

Q1 2012 Earnings Call

Company Participants

- Willy Jordan, Director of Investor Relations
- Willy Otto Jordan Neto

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Banco Panamericano's Conference Call to discuss the First Quarter 2012 Results. This event is also being broadcast simultaneously on the Internet, both audio and slideshow, which can be accessed on the company's IR website www.panamericano.com.br/ir with the respective presentation.

We would like to inform you that all participants will be in listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session. At that time further instructions will be given. [Operator Instructions].

forward-looking statements are subject to known and unknown risks and uncertainties that could cause the company's actual results to differ from those in the forward-looking statements. Such statements speak only as of the date they are made. And the company is under no obligation to update them in light of future developments.

Now, I will turn the conference over to Mr. Willy Jordan, IR Officer who will begin the presentation. Mr. Willy, you may begin your conference

Willy Jordan {BIO 15002562 <GO>}

Good morning, thank you. I would like to thank you all for participating in this conference call to discuss the results of Banco Panamericano, and its subsidiaries for the first quarter of 2012.

Beginning with the highlights of the first quarter of 2012, on page three from our presentation, we have two very important events for the bank's future which marked the beginning of this quarter. The first one took place on January 18, when our shareholders at the shareholders meeting grew an increase in the capital stock of Panamericano in the amount of up to R\$1.8 billion to support our business strategy and the growth of our operations.

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The subscription period for this capital increase ended yesterday, and soon we will have the results which then will be disclosed to the market. It is worth noting that on January 31st, both our controlling shareholders in BTG Pactual and CaixaPar trading their total common shares subscription right under the capital increase adding more than R\$971.5 million to the shareholder's equity of the bank on that date.

The second event took place on January 31st, when we signed the final documents for the indirect acquisition of the 100% of Brazil finance and real estate. This acquisition will add to the consolidated credit origination platform with attracted market, guaranteeing the expansion of its credit build portfolio in a market with high growth potential and expand its distribution network with incorporation of the 90 points of of BM Sua Casa.

On April 25, as announced in material facts, we signed with Caixa Economica Federal in more than -- real estate receivables issued by Panamericano or by a mortgage company or a securitization company controlled by --. This commercial agreement is effective for seven years as of the completion of the acquisition of the BFRE. In addition, as we have also disclosed in the same material fact, both BTG Pactual and Caixa signed and abundant to the operational corporation agreement, which have been executed on January 31, 2011 with Panamericano to formalize that BTG Pactual always affiliated company, reinvest additional funds in Interbank deposit certificates, certificates of bank deposits or letters of real estate credit issued by Panamerican ensuring thus even greater support to our growth strategy.

I would like to point out that our new strategy, which is based on diversifying our businesses, focuses our operations in four major segments, which are: consumer financing, corporate finance, mortgage credit and insurance.

Banco Panamericano has a solid presence in consumer financing and has focused on growing in payroll deductible allowance and legal financing. In corporate finance we have been growing substantially for the last three quarters.

What is credit impairment? We will be given an expressive boost while incorporation of BRFE's operation impending on approval by review central banks, while insurance is at the final stage of restructuring and getting ready to start growing soon with new products and the possibility of seizing motor selling opportunities with the bank.

With regards to the quarter's results, we have faced this scenario which was marked by a slowdown in the expansion of the credit market, and increasing the rates of -- at At the same time, that Panamericano has advanced with it's strategy, strategic repositioning and operational restructuring processes which will last over the course of the year.

In this context, the management opted to adopt a more conservative position in credit origination including low restricted criteria all credit approvals. This position led to lower origination of office in the first quarter.

Net profit came at R\$2.9 million in the quarter and shareholder's equity was provisions 2.202 billion after the integration of financial by the controlling shareholders of their

subscription rights of common shares on the capital increase in the amount of R\$1.5 million.

Our new car financing business grew 11.4% over the fourth quarter and already represents 0.7% of light vehicle origination and 27.8% of total vehicle financing.

Payroll allowance were the great highlight in terms of growth. They have reached monthly average of R\$60.3 million in the first quarter and that would be 46.1% higher than the origination in the segment. And it's worth to highlight that this growth in the lowest origination has been gradual along the quarter. So lower origination in January, higher in February and in March we have already R\$88 million in Peru loans origination. So we expect to continue accelerating from this point into next quarters.

Total expanded credit portfolio came through R\$10.2 billion, that was virtually flat over March 2011. And this number already considers the credit assignment of R\$1.5 billion in the quarter without the course. Our plan B has been backed by the improved risk perception due to the new shareholders agreement, I am sorry, due to the new shareholders structure of Panamericano. And, of course, in addition it's also due to the continued support from our shareholders which includes the approval of the above mentioned capital increase and the filing of the commercial agreement and of year-end through the operational corporation agreement.

We also made significant progress in reducing administrative costs and expenses, which were reduced by 20.3% in the quarter in comparison to the same quarter in 2011. And this calculation already adjusted for the facts of credit assignments without recourse. We believe that this more efficient cost structure will make our business platform increasingly competitive.

Going through page four in our presentation, on this page we demonstrate shareholding structure on March 31st, already considering the subscription of common shares by the controlling shareholder in the capital increase.

Our shareholder days has become more concentrated incorporate investors domicile in Brazil through BM Sua Casa but during this picture we cannot see who was holding the subscription right that will already be negotiated from March 31st. So we will get a better idea of our shareholding structure after we conclude this capital increase.

On page five, we have the main items of the income statement in the first quarters, were compared to the fourth quarter of 2011. We had an 8.7% increase in percentage points increase in our net interest margins. And that was largely due to the higher volume of assignments without recourse.

These assignments contributed to the increased income from lending operations, which grew over 50% over the previous quarter and without major variation in the other revenues and expenditures. It has resulted in an increase on gross profit from financial intermediation and therefore in an almost complete reversal of the operating losses of the previous quarter.

The following page provides the main information about the origination in the first quarter. The new financing cars continued growing. And as I mentioned before accounted for 47% of legal financing and 27.8% of total legal financing in the first quarter.

The payroll allowance as I also mentioned, was the most outstanding growth in the origination with the 46% increase over the formal quarter. I think this growth is due to the growth of the processes of the area. And as also mentioned before this happens gradually over the quarter. So in March we were already running at a R\$88 million non-clear origination phase.

On page seven, we have the opening of the credit portfolio competition. In the first table, we can see that we grew financing remains as the main segment in the banks portfolio, followed by the payroll. The credit portfolio on balance-sheet has fallen by R\$640 million in the quarter because of the assignment of approximately R\$1.5 billion, credit portfolio in the quarter.

As mentioned above the credit portfolio for companies stood out to continue trajectory expansion reaching almost R\$1.1 million in March and that was a 25.5% over the fourth quarter of 2011, and more important almost a 140% over the first quarter of 2011. I think it's also worth to highlight that this portfolio was almost built over the last three quarters.

And so turning on page eight, we continue to record the exchange of more expensive liabilities in held from the past four lines with more competitive costs in the markets reflecting the improvement in which has reached PanAmericano perceived by investor. Funding DPG for example, was R\$898 million in March, 57% lower first quarter 2011, reflecting accurately the exchange of the cycle funding by other more attractive loans. The balance of funding captured in the quarter increased 8.3% to more than R\$12 billion.

On page nine, we have on the right side the demonstration of the network evolution in the quarter and the simulation of how it should be after the completion of the capital increase, -- surpass at the amount of R\$3 billion. It's important to notice that for the simulation we have considered the addition of 100% in the capital increase, both for the common shares and for the preferred shares, also noticing that we already have 44% revision on the preferred shares, guaranteeing since the beginning of the capital increase by the controlling shareholders. We have also guarantee and already subscribe on January 31st all the rights of subscription for the common shares, which as -- contributed was R\$971.5 million for the PanAmericanos networks.

On the left side of this page, we can see the opening of the calculation of the BASEL ratio, which was 14.13% in the end of March and the operation margin which stood at R\$43.6 million by the end of the quarter.

On page 10, finally we have a chart that demonstrates our stock performance over the past 12 months. During this period and also in the first quarter of 2012, they have outperformed the -- with daily liquidity growing 30% in this quarter. After the conclusion of the capital increase, of course we expect liquidity in our stocks to increase much more.

Now at this point, I thank you once again for being present here in this conference call. And I pass it back to the mediator to start the questions and answers session. Thank you.

Questions And Answers

Operator

Thank you. Ladies and gentlemen we will now begin the Q&A session. [Operator Instructions]. Having no questions, I would like to turn the floor over to Mr. Willy Jordan for his final remarks.

A - Willy Otto Jordan Neto {BIO 15002562 <GO>}

Well, thank you once again. For those presence, I would like to remind that our Investor Relations team is more than available to attend any doubt or any demand from any one of you. So please do not hesitate to contact us if you have any further doubts over our results. And I hope to see you again in the next quarter. Thank you.

Operator

This concludes Banco PanAmericano's conference call. You may now disconnect and have a good day.

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