

Q2 2012 Earnings Call

Company Participants

- José Luiz Acar Pedro, Chief Executive Officer
- Willy Jordan, Director, Investor Relations

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Banco PanAmericano's Conference

Call to discuss the Second 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'd also like to remind you that this call is being recorded. 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 expressed 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 to Mr. José Luiz Acar, CEO, who will begin the presentation. Mr. José you may begin your conference, sir.

José Luiz Acar Pedro

Thank you. Good morning. 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 second quarter of 2012.

- to the second quarter highlight on page three of our presentation. Banco PanAmericano concluded its capital increase of approximately R\$12.759 billion which was approved by the Central Bank and through its aim of the operation was to reach the trend - to support our goal in the product of this specification practices. With the conclusion of the capital increase PanAmericano's consolidated its shareholders - closes the second quarter at R\$2.727 billion in closing the result of the - also in the second quarter our Shareholders Meeting on April approved the acquisition of DHRT.

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On June 11th, the Central Bank approved the structure of control of Brazilian mortgages to PanAmericano. As we were therefore able to conclude their position of the - thus our third quarter financial statement we will improve the consolidation of - results. We strengthened our new operations in the real estate market. We signed a commercial agreement to its cash economy - so we will put a real estate that builds mortgages backed securities issued by preliminary or its subsidiaries. In addition, this is impact - Caixa - management to the Operational Cooperation agreement entered into its PanAmericano in January 31, 2011, to formalize investments by BTG Pactual of additional funds and interbank deposit at this stage or bank deposit at this or the -- issued by Panamericano providing even further support for our growth strategy.

Looking further at the capital increase, which provided Panamericano the potential capital and liquidity. Management decided not to assign the credit portfolios in the second quarter. This decision took into account the need to accumulate a larger portfolio and to retain the results, ensuring our business to more stable results.

As part of the restructuring process that for Panamericano didn't find cash reduction report in the quarter. And adding to the sector, increasing the marketing business ratio. Panamericano we reported at 262.5 million reais loss in the second quarter of 2012 versus a net income of 2.9 million reais in the first quarter when went below 216 million reais, look at portfolio, where about resulted the core.

Our business -- at 12.13% and the operational margin is proved at more than 1 billion reais. I would like to highlight the management's decision not to assign credit portfolio in the second quarter, knowing that first half filings had been really -- in the coming quarter. this estimate remains part of our business model and therefore, we will decide in each quarter the amount to get signed in for the parent, between the need to accumulate our ledger portfolio and the possibility of the discipline in future results.

As José Luiz mentioned, we moved up in the coming months as we forecast, it will be natural for newer finance to take place. The balance of the volume need to retain in results, which excludes no aggressive buying in the quarter and this provides a measure our fundamental revenue earnings portfolio totaled R\$9.1 billion in the second quarter of 2012, 9.6% in the first quarter of 2012, and 29.4% more than in the second quarter of 2011.

This substantial growth was reason is exactly by management's decision not to credit portfolios in the period. The total expense of the credit portfolio, came to R\$10.8 billion higher of 7% served over the first quarter of 2012. With regards to loan originations, the new car renewal -- loan and corporate loan portfolio, move us in the second quarter of 2012 reinforcing Panamericano's growth strategy in lower reach segments.

New car financing increasing by 20.1% over the first quarter of 2012. Origination of payroll deductible loans added R\$107 million in the second quarter of 2012 continuing with the gradual acceleration that has been taking place since it's revenue after the area -- were distributed.

Finally, corporate loans increased by 9.3% over the previous quarter. And by 130.7% over the second quarter of 2011, reaching R\$1.2 billion underlying the continuous growth of this portfolio over the last 12 months.

Thank you once again for being in here and we will now turn the call to Willy, who will present the bank numbers of the quarter.

Willy Jordan {BIO 15002562 <GO>}

Thank you, Acar and good morning for all. I will follow the presentation going to page four.

This page shows our shareholding structure on June 30, after the completion of the capital increase. There was an increase in the free floats mostly due to the decision by TPG-Axon, a firm that was one of BFRE shareholders to advertise its option to use part of the payment from the sale of this BFRE shares to subscribe to PanAmericano shares. Thus as previously announced, TPG received subscription rights to 30 million, 95,978 preferred shares of PanAmericano representing 12.4% of all preferred shares and 5.6% of the total capital, the bank after the capital increase these shares were subscribed and paid -

Another consequence of the capital increase was the highest share of our foreign investors in our shareholding structure. As the growth of the first half only 52.4% of the free float was held by investors residing in Brazil. The institutional - the ratio remained practically unchanged. However with a strong institutional concentration remake.

Page five shows the main income statement items. As already I mentioned the main difference between the second quarter of 2012 and the first quarter of 2012 and the second quarter of 2011 was due to the fact that they were no credit assignment without recourse in the second quarter of 2012 whereas subscribed the finance with our recourse totaled R\$1.216 billion in the first quarter of 2012 and R\$634 million in the second quarter of 2011. This absence of credit assignment with our recourse was reflected by - in the landing operations line, where we can see a big reduction over the previous quarter precisely because there were no anticipated earnings from assigned portfolio.

But the reason is - line has benefited from the depreciation of the Brazilian Reais in the last quarter and also underwent substantial change. In any case as we are always reminding in these conferences since our derivatives portfolio is designed to prefect that with foreign currency exposure, that the derivatives results has a normal identical corresponding expense and funding operations and derivative transaction.

Looking at these two lines together therefore, there is no significant variation over the quarter. There was also an increase in the allowance for loan losses expense, reflecting the effect of rising delinquency, especially if we look at these quarters expenses, in the vintages that were originated in 2011. Nevertheless, it is important to highlight that the early indicators related to the most recent loan vintages have showed a consistent improvement all these vintages since the end of 2011 indicating that this improvement should be reflected in the future decline in the allowance for loan losses likely from the fourth quarter of 2012 with absence of credit portfolio assignments without -- and the

increase in the expenses with provision for loan losses we had a lower net income and a narrower net financial margin in the quarter as we can see on the table here on page five.

On the next page, we have our credit originations given high delinquency and our ongoing restructuring process, we have adopted a more conservative approach towards the origination of new loans, including more vigorous approval criteria which has been at in place since the end of the 2011.

As a result, credit origination in second quarter 2012 have reached R\$517 million, a 0.2% up on the R\$515.8 million recorded in the first quarter of 2012 and 3.8% more than the R\$498.2 million reported in the second quarter of 2011. The negative effect of still low origination, however, should be more than offset by declining reports in the company's loan portfolios overtime. This improvement should be fueled by no vigorous approval criteria and the expansion of the new cars, payroll loans, and corporate loan portfolios as well as the real estate financing business that will come with incorporation of -- reporting primary channels growth strategy, in loan risk segments as Acar already highlighted.

It is worth noting that primary channels credit origination showed a clear upward tendency throughout the quarter thanks to the recovering vehicle sales from the end of May and the results of the restructuring of payroll loans, personal and consumer loans and others.

As a result, loan originations, which average R\$517 million in the second quarter per month, was composed by an origination of R\$396.5 million in April, 516.5 million in May and 638.2 million in June, as we can see in the graph. Our July figures have continued to demonstrate this growth trends and without material changes in the economic environment, this recovery in our origination profile should be sustained throughout the second half of the year.

Page seven provides additional information on the origination of portfolios in the vehicle financing segments which is still Panamericano's largest business. As you can see in the graph at the bottom of the page, management's more conservative approach was reflected in lower average terms and in an increase in the down payment percentage for vehicle financing throughout the year.

The slight reduction in vehicle financing origination over first quarter 2012 was concentrated in the motorcycle and used cars financing segments with new cars being the only segment to record growth in both relative and absolute terms.

On page eight we have the opening of our expanded credit portfolio on balance sheet. On the first table we can see that vehicle financing continues to be our largest business as I have already mentioned representing 61% of our total portfolio followed by payroll deductible loans with the share of 14.5%. The corporate loan portfolio reached almost R\$1.2 billion in June and is now our third largest portfolio with a growth of 9.3% over the first quarter and more than 130% over the second quarter of 2011 indicating that the portfolio has been built up over the last four quarters.

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The total expanded credit portfolio stood at R\$10.8 million at the end of the second quarter of 2011 and '12, 5.7% up and the books on the R\$10.2 billion portfolio in March 2012, and 6% more than the R\$10.2 billion credit portfolio in June.

More importantly, the balance of the credit portfolio with retained results in the graph at the bottom last of the page, which excludes loans of fine with recourse and provides a more accurate measure of PanAmericano's revenue earning portfolio increased by 9.6% over first quarter '12 and 29.4% over second quarter '11. The growth of this portfolio in second quarter was driven exactly by the decision not to assign credit portfolios in the period.

As Acar has already explained, this decision was based on the bank's large capitalization after the capital increase and the improved quality of the most recently originated portfolio. These make the retention of these portfolios, various - in terms of generating future results for PanAmericano.

As for funding on page nine, we continue to record the exchange of more expenses liabilities inherited from the past by lines with lower market products. We've seen the improvement in PanAmericano's credit risk perception. From the EPGE which is a type of deposit guaranteed by the FGV - was R\$789 million, in June, 62% below first quarter 2011 reflecting exactly the change of this type of funding for other more attractive alternatives. The total balance of funding in the quarter was approximately R\$11.3 billion following the funding for our asset base.

On page 10, we have on the right hand side the demonstration of the network evolution in the quarter. Consolidated shareholders' equity closed June 2012 at R\$2,727.7 million versus R\$2,202.3 million in March 2012 and R\$1,227.3 million at the end of 2011. The upturn of our network was due to the paying in of R\$1,758.9 million from the capital increase being R\$971.5 million integralized in January 2012 by the controlling shareholders equivalent to all the subscription right on common shares and R\$787.4 million integralized in May 2012 by the holders of our preferred share.

On the left side of the page, we show the opening of the calculation of our Basel Ratio which was 20.13% and the operating margin which was R\$1,065.5 million.

On page 11 finally, we have record that demonstrates our stock performance over the past 12 months. You can see that during this period our shares slightly outperformed the Ibovespa, recording average daily liquidity of R\$2.5 million in the second quarter of 2012.

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

Questions And Answers

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. [Operator Instructions]. I'm showing no questions at this time. So I would like to turn the floor back over to Mr. Willy Jordan for his final remarks.

A - Willy Jordan {BIO 15002562 <GO>}

Well thank you once again for being present here. If you have any doubt our Investor Relations team is more than available to support you and we hope to see you again on our next quarter conference call.

Operator

Thank you. This concludes Banco Panamericano's conference call. You may now disconnect and have a great day.

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