	199,712
Gross income from credit operations	**329,376**	**635,635**	**550,442**
Recovery of written-off credits	13,721	23,894	31,936
(-) Paid commission expenses	(7,891)	(15,342)	(23,357)
Total	**335,206**	**644,187**	**559,021**

10 Other credits

These comprise balances of various debtors, as well as deferred tax assets on temporary differences.

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Foreign Exchange Portfolio	33	15	33	15
Advance to third parties	766	934	3,471	3,722
Income tax to be offset	8,811	2,232	9,694	2,781
Outstanding Settlements	2,214	2,020	2,214	2,020
Other receivables	-	-	2,982	1,250
Other debtors (a)	103,292	66,418	108,097	72,255
Deferred tax assets (d)	51,958	36,080	52,095	36,421
Checks receivable	-	734	-	734
Bonuses receivable	18,304	10,508	18,304	10,508
Amounts receivable related to payment transactions (Note 8) (b)	634,081	264,549	634,081	264,549
Other credits with credit granting characteristics (Note 8) (b)	154,261	76,284	154,261	76,284
(-) Allowance for other receivables (Note 8)	(5,926)	(2,508)	(5,926)	(2,508)
Total current	**967,794**	**457,266**	**979,306**	**468,031**
Tax credits (d)	9,275	1,124	9,275	1,124
Security Deposit (c)	1,099	1,030	1,099	1,030
Other credits with credit granting characteristics (Note 8) (b)	9,865	7,403	9,865	7,403
(-) Provision for other credits (Note 8)	(75)	(64)	(75)	(64)
Total non-current	**20,164**	**9,493**	**20,164**	**9,493**
	987,958	**466,759**	**999,470**	**477,524**

(a) They refer to the early payment of loans in the amount of BRL 49,073 (2018: BRL 53,734), repurchase of loans at the amount of BRL 3,323 (2018: BRL 3,629), miscellaneous debtors of unused assets at the amount of BRL 33,988 (2018: BRL 0), agreements at the amount of BRL 3,557 (2018: 0), other amounts BRL 13,351 (2018: BRL 7,286).

(b) These refer to agreements with personal credit operations, real estate and legal entities, as well as amounts to be received from credit card operations.

(c) The balances of escrow deposits relate to judicial deposits corresponding to: i) judicial challenge to the extinction of the inflation indexation of the balance sheet, in accordance with Law 9,249/1995, resulting from the full (deduction) recovery of the debt balance of inflation indexation in 1996 fiscal year in the assessment of IRPJ and CSLL at the amount of BRL 957 (2018: BRL 905); and ii) amounts blocked by the judicial system of the Central Bank (BACEN JUD) in current accounts maintained in Financial Institutions of BRL 139 (2018: BRL 125).

(d) The deferred tax assets arising from temporary differences related to allowances on the credit portfolio. All such deferred tax assets are expected to be realized prior to 2020.

In addition, the deferred tax assets related to temporary differences arising from civil and labor provisions expected to be realized in 2020 are recognized.

The present value of deferred tax assets is calculated based on the average rate of Interbank Deposit Certificates estimated for the future periods (CDI of 4,44% p.a.), which results in a BRL 4,046 deduction to give a present value of BRL61,233 on December 31, 2019.

Constitutional Amendment No. 103 dated 2019, in force as of March 01, 2020, increased the rate of Social Contribution on Net Profit (CSLL) by 5% (five percent) for banks. Such increase leaded to adjustment of the balance of deferred CSLL assets and liabilities to be used under the new rules, as demonstrated below:

	Parent Company		
	12/31/2019		
Deferral Basis Items	**Income tax - Legal Entity**	**Social Contribution on profit**	**Balance of deferred tax asset**
Temporary differences:			
Provision for doubtful liquidation credits	100,371	100,371	43,978
Provision under tax and civil lawsuits	13,880	13,880	6,246
Provision under labor lawsuits	3,678	3,678	1,655
Tax loss	51,804	51,804	23,312
Market marking	(27,530)	(27,530)	(12,389)
Miscellaneous temporary differences	(3,487)	(3,487)	(1,569)
Total	138,716	138,716	61,233
Calculation basis at rate of 25% for IT and 15% for CSLL	23,776	23,776	
Rate	25%	15%	
Current Deferred Tax Asset	5,944	3,566	9,510
Calculation basis at rate of 25% for IT and 20% for CSLL	114,940	114,940	
Rate	25%	20%	
Current Deferred Tax Asset	28,735	22,988	51,723
Total deferred tax asset	**34,679**	**26,554**	**61,233**
Tax credits on December 31, 2018	92,975	92,975	37,190
Constitution of the period	89,519	89,519	41,554
Realization of the period	(43,778)	(43,778)	(17,511)
Tax credits on December 31, 2019	138,716	138,716	61,233
		Current	51,958
		Non-current	9,275

	Parent Company		
	12/31/2018		
Deferral Basis Items	**Income tax - Legal Entity**	**Social Contribution on profit**	**Balance of deferred tax asset**
Temporary differences:			
Provision for doubtful liquidation credits	68,994	68,994	27,597
Provision under tax and civil lawsuits	14,233	14,233	5,693
Provision under labor lawsuits	3,947	3,947	1,579
Provision for devaluation of assets	276	276	124
Miscellaneous temporary differences	2,268	2,268	907
Hedge operations	3,257	3,257	1,303
Calculation basis	92,975	92,975	37,203
Rate	25%	15%	
Current Deferred Tax Asset	23,244	13,959	37,203
Deferred tax credits on December 31, 2017	76,763	76,763	34,543
Constitution of the period	87,803	87,803	39,511
Realization of the period	(71,591)	(71,591)	(32,216)
Rate reduction effect CSLL	-	-	(4,634)
Deferred tax assets on December 31, 2018	92,975	92,975	37,204
		Current	36,080
		Non-current	1,124

	Consolidated 12/31/2019		
Deferral Basis Items	**Income tax - Legal Entity**	**Social Contribution on profit**	**Balance of deferred tax asset**
Temporary differences:			
Provision for doubtful liquidation credits	100,371	100,371	43,978
Provision under tax and civil lawsuits	13,880	13,880	6,246
Provision under labor lawsuits	3,678	3,678	1,655
Tax loss	52,109	52,109	23,449
Market marking	(27,530)	(27,530)	(12,389)
Miscellaneous temporary differences	(3,487)	(3,487)	(1,569)
Total	139,021	139,021	61,370
Calculation basis at rate of 25% for IT and 15% for CSLL	23,776	23,776	
Rate	25%	15%	
Current Deferred Tax Asset	5,944	3,566	9,510
Calculation basis at rate of 25% for IT and 20% for CSLL	115,245	115,245	
Rate	25%	20%	
Current Deferred Tax Asset	28,811	23,049	51,860
Total deferred tax asset	**34,755**	**26,615**	**61,370**
Tax credits on December 31, 2018	93,827	93,827	37,545
Constitution of the period	89,519	89,519	41,554
Realization of the period	(44,325)	(44,325)	(17,729)
Tax credits on December 31, 2019	139,021	139,021	61,370
		Current	52,095
		Non-current	9,275

	Consolidated 12/31/2018		
Deferral Basis Items	**Income tax - Legal Entity**	**Social Contribution on profit**	**Balance of deferred tax asset**
Temporary differences:			
Provision for doubtful liquidation credits	68,994	68,994	27,598
Provision under tax and civil lawsuits	14,233	14,233	5,693
Provision under labor lawsuits	3,947	3,947	1,579
Provision for devaluation of assets	276	276	124
Miscellaneous temporary differences	2,268	2,268	907
Hedge Operations	3,257	3,257	1,303
Tax loss	852	852	341
Calculation basis	93,827	93,827	37,545
Rate	25%	20%	
Current Deferred Tax Asset	23,457	18,765	42,222
Deferred tax credits on December 31, 2017	77,869	77,869	35,041
Constitution of the period	88,048	88,048	39,622
Realization of the period	(72,090)	(72,090)	(32,441)
Rate reduction effect	-	-	(4,677)
Tax assets on December 31, 2018	93,827	93,827	37,545
		Current	36,421
		Non-current	1,124

The expected realization of the deferred tax asset constituted is supported by a study of realization, prepared as shown below:

	Parent Company 12/31/2019					
	Deferred tax asset base		Income Tax		CSLL	
Period	**Basis**	**Current value**	**Base value**	**Current value**	**Base value**	**Present Value**
2019	118,148	115,032	29,843	29,075	17,906	17,445
2020	20,568	19,638	5,153	4,909	3,092	2,946
Total current	118,148	115,032	29,537	28,758	22,440	21,848
Total non-current assets	20,568	19,638	5,142	4,910	4,114	3,928
Grand total	138,716	134,670	34,679	33,668	26,554	25,776

	Parent Company 12/31/2018					
	Deferred tax asset base		Income Tax		CSLL	
Period	**Basis**	**Current value**	**Base value**	**Current value**	**Base value**	**Present Value**
2019	90,200	85,586	22,550	21,397	13,530	12,838
2020	2,775	2,588	703	656	421	393
Total current	90,200	85,586	22,550	21,397	13,530	12,838
Total non-current assets	2,775	2,588	703	656	421	393
Grand total	92,975	88,174	23,253	22,052	13,951	13,231

	Consolidated 12/31/2019					
	Deferred tax asset base		Income Tax		CSLL	
Period	**Basis**	**Current value**	**Base value**	**Current value**	**Base value**	**Present Value**
2019	118,453	115,032	29,843	29,075	17,906	17,445
2020	20,568	19,638	5,153	4,909	3,092	2,946
Total current	118,453	115,032	29,613	28,758	22,501	21,851
Total non-current assets	20,568	19,638	5,142	4,910	4,114	3,928
Grand total	139,021	134,670	34,755	33,668	26,615	25,779

	Consolidated 12/31/2018					
	Deferred tax asset base		IR		CSLL	
Period	**Basis**	**Current value**	**Base value**	**Current value**	**Base value**	**Present Value**
2019	91,051	87,385	22,763	21,846	13,658	13,108
2020	2,776	2,588	703	655	421	392
Total current	91,051	87,385	22,763	21,846	13,658	13,108
Total non-current assets	2,776	2,588	703	655	421	392
Grand total	93,827	89,973	23,466	22,502	14,079	13,501

11 Other assets

Assets not for own use (a)	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Goods not for own use	136,111	88,636	136,111	88,636
Material inventory	2,863	1,571	2,863	1,571
Provision for devaluation	-	(277)	-	(277)
	138,974	89,930	138,974	89,930
Prepaid expenses (b)				
Prepaid expenses - correspondents	-	9,021	-	9,021
Discount on placement of securities	163	648	164	648
Other prepaid expenses	28,507	10,445	27,767	10,470
	28,670	20,114	27,931	20,139
Total	**167,644**	**110,044**	**166,905**	**110,069**
Current	148,780	97,205	148,040	97,230
Non-current	18,864	12,839	18,865	12,839

(a) Assets not for own use refer to real estate received as payment of loans and consolidations. The provision for devaluation of these properties is constituted based on an estimate made by Administration. The balance in 2019 of the provision is BRL 0 (2018: BRL 277).

(b) The expenses with commissions paid to the correspondents until December 2014 are being deferred and appropriated to the statement of income according to the term of the loan signed with the respective clients, which are classified until the future realization of the income related to the referred contracts. Commissions paid as of 2015 are appropriated to the statement of income in accordance with the provisions of CMN Resolution 4,294/2013.

12 Investments

The investments are adjusted using the equity method or at cost, as shown below:

					Balance sheet value		Equity method income		
Subsidiaries	**Note**	**Capital Stock**	**Shareholders' Equity**	**Shareholding**	**12/31/2019**	**12/31/2018**	**2nd Half-year 2019**	**12/31/2019**	**12/31/2018**
Inter Digital Corretora e Consultoria de Seguros Ltda.	(a)	100	6,281	60.00%	3,769	4,098	3,711	9,057	5,429
Inter Marketplace	(a)	5,000	4,871	99.99%	4,870	-	(129)	(129)	-
Inter DTVM Ltda	(a)	25,000	31,592	98.33%	31,066	12,367	5,913	7,070	4,608
Inter Asset	(a)	5,000	4,862	99.99%	4,861	-	(92)	(135)	-
Total					**44,566**	**16,465**	**9,403**	**15,863**	**10,037**
Other Investments	(b)				1,105	1,105	-	-	-
Grand Total Investment					**45,671**	**17,570**	**9,403**	**15,863**	**10,037**

In January 2019, Inter Asset Gestão de Recursos Ltda, an investment funds management company, was set up and acquired by the Bank.

On May 8, 2019, the Bank entered into a stock purchase agreement to sell quotas issued by its subsidiary Inter Digital Corretora e Consultoria em Seguros Ltda. ("Interseguros"), with Wiz Soluções e Corretagem de Seguros S.A. ("Wiz"), whereby the Bank pledged to dispose of 40% of the shares issued by Interseguros at amount corresponding to BRL 114 million, namely: (i) BRL 45 million fixed payment on the closing date and (ii) BLR 69 million variable payment, in accordance with the terms of the stock purchase agreement, divided into four annual installments, which are subject to performance adjustments based on Interseguros' EBITDA, calculated in accordance of Interseguros' IFRS financial statements. The transaction was approved by the Administrative Council for Economic Defense - CADE on June 7, 2019 and joins the Bank's digital platform with more than 2 million customers, with Wiz's 45-year expertise in managing security distribution channels. and banking services, creating a relevant digital security distribution channel in Brazil.

a. Investments measured using the Equity Method

The adjustments arising from the equity method of investments were recorded in the statement of income under the item “Share of profit of equity accounted subsidiaries”.

b. Other Investments

In fiscal year 2016, the Bank acquired five (5) quotas of the Interbank Payments Chamber and the total price of this acquisition was BRL 1,105. Such investment is valued at cost.

13 Intangible

		Parent Company			Parent Company		
		12/31/2019			12/31/2018		
a. Intangible	**Annual Amortization Rate**	**Historical Cost**	**Accrued Amortization**	**Residual Value**	**Historical Cost**	**Accrued Amortization**	**Residual Value**
Right of Use	20%	15,475	(11,309)	4,166	6,274	(1,153)	5,121
Software	20%	3,595	(36)	3,559	1	(181)	(180)
Intangible in progress	20%	70,054	-	70,054	21,099	-	21,099
Grand Total Intangible		**89,124**	**(11,345)**	**77,779**	**27,374**	**(1,334)**	**26,040**

		Consolidated			Consolidated		
		31/12/2019			31/12/2018		
a. Intangible	**Annual Amortization Rate**	**Historical Cost**	**Accrued Amortization**	**Residual Value**	**Historical Cost**	**Accrued Amortization**	**Residual Value**
Right of Use	20%	15,503	(11,338)	4,165	6,302	(1,175)	5,127
Software	20%	4,235	(242)	3,993	385	(186)	199
Intangible in progress		71,087	-	71,087	21,099	-	21,099
Grand Total Intangible		**90,825**	**(11,580)**	**79,245**	**27,786**	**(1,361)**	**26,425**

a. Transactions of intangible assets

Parent Company

Intangible Assets - Historical Cost

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2018	**3,839**	**2,436**	**21,100**	**27,375**
Additions	11,637	1,159	48,953	**61,749**
Write-off	-	-	-	-
Balance on 12/31/2019	**15,476**	**3,595**	**70,053**	**89,124**

Intangible assets - accrued amortization

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2018	(1,153)	(181)	-	(1,334)
Additions	(9,975)	(36)	-	(10,011)
Write-off	-	-	-	-
Balance on 12/31/2019	**(11,128)**	**(217)**	**-**	**(11,345)**
Total intangible assets	**4,348**	**3,378**	**70,053**	**77,779**

Parent Company

Intangible Assets - Historical Cost

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2017	975	-	-	**975**
Additions	5,298	2	21,099	**26,399**
Write-off	-	-	-	-
Balance on 12/31/2018	**6,273**	**2**	**21,099**	**27,374**

Intangible assets - accrued amortization

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2017	-17	-	-	**(17)**
Additions	-1,136	-181	-	**(1,317)**
Write-off	-	-	-	-
Balance on 12/31/2018	**(1,153)**	**(181)**	**-**	**(1,334)**
Total intangible assets	**5,120**	**(179)**	**21,099**	**26,040**

Consolidated

Intangible Assets - Historical Cost

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2018	**3,868**	**2,819**	**21,099**	**27,786**
Additions	11,637	1,415	49,987	**63,039**
Write-off	-	-	-	-
Balance on 12/31/2019	**15,505**	**4,234**	**71,086**	**90,825**

Intangible assets - accrued amortization

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2018	(1,178)	(187)	-	**(1,365)**
Additions	(9,979)	(236)	-	**(10,215)**
Write-off	-	-	-	-
Balance on 12/31/2019	**(11,157)**	**(423)**	**-**	**(11,580)**
Grand Total Intangible	**4,348**	**3,811**	**71,086**	**79,245**

Consolidated

Intangible Assets - Historical Cost

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2017	**1,004**	-	**-**	**1,004**
Additions	5,302	381	21,099	**26,782**
Write-off	-	-	-	-
Balance on 12/31/2018	**6,306**	**381**	**21,099**	**27,786**

Intangible assets - accrued amortization

	Right of Use	Software	Intangible in progress	Total
Balance on 12/31/2017	(40)	-	-	**(40)**
Additions	(1,136)	(185)	-	**(1,321)**
Write-off	-	-	-	-
Balance on 12/31/2018	**(1,176)**	**(185)**	**-**	**(1,361)**
Total Intangible	**5,130**	**196**	**21,099**	**26,425**

14 Deposits and funds from issuance of securities

a. Deposits

	Parent Company 12/31/2019				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Demand deposits	2,094,127	-	-	-	2,094,127
Savings Deposits	307,098	-	-	-	307,098
Interbank deposits	-	-	-	-	-
Time deposits	29,210	106,594	203,486	2,270,189	2,609,479
Other deposits	-	-	-	-	-
Grand total	**2,430,435**	**106,594**	**203,486**	**2,270,189**	**5,010,704**
Total current					2,740,515
Total non-current assets					2,270,189

	Parent Company 12/31/2018				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Demand deposits	619,655	-	-	-	619,655
Savings Deposits	73,778	-	-	-	73,778
Interbank deposits	-	-	-	-	-
Time deposits	25,578	223,838	211,066	1,182,350	1,642,832
Other deposits	58,170	-	-	-	58,170
Grand total	**777,181**	**223,838**	**211,066**	**1,182,350**	**2,394,435**
Total current					1,212,085
Total non-current assets					1,182,350

	Consolidated 12/31/2019				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Demand deposits	2,088,132	-	-	-	2,088,132
Savings Deposits	307,098	-	-	-	307,098
Interbank deposits	-	-	-	-	-
Time deposits	29,210	106,594	203,486	2,257,994	2,597,284
Other deposits	-	-	-	-	-
Grand total	**2,424,440**	**106,594**	**203,486**	**2,257,994**	**4,992,514**
Total current					2,734,520
Total non-current assets					2,257,994

	Consolidated 12/31/2018				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Demand deposits	618,288	-	-	-	618,288
Savings Deposits	73,778	-	-	-	73,778
Interbank deposits	-	-	-	-	-
Time deposits	25,578	223,838	211,066	1,179,800	1,640,282
Other deposits	58,170	-	-	-	58,170
Grand total	**775,814**	**223,838**	**211,066**	**1,179,800**	**2,390,518**
Total current					1,210,718
Total non-current assets					1,179,800

b. Funds from issuance of securities

	Parent Company 09/30/2019				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Real estate credit notes	145,990	552,162	382,530	653,506	1,734,188
Agribusiness Letter of Credit	-	-	-	-	-
Financial letters	-	-	11,186	-	11,186
Guaranteed real estate notes	-	-	-	12,704	12,704
Grand total	**145,990**	**552,162**	**393,716**	**666,210**	**1,758,078**
Total current					1,091,868
Total non-current assets					666,210

	Parent Company 12/31/2018				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Real estate credit notes	118,657	715,198	341,694	543,880	1,719,429
Agribusiness Letter of Credit	-	20,115	-	-	20,115
Financial letters	-	1,876	-	10,513	12,389
Guaranteed real estate notes	-	-	-	12,003	12,003
Grand total	**118,657**	**737,189**	**341,694**	**566,396**	**1,763,936**
Total current					1,197,540
Total non-current assets					566,396

	Consolidated 09/30/2019				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Real estate credit notes	145,990	525,882	382,372	653,506	1,707,750
Agribusiness Letter of Credit	-	-	-	-	-
Financial letters	-	-	11,186	-	11,186
Guaranteed real estate notes	-	-	-	12,704	12,704
Grand total	**145,990**	**525,882**	**393,558**	**666,210**	**1,731,640**
Total current					1,065,430
Total non-current assets					666,210

	Consolidated 12/31/2018				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Real estate credit notes	118,657	715,198	341,694	543,880	1,719,429
Agribusiness Letter of Credit	-	20,115	-	-	20,115
Financial letters	-	1,876	-	10,513	12,389
Guaranteed real estate notes	-	-	-	12,003	12,003
Grand total	**118,657**	**737,189**	**341,694**	**566,396**	**1,763,936**
Total current					1,197,540
Total non-current assets					566,396

In the period ended on December 31, 2018, the Bank issued BRL 12 million in guaranteed real estate notes ‘covered bonds’ (LIG) paying interest of 98% of CDI (Interbank Deposit Certificate). On December 31, 2019, this issue is guaranteed by real estate financing for the acquisition of residential property at the amount of BRL 15,726 (2018: BRL 20,391), approximately 0,16% of total assets.

In the period ended on December 31, 2019 and December 31, 2018, the Bank did not have funding of Time Deposit with Special Guarantee (DPGE). Other time deposits have an average interest rate of 106.7% of CDI (12/31/2018: 108.2%).

c. Expenses with retail and professional market funding

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Funding Expenses			
Interbank deposits	(2)	(2)	(162)
Savings deposits	(3,626)	(5,672)	(343)
Time deposits	(70,833)	(127,645)	(101,711)
Guaranteed real estate notes	(339)	(702)	-
Real estate credit notes	(57,151)	(116,213)	(111,981)
Agricultural credit notes	-	(114)	(959)
Total	**(131,951)**	**(250,348)**	**(215,156)**
Expenses with liabilities for operations			
Financial letters	(324)	(716)	(679)
Total	**(324)**	**(716)**	**(679)**
Total market funding expenses	**(132,275)**	**(251,064)**	**(215,835)**

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Funding Expenses			
Interbank deposits	(2)	(2)	(162)
Savings deposits	(3,627)	(5,673)	(343)
Time deposits	(73,655)	(130,189)	(101,372)
Guaranteed real estate notes	(339)	(702)	-
Real estate credit notes	(57,152)	(116,214)	(111,981)
Real estate credit certificates	(14)	(21)	-
Agricultural credit notes	-	(114)	(959)
Total	**(134,789)**	**(252,915)**	**(214,817)**
Expenses with liabilities for operations			
Financial letters	(325)	(716)	(679)
Total	**(325)**	**(716)**	**(679)**
Total market funding expenses	**(135,114)**	**(253,631)**	**(215,496)**

15 On-lending obligations - Official institutions

They refer to real estate loan financing operations with Caixa Econômica Federal, with rates ranging from 4.5% to 6% p.a.

	Parent Company and Consolidated				
	12/31/2019				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Loans and on lending	109	545	653	28,493	29,800
Grand total	**109**	**545**	**653**	**28,493**	**29,800**
Total current					1,307
Total non-current assets					28,493

	12/31/2018				
	1 to 30 days	31 to 180 days	181 to 360 days	Above 360 days	Total
Loans and on lending	110	558	670	30,648	31,986
Grand total	**110**	**558**	**670**	**30,648**	**31,986**
Total current					1,338
Total non-current assets					30,648

16 Other liabilities

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Tax due	17,177	9,836	18,251	9,836
Assignments and miscellaneous payments (a)	114,859	90,088	117,358	97,436
Provision for income tax and social contribution	-	-	4,315	1,365
Provision for payable dividends / interest on equity (Note	11,362	8,033	13,575	8,033
Foreign Exchange Operations	-	1,695	15	1,695
Creditors for resources to be released (c)	54,168	65,436	54,183	65,437
Amounts payable to related parties	8	-	624	-
Other liabilities	325	94	4,521	244
Provision for contingencies (b)	18,516	19,086	18,531	19,085
Total	**216,415**	**194,268**	**231,373**	**203,131**
Current	194,931	175,329	209,889	184,191
Non-current	21,484	18,940	21,484	18,940

(a) These amounts are represented mainly by payments to be processed at the amount of BRL 60,472 (2018: BRL 36,354), provision for creditors and miscellaneous suppliers at the amount of BRL 37,774 (2018: BRL12,782), financing to be released at the amount of BRL 3,752 (2018: BRL 5,726), administrative checks at the amount of BRL 1,379 (2018: BRL 5,732), and labor provisions at the amount of BRL 11,482 (2018: BRL 9,279);

(b) Provision for contingencies related to various civil and labor lawsuits in the amount of BRL 17,559 (2018: BRL 18,181), as disclosed in the Explanatory Note no. 20, comprises the provisioning for the effects of the legal challenge of the extinction of the inflation indexation of the balance sheet, in accordance with Law 9,249/1995, resulting from the full use (deduction) of the debt balance of inflation indexation in 1996 in the calculation of IRPJ and CSLL, at the amount of BRL 957 (2018: BRL 905); which judicial deposit at the same amount is recorded in long-term receivables (Explanatory Note no. 10); and

(c) The balance of creditors for funds to be released is represented by amounts to be released to customers related to real estate credit operations pending the registration of the property.

17 Transactions with related parties

	Average time	Average rate	12/31/2019 Liabilities	12/31/2019 Expenses	12/31/2018 Liabilities	12/31/2018 Expenses
Parent Company (a)						
Funding (deposits and notes)	3 to 36 months	92 to 102% CDI	(94,734)	(3,564)	(135,409)	(6,211)
Subsidiaries (b)						
Funding (deposits and notes)	3 to 61 months	90 to 102% CDI	(16,388)	(1,087)	(28,643)	(2,424)
Key Administration Personnel (c)						
Funding (deposits and notes)	3 to 40 months	92 to 104% CDI	(11,822)	(797)	(5,878)	(3,336)
Other Related Parties (d)						
Related individuals and legal entities	3 to 59 months	92 to 110% CDI	(426,059)	(10,595)	(320,800)	(18,268)

(a) any individual or legal entity that controls the Institution;

(b) any entity under the control of the institution;

(c) any officer, director, member of the fiscal council;

(d) any immediate family members of key management personnel or companies controlled by them;

Funding through deposits corresponds to floating rate CDBs, LCIs and LCAs. Transactions with related parties are carried out at conditions and rates compatible with the averages practiced with third parties, when applicable, in force on the dates of operations.

The Bank has also operations with real estate rents together with related parties. In the period ended on December 31, 2019, the expenses with these rents amounted to BRL 3,387 (2018: BRL 2,190).

Since January 1, 2019, according to CMN Resolution No. 4,693, the Bank and its subsidiaries may grant loans to its related parties as long as they fulfill the following limits:

- 1% of the shareholders' equity adjusted by the accumulated revenues and expenses for contracting with natural persons; and
- 5% of shareholders' equity adjusted by the accumulated revenues and expenses for contracting with a legal entity.

The sum of the balances of loans contracted, directly or indirectly, with related parties shall not exceed 10% of the value related to stockholders' equity adjusted by the accumulated income and expenses.

On December 31, 2019, the Bank had the amount of BRL 46,651 in related party credit operations. In addition, the Bank had balances receivable from credit card operations at the amount of BRL 1,647.

a. Bank Administrators´ Compensation

The compensation of the Bank’s administrators is fully paid by Banco Inter S.A, without reimbursement. The Bank has a stock option plan for shares for its Administrators. Further information on the plan is detailed in explanatory note no. 27.

The compensation of the Administrators of Banco Inter S.A for the period ended on December 31, 2019 was approximately BRL 11,626 (December 31, 2018: BRL 9,509) ad referendum to the Annual Shareholders’ Meeting.

As shown in Explanatory Note no. 19 (d), of the profit for the period ended on December 31, 2019, interest on the stockholders’ equity was proposed at the amount of BRL 51,249 (2018: R$ 36,670).

18 Income Tax and Social Contribution

The Bank has temporarily non-deductible allowance for loan losses at the approximate amount of BRL 100,371 (2018: BRL 68,994), on which it recognized deferred tax assets related to income tax and social contribution at the amount of BRL 40,148 on December 31, 2019 (2018: BRL 27,598). R$ 27,597).

In addition, the Bank has deferred tax assets related to: provision for civil and fiscal suits at the amount of BRL 14,487 (2018: BRL 14,233); labor provisions, at the amount of BRL 3,678 (2018: BRL 3,947); provision for depreciation of assets not for own use, at the amount of BRL 0 (2018: BRL 276); tax loss, at the amount of BRL 25,541 (2018: BRL 0) and arising from other temporary differences, at the amount of BRL 3,487 (2018: BRL 5,525). The total of these tax assets is BRL 21,656 (2018: BRL 9,363).

Based on CMN Resolution no. 3,059/2002, the Administration believes that sufficient results will be produced for the realization of deferred tax assets, as detailed in Explanatory Note no. 10 (d).

	2nd Half-year		Parent Company			
	12/31/2019		12/31/2019		12/31/2018	
	Income Tax	Social Contribution	Income Tax	Social Contribution	Income Tax	Social Contribution
Profit before income tax and social contribution	26,934	26,934	74,355	74,355	89,129	89,129
Net additions (exclusions):						
Interest on Equity	(25,626)	(25,626)	(51,252)	(51,252)	(36,668)	(36,668)
Share of profit of equity- accounted subsidiaries	(9,403)	(9,403)	(15,863)	(15,863)	(10,037)	(10,037)
Allowance for losses (net)	23,735	23,735	30,231	30,231	2,435	2,435
Tax loss	-	-	-	-	(5,284)	(5,284)
Provision for contingencies	(72)	(72)	(622)	(622)	6,792	6,792
Hedge	(2,248)	(2,248)	(9,063)	(9,063)	15,054	15,054
IPO expenses	(50,221)	(50,221)	(50,221)	(50,221)	(30,867)	(30,867)
Lei do Bem	-	-	-	-	(8,083)	(8,083)
Others, net	(158)	(158)	(1,838)	(1,838)	1,097	1,097
Calculation basis (before off-setting tax loss)	(37,059)	(37,059)	(24,273)	(24,273)	23,568	23,568
Effective rate	1,918	1,918	-	-	(3,535)	(4,714)
Additional rate (10%)	1,267	-	-	-	(2,333)	-
Tax breaks	(77)	-	-	-	-	-
Tax benefit	-	-	-	-	424	-
Deferred IRPJ and CSLL	(2,394)	4,312	(756)	5,281	(3,447)	(7,782)
Expense of tax return and social contribution	714	6,230	(756)	5,281	(8,891)	(12,496)
Provision for income tax		3,108		-		(5,444)
Provision for social contribution		1,918		-		(4,714)
Deferred tax asset		1,918		4,525		(11,229)
Total Income Tax and social contribution		**6,944**		**4,525**		**(21,387)**

	2nd Half-year		Consolidated			
	12/31/2019		12/31/2019		12/31/2018	
	Income Tax	Social Contribution	Income Tax	Social Contribution	Income Tax	Social Contribution
Real Profit Calculation						
Profit before income tax and social contribution	35,938	35,938	85,155	85,155	90,834	90,834
Net additions (exclusions):						
Interests on Equity	(24,405)	(24,405)	(50,031)	(50,031)	(36,668)	(36,668)
Share of profit of equity- accounted subsidiaries	(9,270)	(9,270)	(15,730)	(15,730)	(10,037)	(10,037)
Allowance for losses (net)	23,735	23,735	30,231	30,231	2,435	2,435
Tax loss	-	-	-	-	(5,628)	(5,628)
Provision for contingencies	(72)	(72)	(622)	(622)	6,792	6,792
Hedge	(2,248)	(2,248)	(9,063)	(9,063)	15,054	15,054
IPO expenses	(50,221)	(50,221)	(50,221)	(50,221)	(30,867)	(30,867)
Others, net	(158)	(158)	(1,838)	(1,838)	1,097	1,097
Calculation basis	(26,701)	(26,701)	(12,119)	(12,119)	33,012	33,012
Deduction 30% tax loss	(293)	(293)	(851)	(851)	-	-
Actual profit and calculation basis	(26,994)	(26,994)	(12,970)	(12,970)	33,012	33,012
Presumed Profit Calculation						
Revenue from services	11,139	11,139	20,601	20,601	13,296	13,296
Presumed profit (32%)	3,555	3,564	6,592	6,592	4,255	4,255
Other revenues	65	65	206	206	256	256
Calculation basis	3,620	3,629	6,798	6,798	4,511	4,511
Effective rate	209	430	(2,376)	(1,970)	(2,794)	(3,229)
Additional rate (10%)	162	-	(1,534)	-	(1,809)	-
Tax breaks / Legal deduction	(84)	-	-	-	80	-
Deferred IRPJ and CSLL	(2,455)	4,325	(843)	5,160	(6,275)	(5,409)
Income tax and social contribution expense	(2,168)	4,755	(4,753)	3,190	(10,798)	(8,638)
Provision for income tax		287		(3,910)		(4,523)
Provision for social contribution		430		(1,970)		(3,229)
Deferred tax asset		1,870		4,317		(11,684)
Total Income Tax and social contribution		**2,587**		**(1,563)**		**(19,436)**

In the periods ended on December 31, 2019 and 2018, there were no payments made for estimated income tax and social contribution.

19 Shareholders' Equity

a. Capital Stock

On April 15, 2019, the Board of Directors approved the Board of Executive Officers' proposal for a capital increase of BRL 627 upon issuance of up to 123,123 new preferred shares to cover the stock options exercised by the beneficiaries of the Plans, considering that the preemptive right of current shareholders to subscribe new shares does not apply, as provided for in §3, art. 171 of Law 6,404/1976.

On July 29, 2019, the capital stock was increased within the primary public offer, with restricted placement efforts for, (a) share deposit certificates, representing 1 (one) common share and (2) preferred shares each, all registered, booked, with no par value, free and cleared of any lien or encumbrance ("Units" and "Institutional Offer", respectively); and (b) exclusively to the Bank shareholders, who, on July 18, 2019, held units, common shares and/or preferred shares issued by the Bank "(Shareholders"), in order to entitle such Shareholders with the right to priority, common shares ("Common Shares") and preferred shares "Preferred Shares" and together with the Common Shares, "Shares") issued by the Bank, all registered, booked and with no par value, free and cleared of any lien or encumbrance ("Priority Offer" and together with the Institutional Offer, "Offer"), in the terms of CVM Instruction No 476 dated January 16, 2009, as amended ("CVM Instruction No 476".

The capital stock of the Bank increased from BRL 866,363,736.15 (eight hundred and sixty-six million, three hundred and sixty-three thousand, seven hundred and thirty-six Brazilian reais and fifteen cents) to BRL 2,114,051,736.15 (two billion, one hundred and fourteen million, fifty-one thousand, seven hundred and thirty-six Brazilian reais and fifteen cents); thus, increase at the amount of BRL 1,247,688,000 (one billion, two hundred and forty-seven million, six hundred and eighty-eight thousand Brazilian reais) upon issuance, pursuant to the Offer, of 62,400,000 preferred shares, all registered, booked and with no par value, and 31,200,000 common shares, all registered, booked and with no par value.

On September 27, 2019, the Board of Directors approved the reform of the corporate bylaws of the Bank to ratify and update the value of the Bank´s capital stock, according to the increase of capital deliberated at the Meeting of the Board of Executive Officers held on July 29, 2019, within the authorized capital limit and the final number of shares effectively issued by Bank, subscribed and paid-off, considering the completion of the new period for conversion of shares issued by the Bank from one series to another, as provided in the program for issuance of share deposit certificates of the Bank, to form units (“Units“ and “Unit Program”, respectively);
for the Bank capital stock to be represented by registered shares, without par value, namely 354,451,252 common shares and 338,353,750 preferred shares.

On December 31, 2019, the fully subscribed and paid-off capital stock is composed of 702,805,002 registered shares, of which 364,451,252 are common shares and 338,353,750 are preferred shares, all with no par value.

On Wednesday, October 30, 2019, the Board of Directors approved the Board of Executive Officers' proposal for a capital increase of BRL 1,954 upon issuance of 1,585,688 new preferred shares and 792,844 common shares to cover the stock options exercised by the beneficiaries of Plans II, Plans III and Plans IV , considering that the preemptive right of current shareholders to subscribe new shares does not apply, as provided for in §3, art. 171 of Law 6,404/1976.

b. Legal reserve

It is constituted based on 5% on the net profit, limited to 20% of the capital stock.

c. Statutory reserve

In the previous periods, after the constitution of the Legal Reserve, the Bank’s Administration decided to allocate the remaining balance of profits to the constitution of a Statutory Reserve.

d. Dividends and interest on equity

Banco Inter adopts a policy of capital remuneration by paying interest on equity at the maximum amount calculated in compliance with current legislation, which is charged, net of Withholding Income Tax, in the calculation of mandatory dividends for the fiscal year as provided for in the Bylaws and art. 202 of Law nº 6,404/1976.

The allocations of the results for the periods than ended on december, 2019 and 2018 are presented below:

Results Allocation	**12/31/2019**	**12/31/2018**
Net Profit	78,776	67,742
Legal reserve	(3,939)	(3,387)
LoE paid and dividends provisioned	(51,250)	(36,670)
Statutory reserve	(23,587)	(27,685)

On December 20, 2019, the Board of Directors approved the Board of Executive Officers' proposal for announcement and payment of IoE at the gross amount of BRL 12,813.

	12/31/2019		**12/31/2018**	
	Provisioned amount	**Value per share**	**Provisioned amount**	**Value per share**
Interest on equity paid in the period	22,725	0.03	7,224	0.10
Provisioned dividends	51,250	0.07	18,335	0.23
Tax Interest on owners’ equity payable	(1,451)	(0.00)	(2,529)	(0.03)
Interest on net owners’ equity payable	49,799	0.07	15,806	0.20

e. Treasury shares

On March 22, 2019, the Bank's administration decided to dispose of 11,000 treasury shares. On April 15, 2019, 109,100 preferred shares held in treasury had been delivered to cover the stock options exercised by the beneficiaries of the Plans.

On December 31, 2019, the Bank holds no shares in treasury. The balance of such shares on December 31, 2018 was BRL 432.

f. Valuation adjustment reserve

The balance of the valuation adjustment reserve is BRL 28 (1,462: R$ 3,582). From this total, the amount of BRL 107 (2018: BRL 83) corresponds to federal public securities available for sale. On December 31, 2019, the amount of BRL 4,937 refers to the goodwill paid on the acquisition of the interest of the subsidiary Inter Digital, a transaction carried out with non-controlling interest.

g. Earnings per share

	Parent Company	
	12/31/2019	12/31/2018
Profit attributable to owners of the parent company (in thousands of BRL)	78,880	67,742
Average number of shares	350,857	87,102
Earnings per share (in BRL)	0.2248	0.7500
Earnings per share - diluted (in BRL)	0.2238	0.7400

	Consolidated	
	12/31/2019	12/31/2018
Profit attributable to owners of the parent company (in thousands of BRL)	81,569	67,742
Average number of shares	350,857	87,102
Earnings per share (in BRL)	0.2325	0.7500
Earnings per share - diluted (in BRL)	0.2315	0.7400

20 Provisions, contingent assets and liabilities, and legal obligations - Tax and social security

a. Contingent assets

Contingent assets are not recognized by the Bank as they relate to possible assets resulting from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not fully under the Bank's control.

b. Provisions classified as likely losses and legal obligations - Tax and social security

Banco Inter is a party to labor, civil and tax lawsuits arising from the normal course of its activities. Provisions for contingencies are estimated taking into account the opinion of the legal advisors, the nature of the lawsuits, the similarity with previous proceedings, the complexity and the position of the courts, whenever the loss is assessed as likely.

The Administration understands that the provision recorded is sufficient to cover losses arising from the respective lawsuits. There is a provision for contingencies related to various civil, labor and tax lawsuits at the amount of BRL 18,515 (2018: BRL 19,085), recorded under the item "other liabilities", as disclosed in Explanatory Note no. 16 (c). See movement of the balances in item "b.1".

The liability related to the legal obligation under judicial discussion is maintained until the definitive granting of the lawsuit, represented by favorable judicial decisions, on which no more appeals or their prescription are possible.

b.1 Changes in provisions and classification by nature

Nature	Labor	Civil	Tax	Total
Balance as of December 31, 2017	**2,935**	**9,953**	**853**	**13,741**
Constitutions / indexation	2,696	13,080	62	15,838
Payments/reversals	(1,686)	(8,807)	-	(10,493)
Balance as of December 31, 2018	**3,945**	**14,226**	**915**	**19,086**
Balance as of June 30, 2019	**4,112**	**13,518**	**930**	**18,560**
Constitutions / indexation	495	5,648	27	6,170
Payments/reversals	(929)	(5,286)	-	(6,215)
Balance as of December 31, 2019	**3,678**	**13,880**	**957**	**18,515**
Balance as of December 31, 2018	**3,945**	**14,225**	**916**	**19,086**
Constitutions / indexation	1,893	6,492	41	8,426
Payments/reversals	(2,160)	(6,837)	-	(8,997)
Balance as of December 31, 2019	**3,678**	**13,880**	**957**	**18,515**

c. Contingent liabilities with possible losses

c.1 Tax contingent liabilities classified as possible losses

c.1.1 Income tax and social contribution

(i) It comprises the provisioning of the effects of the legal challenge of the extinction of the inflation indexation of the balance sheet, in accordance with Law 9,249/95, resulting from the full use (deduction) of the debt balance of the inflation indexation in 1996 in the calculation of IRPJ and CSLL, at the amount of BRL 943, which judicial deposit in the same amount is recorded in long-term receivables.

(ii) On August 30, 2013, a tax assessment notice was drawn up demanding constitution of tax credits for IRPJ and CSLL related to the calendar years from 2008 to 2009, increase by ex-officio fine (qualified) of 150% and interest on arrears, as well as imposing an isolated fine of 50% on IRPJ and CSLL estimates. The amounts adjusted in March 2019 are as follows:

Principal, at the amount of BRL 10,300; a fine of BRL 19,892; interest of BRL 22,939 - Total of BRL 53,131.

The tax assessment notices are intended to cover expenses incurred in the provision of services. In view of the factual situation under discussion and the Bank's defense arguments, we evaluated the expectation of outcome as possible, but with a lower likelihood of loss.

c.1.2 Cofins

(i) Banco Inter has a decision of the Federal Supreme Court, dated December 19, 2005, granting the right to pay COFINS based on the revenue from services rendered. During the period from 1999 to 2006, the Bank made a judicial deposit and/or made the payment of the obligation. In 2006, the Bank, upon a favorable decision of the Federal Supreme Court and express agreement of the Internal Revenue Service, carried out the release of the judicial deposit. In addition, the authorization of credits on the collection of taxes was ratified without challenge by Brazilian Federal Revenue Service, on May 11, 2006.

(ii) On July 2, 2010, the Brazilian Federal Revenue Service, contrary to a decision of the Federal Supreme Court, which was final and unappealable, as specified in item (i) above, filed an administrative proceeding charging the amounts of judicial deposits related to COFINS raised by the Bank in the case of the Writ of Mandamus no. 1999.38.00.016025, where the values updated to March 2019 are as follows: principal at the amount BRL 1,255; fine BRL 251; interest BRL 2,516 - Total BRL 4,022.

On October 5, 2010, an injunction was granted demanding the processing of the defense presented in the Administrative Proceeding files, with the hierarchical appeal, with suspension of the liabilities of the tax credit.

(iii) On July 14, 2010, the Federal Revenue Service filed an administrative proceeding charging the amounts of return/compensation claims paid in excess of COFINS raised by the Bank in the case files of the Writ of Mandamus No. 1999.38.00.016025, where the amounts updated to March 2019 are as follows: principal at the amount of BRL 3,496; fine BRL 699; interest BRL 4,576 - Total BRL 8,771.

After filing Expression of Dissatisfaction, the Administrative Council of Tax Appeals determined the suspension of the administrative process until the judgment at the Federal Supreme Court.

(iv) On November 11, 2010, notices were drawn up for constitution of tax credits under PIS and COFINS, plus a fine of 75% and interest on arrears in the period from March 2006 to December 2008. Such contribution collections were considered insufficient.

COFINS: COFINS: Principal, at the amount of BRL 10,027; interest and charges, BRL 14,563 - Total BRL 24,590.

After filing Expression of Dissatisfaction, the Administrative Council of Tax Appeals determined the suspension of the administrative process until the judgment at the Federal Supreme Court.

(v) On December 15, 2014, a tax assessment notice was issued demanding the constitution of a tax credit for COFINS, covering the period from January 2010 to December 2011, plus a fine of 75% and interest on arrears.

Principal, at the amount of BRL 11,212; fine BRL 8,409; interest BRL 13,228 - Total BRL 32,829.

The tax assessment notice was drawn up on the grounds that the Bank had an insufficient collection of the contribution in question. In view of the Bank's defense arguments, we evaluated the expectation of outcome as possible, but with a lower likelihood of loss.

(vi) On October 9, 2015, the Bank was notified of the decision of dismissing the right to offset debts with credits arising from payments considered undue by the Bank, carried out for COFINS (January and February 2014).

On November 3, 2015, an Expression of Dissatisfaction was filed, which answer is pending.

Principal, at the amount of BRL 1,367; fine BRL 274, interest BRL 743 - Total BRL 2,384.

(vii) (vii) On January 24, 2017, the Bank was notified about the tax assessment notice drawn up for constitution of a tax credit related to an isolated fine of 50% on the amount of the debt whose offset was not approved in administrative proceeding no. 10680.723654/2015-41

Isolated fine, at the amount of BRL 688; interest BRL 139 - Total BRL 827.

(viii) On April 5, 2017, the Bank was notified about the tax assessment notice drawn-up for constitution a COFINS tax credit, plus an ex-office fine of 75% and interest in arrears, on the allegation that Banco Inter in the calendar year 2013, carried out insufficient collections of the contribution due to the non-inclusion of “financial income” in the calculation basis.

Principal, at the amount of BRL 8,804, fine BRL 6,603; interest BRL 6,567 - Total BRL 21,974.

On 03/26/2019, the voluntary appeal was distributed to the 1st Ordinary Class of the 2nd Chamber of the 3rd Judicial Section of CARF. It is expected the appeal to be included in the list of CARF judgments.

(ix) On Wednesday, October 31, 2018, the Bank was notified about the tax assessment notice drawn-up for constitution a COFINS tax credit, plus an ex-office fine of 75% and interest in arrears, on the allegation that Banco Inter in the calendar year 2014, carried out insufficient collections of the contribution due to the non-inclusion of “financial income” in the calculation basis. Principal, at the amount BRL 9,309, fine BRL 6,983; interest BRL 5,320 - Total BRL 21,612.

We are awaiting the judgment of challenge presented by the Bank.

21 Income from provision of services

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Revenues from banking service fees	13,904	23,992	4,084
Other services	2,774	4,254	1,874
Management and structuring rates	1,079	2,296	2,795
Income from foreign exchange operations	36,077	58,124	21,084
Real estate registration fees	956	2,244	3,569
Legal Entity loan registration fees	1,142	3,189	4,722
Other income from service rendered	15	17	8
Total	**55,947**	**94,116**	**38,136**

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Revenue from banking service fees	13,904	23,992	4,084
Other services	2,807	4,305	1,874
Insurance brokerage	9,668	18,870	17,701
Income from commissions and placement of securi	11,943	15,904	377
Income from brokerage and stock exchange operati	550	697	-
Fund administration	519	819	1,183
Management and structuring rates	1,079	2,296	2,795
Income from foreign exchange operations	36,077	58,124	21,084
Real estate registration fees	956	2,244	3,569
Legal Entity loan registration fees	1,142	3,189	4,722
Other income from service rendered	14	17	7
Total	**78,659**	**130,457**	**57,396**

Income from bank fees refers mainly to clearing rates and fees and interbank fees.

22 Personnel expenses

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Wages	(43,282)	(75,753)	(52,135)
Compensation of the executive board and board of directors	(6,090)	(11,766)	(9,509)
Social and social security charges	(15,949)	(28,635)	(18,755)
Profit sharing	(2,600)	(8,660)	(9,213)
Holiday expenses and Christmas' Bonus	(7,628)	(13,365)	(8,749)
Benefits	(12,601)	(22,254)	(14,630)
Others	(1,348)	(1,759)	(1,071)
Total	**(89,498)**	**(162,192)**	**(114,062)**

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Wages	(45,070)	(78,738)	(54,082)
Compensation of the executive board and board of directors	(6,703)	(12,820)	(10,336)
Social and social security charges	(16,614)	(29,793)	(19,649)
Profit sharing	(2,791)	(9,034)	(9,553)
Holiday expenses and Christmas' Bonus	(7,903)	(13,877)	(9,076)
Benefits	(13,080)	(23,073)	(15,106)
Others	(1,401)	(1,863)	(1,118)
Total	**(93,562)**	**(169,198)**	**(118,920)**

23 Other administrative expenses

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Service provision	(6,005)	(10,277)	(5,601)
Data processing	(63,253)	(107,059)	(50,389)
Rental	(4,866)	(8,960)	(6,912)
Communication	(24,119)	(45,721)	(14,703)
Bank Expenses	(28,788)	(47,865)	(24,885)
Specialized Technical Services	(9,242)	(19,570)	(16,635)
Advertising and publicity	(22,854)	(40,197)	(29,246)
Maintenance and preservation of pı	(2,375)	(3,993)	(4,138)
Notary and judicial expenses	(1,365)	(2,414)	(1,487)
Amortization and depreciation	(8,724)	(13,838)	-
Others	(7,444)	(13,295)	(9,355)
Total	**(179,035)**	**(313,189)**	**(163,351)**

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Service provision	(6,113)	(10,519)	(5,835)
Data processing	(64,528)	(109,201)	(50,897)
Rental	(4,960)	(9,095)	(7,020)
Communication	(24,196)	(45,892)	(14,760)
Bank Expenses	(32,371)	(52,371)	(25,057)
Specialized Technical Services	(9,539)	(20,035)	(16,858)
Advertising and publicity	(22,867)	(40,267)	(29,317)
Maintenance and preservation of pı	(2,397)	(4,033)	(4,185)
Notary and judicial expenses	(1,371)	(2,424)	(1,490)
Amortization and depreciation	(8,839)	(14,049)	-
Others	(8,544)	(14,644)	(9,675)
Total	**(185,725)**	**(322,530)**	**(165,094)**

24 Other operating income

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Recovery of charges and expenses	2,599	3,976	6,222
Income from applications abroad	-	-	-
Review Fees	3,050	6,182	3,867
Portability Revenue	1,204	1,408	1,743
Income from securities and receivables	564	1,342	3,043
Performance revenues	18,179	24,571	22,395
Other income	4,427	14,825	1,377
Total	**30,023**	**52,304**	**38,647**

	Consolidado		
	2nd Half-year 2019	12/31/2019	12/31/2018
Recovery of charges and expenses	2,599	3,976	6,223
Review Fees	3,051	6,182	3,867
Income from applications abroad	-	-	-
Portability Revenue	1,204	1,407	1,743
Income from securities and receivables	564	1,342	3,043
Performance revenues	18,178	24,571	22,395
Other income	8,791	19,431	1,559
Total	**34,387**	**56,909**	**38,830**

25 Other operating expenses

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Amortization and depreciation	-	-	(2,592)
Discounts granted	(3,093)	(7,932)	(3,161)
Expenses with portability	(861)	(1,700)	(834)
Card withdrawal expenses	(12,534)	(25,551)	(11,305)
Card Expenses	(1,753)	(2,255)	(2,352)
Foreign exchange expenses	(1,617)	(4,597)	(2,277)
Card chargeback	(2,741)	(3,965)	(617)
Real estate compensation to on-lend	(1,328)	(1,956)	-
Refunds	(7,016)	(15,624)	(1,730)
Others	(2,283)	(5,108)	(4,078)
Total	**(33,226)**	**(68,688)**	**(28,946)**

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Amortization and depreciation	-	-	(2,601)
Discounts granted	(3,093)	(7,932)	(3,161)
Expenses with portability	(861)	(1,700)	(834)
Card withdrawal expenses	(12,534)	(25,551)	(11,305)
Card Expenses	(1,753)	(2,255)	(2,352)
Foreign exchange expenses	(1,618)	(4,597)	(2,276)
Card chargeback	(2,742)	(3,965)	(617)
Real estate compensation to on-lend	(1,329)	(1,956)	-
Refunds	(7,016)	(15,623)	-
Others	(2,475)	(5,311)	(6,054)
Total	**(33,421)**	**(68,890)**	**(29,200)**

26 Non-operating income

	Parent Company		
	2nd Half-year 2019	12/31/2019	12/31/2018
Gains (Losses) on the sale of securities and assets	224	(413)	(3,184)
Other capital gains (losses)	-	40,328	6
Reversal (Provision) for asset devaluation	-	-	-
Provision for contingencies	(5,086)	(8,414)	(15,010)
Other expenses	51	310	205
Total	**(4,811)**	**31,811**	**(17,983)**
	-	-	-

	Consolidated		
	2nd Half-year 2019	12/31/2019	12/31/2018
Gains (Losses) on the sale of securities and assets	224	(413)	(3,184)
Other capital gains (losses)	-	40,328	6
Reversal (Provision) for asset devaluation	-	-	-
Provision for contingencies	(5,086)	(8,414)	(15,010)
Other expenses	51	274	205
Total	**(4,811)**	**31,775**	**(17,983)**

(a) The sale by the Bank of quotas issued by its subsidiary Inter Digital Corretora e Consultoria em Seguros Ltda. ("Interseguros") to Wiz Soluções e Corretagem de Seguros S.A. ("Wiz") generated a capital gain of approximately BRL 40 million.

27 Share-based compensation

Over the years, stock option plans have been granted by the Bank and its subsidiaries to key Administration personnel.

The Stock Option Plan of Preferred Shares, established pursuant to art. 168, Paragraph 3, of Law no. 6,404/1976, is an initiative of the Bank's Board of Directors, through which Banco Inter's managers, executives and employees were granted options for the acquisition of Preferred Shares of Banco Inter, with a view to encouraging performance and favoring the retention of managers, executives and employees of Banco Inter, insofar as their participation in the Bank's share capital will allow them to benefit from the results to which they contributed and which are reflected in the valuation of the price of its shares, thus forming, with the shareholders, a communion of interests.

Considering the plans currently in force, the first one started in 2012 and will close in 2021. The first tranche, which began in 2012, and was completed in 2017, with a total increase in shareholders' equity of BRL 1,700. For 2013 and 2014 tranches, which will end in 2020 and 2021, respectively, the chosen employees will be entitled with the right to exercise the option to acquire 3,440,520 preferred shares, at unit value of BRL 3.69.

For 2013 and 2014 tranches, if the employee does not exercise the option or has his / her employment with the Bank terminated, he/she will lose the right. Once the options are exercised, the grantee may not sell, transfer or dispose of such shares, as well as those that may be acquired by virtue of bonuses, splits, subscription or any other form of acquisition, provided that such rights have arisen for the employee from shares granted under the Plan, for a minimum period of five years as from the date of receipt of the first offer of shares offered to him/her by the Bank.

In 2016, a new Stock Option Plan was launched, which entered into force in 2017 and will end in 2021, in which the Bank may increase the Share Capital by up to further 3,384,000 registered preferred shares, segregated into five tranches, subject to the rules of the regulation approved by the Board of Directors. The options exercisable will have a par value of BRL 4.62 and may be exercised by the participant in up to three years as of the last lock-up period.

On February 6, 2018, the Board of Directors of Banco Inter S.A. approved Plan IV for the Acquisition of Stock Options. These options may be exercised within a period of three (3) years, counted from the respective lock-up periods, and after which they will be automatically be terminated, with no indemnification rights.

The strike price of the options granted in the plans is equivalent to the book value per share at the end of the year prior to the grant.

The rules for exercising and terminating the options are part of the plan's regulations and are filed at the headquarters of the Bank and its subsidiaries.

As demonstrated in explanatory note No. 19, in the first quarter 2018, a stock split was approved at the ratio of 6 shares to each 1 share. For comparability purposes, the following information has been updated in order to reflect this split and the current position of the plans.

The main characteristics of the Plans are described below:

Plan	Approval	Options	Vesting	Average Strike Price	Participants	Final Strike Term
2	02/24/2012	1,699,470	Within 5 years	BRL 2.63	Officers, managers and key employees	12/31/2019 12/31/2020 12/31/2021
3	09/30/2016	588,000	Within 5 years	BRL 4.62	Officers, managers and key employees	12/31/2023
4	02/15/2018	1,675,488	Within 5 years	BRL 5.42	Officers, managers and key employees	02/15/2025

The changes in the options of each plan for the period ended on December 31, 2019 and supplementary information are shown below:

		Movements 12/31/2019 (Shares)				
Plan	**Number of Collaborators**	**Start Balance**	**Granted**	**Prescribed/ Canceled**	**Exercised**	**End Balance**
2	12	1,441,728	-	92,880	901,554	447,294
3	18	3,245,400	-	45,600	103,284	3,096,516
4	25	9,847,488	300,000	129,600	516,300	9,501,588
Total		14,534,616	300,000	268,080	1,521,138	13,045,398
Average Weighted Price of Shares		R$ 0.77	0.82	R$ 0.72	R$ 0.71	R$ 0.77

Plano	Number of Collaborators	Movements 12/31/2018 (Shares) Start Balance	Granted	Prescribed/Canceled	Exercised	End Balance
2	12	979,728	-	124,278	615,162	240,288
3	18	588,000	-	24,000	23,100	540,900
4	25	1,675,488	50,000	-	84,240	1,641,248
Total		3,243,216	50,000	148,278	722,502	2,422,436
Average Weighted Price of Shares		R$ 4.75	-	R$ 3.91	R$ 0.42	R$ 4.90

Other Information					
Plan	Number of Exercisable Shares	Cost of Premium in the Year	Cost of Premium to be Recognized	Remaining Cost Remuneration Period (in years)	Remaining Contractual Life (in years)
2	447,294	-	-	-	1.5
3	3,096,516	77	121	1.5	4.5
4	9,501,588	-	-	3.5	5.5

The estimated remaining cost is related to the value of the option premiums granted to employees in the financial statements based on their fair value. The fair values of the programs were estimated based on the Black & Scholes option valuation model, considering the following assumptions:

	Schedule 2 (2012)	2(2013)	2(2014)	3(2016)	4(2018)
Strike Price	1	3.69	3.69	4.62	5.42
Risk Free Rate	10.19%	11.05%	11.15%	11.68%	9.97%
Duration of the Period (years)	7	7	7	7	7
Expected Annualized Volatility	35.06%	35.06%	35.06%	60.33%	64.28%
Fair Value of the Option on Grant/Share Date	1.83	0.88	0.99	1.13	0.32

The cost of premium related to the program no. 4 will be the responsibility of the participants, not being recognized any cost by the Bank.

28 Risk Management

At Banco Inter, the management of Credit, Liquidity, Market and Operational Risks and Social and Environmental Responsibility is carried out in a continuous and autonomous manner, supported by structured policies and strategies and a suitably qualified technical team.

Risk management shall be treated as a core and vital activity for the sustainable growth of the group's operations and for this purpose it maintains and complies with a set of rules and procedures to ensure the quality of services and products offered to its stakeholders.

Banco Inter also has an Audit Committee and a Risk and Capital Committee, which comprises members of the Group's Senior Administration, including the Board of Directors, making collective decisions, aiming at the supervision and assessment of the effectiveness of internal controls, quality and integrity of the information handled and the performance of internal and independent audits.

Further details on the Bank's risk management structure are available on the website www.bancointer.com.br, in the Risks Management section.

a. Liquidity risk management

Liquidity risk is defined as the possibility that the institution will not be able to efficiently comply with its expected and unexpected current and future obligations, including those arising from collateral, without affecting its daily operations and without incurring significant losses; and the possibility that the institution will not be able to negotiate a position at market price because of its great size as compared to the volume normally traded or due to some discontinuity in the market.

The functions of liquidity risk management comprise a set of functional activities that throughout the whole "business chain", product development, negotiation and disbursement of operations, and monitoring the effectiveness of the processes and controls used.

At Banco Inter, this management is also weekly assessed by the Assets and Liabilities Committee, which, in addition to further roles, have also the purpose of organizing, evaluating and monitoring liquidity risk, creating processes, tools and limits necessary for the generation and analysis of prospective liquidity scenarios and the monitoring of levels of risk appetite established by Senior Management, in line with CMN Resolution No. 4,557/2017.

b. Market risk management

Market risk is the possibility of losses that may be caused by changes in the behavior of interest rates, foreign exchange, price indexes, reference prices, share prices and commodities prices, due to the mismatches of maturities, currencies and indexes of the active and passive portfolios from the Bank.

Risk supervision enables analysis of exposures within the established limits and the identification of trends by using specific models, as well as the control of capital requirements.

Among others, at Banco Inter, market risk management has the purpose of supporting the business areas, establishing processes and implementing the tools necessary for the evaluation and control of related risks, enabling the measurement and monitoring of risk appetite levels defined by Senior Administration.

b.1 Sensitivity analysis

The Bank evaluates the behavior of the portfolio in stress scenarios through shocks on indexes. This procedure allows making inferences about the risk of the positions when compared to the current levels of market prices and their historical behavior.

The statement below contains the sensitivity analysis of the assets classified in the portfolios indexed to the bank's highest exposure rates, namely IGPM, IPCA and PRE-rate.

Risk Factor		IGPM	IPCA	PRE-RATE	TOTAL PORTFOLIO
		(R$)	(R$)	(R$)	(R$)
Regular MtM (R$)	**1,383,352**				
Basis Point shocks					
-50 bps	SCENARIO 3	3,205,702	3,235,145	3,212,587	3,260,643
-25 bps	SCENARIO 2	3,201,001	3,215,525	3,204,434	3,228,170
-1 bps	SCENARIO 1	3,196,578	3,197,151	3,196,714	3,197,653
+1 bps	SCENARIO 1	3,196,212	3,195,640	3,196,076	3,195,138

+25 bps	SCENARIO 2	3,191,866	3,177,740	3,188,468	3,165,283
+50 bps	SCENARIO 3	3,187,409	3,159,544	3,180,650	3,134,813

To support the analysis, the following scenarios were considered:

SCENARIO 1 - likely situation based on market variables such as IGPM, IPCA and PRE-curves respectively impacted by parallel shocks, based on the variation of the market curves for the respective base date with the 1-year period.

SCENARIO 2 - situation of decrease and increase of 25 basis points in market variables by means of parallel shocks in the IGPM, IPCA, and PRE-curves for the base date.

SCENARIO 3 - situation of decrease and increase of 50 basis points in market variables by means of parallel shocks in the IGPM, IPCA, and PRE-curves for the base date.

In addition, in order to estimate the effect of the variation of a certain risk factor on the reference equity (PR), we performed sensitivity tests, in which we evaluate:

The maximum expected gains and losses at the 1st and 99th percentile, calculated from a series of 252 returns, calculated from the VaR calculation of the portfolio, using a 99% confidence parametric methodology and a one-day time horizon scaled to twenty-one days.

The maximum expected gains and losses at the 1st and 99th percentile, calculated from a series of 252 returns, calculated from the VaR calculation of the portfolio, using a 99% confidence parametric methodology and a one-day time horizon scaled to twenty-one days.

	PERCENTILE			
RISK FACTOR	**1 - 1 year(s)**	**99 - 1 year(s)**	**1 - 5 year(s)**	**99 - 5 year(s)**
Euro	- 701,104.96	299,795.61	- 3,049,125.68	587,211.51
IGP-M index number	- 19,140,400.02	- 683,435.33	- 75,526,945.18	- 4,475,932.86
IGP-M Coupon	9,088,278.68	- 14,729,937.56	7,125,787.92	- 48,766,438.23
IPCA index number	- 34,510,288.93	- 1,009,950.57	- 223,303,163.18	- 5,267,474.00
IPCA Coupon	24,633,864.48	- 106,379,555.65	11,724,170.87	- 261,091,684.25
PRE	14,014,916.57	- 64,698,067.06	10,494,959.35	- 244,155,898.82
Stocks (Ibovespa)	- 759,214.18	28.00	- 2,211,426.85	- 154,862.96
TR Coupon	- 12,645,628.06	31,885,664.66	- 9,127,577.70	92,153,259.19
USD	- 1,060,911.94	581,329.76	- 4,112,149.43	467,681.88
Australian Dollar	- 4,234,127.53	- 3,434,724.72	- 5,632,115.53	- 3,103,003.80
Canadian Dollar	- 459,686.99	135,006.91	- 1,334,491.38	113,226.95

Base Date: 12/31/2019
Source: Source: Basel System and Market – Self Stress Owner

Number of base points needed to cause 5%, 10% and 20% reductions in Reference Equity. Below, we present only risk factors, for which it was possible to determine at least one of the reported values.

	CHANGE IN EQUITY %		
RISK FACTOR	-5%	-10%	-20%
IGP-M Coupon	12.58%	56.60%	0.00%
IPCA Coupon	1.59%	3.39%	8.47%
PRE	3.65%	8.22%	21.58%
TR Coupon	-2.47%	-3.93%	-5.65%

Base Date: 12/31/2019
Source: Source: Basel System and Market – Self Stress Owner

c. Operational risk management

According to CMN Resolution No. 4,557/2017, operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or from external events. This definition includes the legal risk associated with the inadequacy or deficiency in agreements entered into by the institution, as well as legal sanctions due to non-compliance with legal provisions and indemnities for damages for third parties arising from the activities performed by the institution.

Banco Inter considers all risks identified in the mapping of its processes, as well as those identified by auditors and regulators as operational risk, and, through this work, creates actions that mitigate these notes.

For the capital allocation for operational risk, Banco Inter adopted the methodology of the Basic Measurement Indicator (BIA), as provided in Art. 1 of Bacen Letter no. 3,640/2013.

d. Credit risk management

Credit risk is defined as the possibility of losses associated with the non-compliance by the borrower or counterparty of their respective financial obligations under the agreed terms.

The purpose of credit risk management is to support senior administration in the decision-making process by defining strategies and policies, risk mitigation mechanisms and procedures designed to maintain exposure to credit risk at levels considered acceptable by the Bank's Administration.

Banco Inter performs credit risk management with the support of the Risk and Capital Committee, adopting governance criteria through instruments and tools that allow the identification, evaluation, measurement, monitoring and reporting of the risk incurred in its activities in the main stages, whether in the concession, in the monitoring, or in the recovery of credit. Nonetheless, stress tests are used to measure possible losses in several scenarios that the risk area deems probable.

In compliance with Bacen Letter no. 3,678/2013, information on risk and capital management can be found at the following address: http://ri.bancointer.com.br.

e. Ombudsman

Banco Inter's Ombudsman acts as a channel for the relationship between customers and users of the products and services offered and for handling and mediation of conflicts. The Ombudsman aims to seek agile and effective solutions, acting with transparency and impartiality, and it is also committed to fostering improvements to services rendered. The occurrences received by the Ombudsman are analyzed and met, in a conclusive and formal manner, in up to ten business days, strictly in accordance with CMN Resolution 4,433/2015.

f. Basel Index

On February 23, 2017, Central Bank of Brazil (Bacen) issued Resolution CMN No. 4,577/2017, which established the need of implementing a capital management structure for financial institutions.

CMN Resolution no. 4,388/2014, which amends the provisions of further resolutions related to risk management, including from January 2015, the need to manage the risks of the Prudential Conglomerate, that is, of the companies that make up the Document Catalog (CADOC) 4060, and determination of the Bank's numbers through this document.

Banco Inter S.A. has mechanisms that allow the identification and evaluation of the relevant risks incurred, including those not covered by Minimum Required Reference Equity (PRMR). Policies and strategies, as well as the capital plan, enable the maintenance of capital at levels compatible with the risks incurred by the Bank. Stress tests are performed periodically, and their impacts are assessed from the capital point of view. The management reports on capital adequacy are reported to the business areas and strategic committees, providing support for the decision-making process by the Bank's Senior Administration.

The Basel Ratio was calculated according to the criteria established by CMN Resolutions no. 4,192/2013 and 4,193/2013, which deal with the calculation of Reference Equity (PR) and Minimum Required Reference Equity (PRMR) in relation to Assets Weighted by Risk (RWA).

The methodology for determining regulatory capital continues to be established in Levels I and II, with Level I composed of Core Capital (deducted from Prudential Adjustments) and Supplementary Capital, and the scope used for consolidation and assessment of operational limits considers the Prudential Conglomerate formed by Banco Inter and Inter Distribuidora de Títulos e Valores Mobiliários.

DLO - Document of Operational Limits

Basel Index

Breakdown of the requirement margins related to RWA

	09/30/2019	12/31/2018
Reference Equity (PR)	**2,123,127**	**922,575**
Reference Equity level I	**2,123,127**	**922,575**
Core Capital - CP	**2,123,127**	**922,575**
Risk Weighted Assets - RWA	**5,388,262**	**3,090,253**
RWA for Credit Risk by Standardized Approach - RWACPAD	4,102,332	2,516,860
RWA for Market Risk - RWAMPAD	565,751	64,717
RWA for Operational Risk by Standardized Approach - RWAOPAD	720,179	508,676
Minimum reference equity required		
Minimum Core Capital Required For RWA	242,472	139,061
Minimum Level I Reference Equity Required For RWA	431,061	185,415
Minimum Reference Equity Required For RWA	482,014	308,980
Excess capital over minimum reference equity		
Margin on Capital Requirements	1,880,656	783,514
Margin on level 1 required reference equity	1,799,832	737,160
Core Capital Index (CP/RWA)	**39.40%**	**29.85%**
Capital level 1 index (Level I / RWA)	**39.40%**	**29.85%**
Basel Index (PR/RWA)	**39.40%**	**29.85%**

g. Social-environmental responsibility

In addition to what is set forth in CMN Resolution no. 4,327/2014, for Banco Inter, social-environmental responsibility is when the organization itself, customers, users, suppliers or service providers, voluntarily adopt positions, behaviors and actions that promote the well-being of its internal public (employees, shareholders etc.) and external (community, partners, environment etc.). This is a voluntary practice that involves the benefit of the community and shall not be confused exclusively by compulsory actions imposed by the regulator.

29 Other information

b) Guarantees and sureties - the balance of sureties and guarantees provided by the Bank and its subsidiaries, in the individual and consolidated amounts to BRL 5,318 (2018: BRL 377).

c) Investment funds - Investment funds are managed through the subsidiary Inter Distribuidora de Valores Mobiliários. The sum of the shareholders' equity of funds consisting of own and third parties´ funds amounts to BRL 1,232,216 (2018: BRL 122,626).

d) Insurance contracted - The Bank and its subsidiaries are insured for their main assets in amounts considered adequate by Administration to cover possible losses with claims.

30 Subsequent events

On January 20, 2020, the Central Bank of Brazil authorized the Bank to acquire 70% (seventy percent) of the stock capital of the share corporation Matriz Participações S.A., (“Holding”), which controls the company DLM Invista Gestão de Recursos Ltda (“DLM”).

In Minutes of the Extraordinary Shareholders´ Meeting (ACE) held on December 23, 2019, the election of Mrs. Maria Fernanda Nazareth Menin Teixeira de Souza was approved as member of the Board of Directors, replacing Mr. João Vitor Menin Teixeira de Souza. This act was approved on January 29, 2020 by the Central Bank of Brazil.

*   *   *

Board of Directors

Rubens Menin Teixeira de Souza - President

José Felipe Diniz - Board Member

Marcos Alberto Cabaleiro Fernandez - Board Member

Leonardo Guimarães Corrêa – Board Member

Cristiano Henrique Vieira Gomes - Independent Councilor

Luiz Antônio Nogueira de França - Independent Councilor

André Guilherme Cazzaniga Maciel – Independent Councilor

Chief Executive Officer

João Vitor Nazareth Menin Teixeira de Souza

Vice presidents

Alexandre Riccio de Oliveira

Marco Túlio Guimarães

Executive Office

Ana Luiza Vieira Franco Forattini

Guilherme Ximenes de Almeida

Helena Lopes Caldeira

Lucas de Souza Bernades

Priscila Salles Vianna de Paula

Ricardo Fonseca Couto

Ray Tarick Pereira Chalub

Rogério Toledo Goulart

Sebastião Luiz da Silva

Accountant in charge

Sicomar Benigno de Araújo Soares - CRC-MG 67.120-O-3