

Q3 2012 Earnings Call

Company Participants

- Willy Otto Jordan Neto, Officer

Presentation

Operator

Good morning, ladies and gentlemen. And welcome to Banco Panamericano's Conference Call to discuss the Third Quarter 2012 Results. This event is also being broadcast simultaneously on the Internet, both audio and slide show, 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 development.

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 call, sir.

Willy Otto Jordan Neto {BIO I5002562 <GO>}

Thank you, good morning. I would like to thank you all for participating in this conference call of Banco Panamericano and its subsidiaries for the third quarter of 2012.

Starting with the highlight of the third quarter on page three of our presentation, we have on July 19th the conclusion of the acquisition of BFRE with the transfer of all of its shares to Panamericano. Thus, as of that date, we begin consolidating the balance sheet and results of BFRE and its subsidiaries, as already shown in the financial statements of this quarter.

We saw the third quarter a significant growth in credit assets origination which reached a monthly average of R\$878.5 million, already including BFRE's monthly average production of R\$77 million. This quarter's origination was 70% higher than the previous quarter's average origination and 37% higher than the production in the third quarter of 2011.

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The origination growth is the result of Panamericano's strategically redirectioning and operational restructuring evolution including the incorporation of BFRE's operation, together with the gradual improvement in economic activity and the stabilization of the default rate of GDP growth in Brazil.

With all this, we could accelerate the production in the main business line in vehicle financing which remains our main segment. Production was 52% higher than in the second quarter with the grant of more than R\$1.2 billion in new loans. We maintained a spread of result origination, where the 10 largest groups of dealers and resellers accounts for only 10% of our overall origination. We also kept the balance between new and used cars in our credit portfolio.

The payroll loans operations as a result of the average growth it is restructuring grew by 44% over the previous quarter, reaching a monthly average production of R\$155 million in the third quarter.

The corporate loans area had also a very good quarter with a monthly average production of more than R\$190 million, representing a growth of 80% over the previous quarter, reaching a credit portfolio of R\$1.4 billion, a 150% growth in the last 12 months. Thus, the total credit portfolio totaled R\$13.2 billion, already including BFRE's portfolio of R\$1.2 billion, which represents an increase of 22.5% over the previous quarter.

The balance of the credit portfolio with retained results, which excludes from the total portfolio the credits signed would recourse and thus represents the credit portfolio that yields revenues for Panamericano reached R\$11.8 million in the third quarter, a growth of 29% over the previous quarter and 52.5% over the same quarter of 2011. Our funding base also rose, following the growth in the needs for assets financings, reaching R\$14.1 billion.

As part of our reorganization process, we recorded a consolidated net loss of R\$198 million in the third quarter, impacted mainly by our decision to assign a relatively low volume of credit portfolios in the quarter, totaling R\$343 million and also by the still high allowance for loan losses. It is worth noting nevertheless that this expense fell by 3.3% in the quarter, already reflecting the trend indicated by the improved credit quality of the portfolios originated since the end of 2011.

Our consolidated shareholders' equity was thus of R\$2,528 million at the end of September. We believe that Panamericanos recovery process has evolved as expected. The accumulation of our credit portfolio with higher retained results driven by the higher assets origination, the gradual improvement of our default rate and more attractive funding costs should be reflected in gradually better operational results in the coming quarter.

Moving to page four, it shows our shareholding structure in September. There were no significant changes in the shareholding structure in comparison to the previous quarter and thus we maintained the participation of investors domicile in Brazil slightly above 50%,

while the distribution between individuals and corporate shareholders also practically didn't change with the free float remaining quite concentrated in corporate investors.

On page five, we have the main income statement items. In the comparison of the third quarter of 2012 with the second quarter 2012 and with the same quarter of 2011, the main changes as we mentioned before were due to the different guidance of credit portfolio assignments without recourse performed in each period.

So, there were assignments of credit portfolios with the book value of approximately R\$343 million in the third quarter of 2012, compared to the absence of credit assignments in the previous quarter and the assignment of portfolios in the amount of R\$576.3 million in the third quarter of 2011. This effect of credit assignments is directly reflected in the line of lending operations which has also benefited over the quarters if you compare by the accumulation of a greater credit portfolio with retained results as we mentioned before. These evolutions will be shown in the next slide.

The line of the derivative transactions as always remain this year reflects basically the results from our derivatives portfolio, which aims to hedge the exposure of foreign currency denominated debt. So this results in derivative has an almost symmetric counterpart in the line of funding operation expenses.

So, we need to always look at the sum of these two items where we see that there is no important variation. Nevertheless, as the exchange rates between the rial and the U.S. dollar was almost flat in the quarter, we see this smaller derivative transactions result and in counterparts lower funding operations expense.

The allowance for loan losses was R\$427 million in the third quarter, which is still high, and, of course, negatively impacted the results of the third quarter. It is worth noting however, I said before that after reaching R\$441.4 million in the previous quarter, this expense is already coming down, reflecting the trend indicated by the improvement in the early indicators of the credit portfolios originated since the end of 2011, which will have a lag effect on provision expenses in the end of 2012.

The behavior as I said the behavior of the early indicators suggests that this reduction in the allowance for loan losses should gradually improve over the coming quarters. With the low volume of creditor finance during the quarter, also with the low volume of credit assignments during the quarter which aims to accelerate the portfolio accumulation and the still high allowance for loan losses, we have the negative results of R\$197.9 million in the last quarter.

In the next page, we have the assets origination for the quarter. Our origination of credit assets grew significantly as I said before to reach the monthly average of R\$817.5 million, 69.9% higher than the R\$517 million origination in the second quarter of 2012 and 37% higher than the R\$641.1 million origination in the third quarter of 2011.

This growth was substantial in all the main business lines, including vehicle financing, payroll-deductible loans, corporate loans, personal credits and consumer loan, as well as

we already mentioned addition of real-estate financing operations originated by BFRE.

The credit quality of our portfolio starts to benefit as we can see in the chart in the bottom right corner of the page from the more conservative approach in credit origination which has been adopted since the end of 2011. This approach includes more restricted credit approval criteria as well as the growth in lower risk market segments such as new car financing, payroll loans and corporate loans.

On page seven, we have more information on assets origination in vehicles. As we can see in the chart in the bottom of the page, the significant increase in origination was achieved even with the maintenance of more conservative criteria for approval of new loans which reflected in lower tenures and the higher downpayments along the year.

Moreover, we have maintained our strategic for light vehicle financings which is based on the pursuit of the balance mix of new cars and used cars financing.

On page eight, we can see that Panamericano disbursed R\$485.8 in new payroll deductible loans in the third quarter of 2012, 44.2% more than the 322.3 million disburse in the previous quarter.

The gradual expansion in payroll deductible loan is being driven by the ongoing restructuring of the area, which includes a revision of the credit approval processes and the operation of procedures of each body.

Personal loans and consumer financing accounted for R\$132.5 million of the new loan disbursement between July and September 33.9% higher than in the previous quarter. It is worth to highlight that the growth in our origination through our own branches help us since its cost is already embedded in the bank's fixed structure.

With regards to lower production in September in payroll deduction loans, I would like to highlight that September had only 19 working days in comparison to 23 in August, for example. Thus origination per working day didn't change significantly in the end of the quarter and is expected to be maintained or to increase in the fourth quarter.

In the following page, page nine, we see our corporate loans, where loan origination came to R\$573.4 million in the third quarter of 2012 as I said before 80.1% higher than in second quarter '12 and 63.2% more than in the same quarter of 2011. As a result, the portfolio closed September at R\$1.4 billion, 22.4% and 151.7%, up on the second quarter 2012 and the same quarter in 2011 respectively.

Looking at the openings of our portfolio by industry, we can see that the portfolio is well diversified by sector, within the quarter participations in agricultural and construction and development.

Moving to page 10, we can see that BFRE granted R\$231.9 million in new real estate financing in the third quarter of 2012, being R\$98.3 in credit for a corporate client and

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R\$133.6 million in credits for individuals. These last ones divided between R\$99.8 million. This in home equity loans called credit swap to R\$30.3 million for the acquisition of new houses and R\$3.4 million in other types of credit.

This way the loan portfolio in real estate financing reached R\$1.2 billion in the end of September, being R\$744.7 million in real estate financing for corporate clients and R\$455.4 million in real estate financing for individuals. This value is 4.1% lower than the balance of the portfolio in the previous quarter and was impacted by the assignments of real estate credit portfolios in the value of R\$342.8 million in the third quarter 2012 without recourse as we said before.

On page 11, we have the opening of our credit portfolio. In the first table, we can see that vehicle financing continues to be our main business segment, largest segment in our credit portfolio with 56% of the on-balance credit portfolio. Our percentage debt has been falling along the last quarters even though our origination was much higher but it is falling as long as we advance in our business diversification and some other business segments have had higher increase in loan origination.

Vehicle financing is followed by payroll loans, which is the second larger segment with 14% participation and corporate loans which represents our third largest portfolio of R\$1.4 billion.

The largest change to our credit portfolio was due to the entrance of the real estate portfolio coming from BFRE of R\$1.2 billion, already representing 9.1% of our total portfolio.

The total credit portfolio reached R\$13.2 billion in the end of the third quarter, 22.5% larger than in the previous quarter and 25.9% larger than the R\$10.5 billion in credit portfolio in the same quarter of 2011.

More importantly, the balance of the credit portfolio with retained results in the bottom left chart... in the chart in the bottom last corner of the page have increased by 29.3% in comparison to the previous quarter and by 52.5% in relation to the same quarter of 2011.

With regards to funding on page 12, it continues to show the exchange of more expenses, liabilities inherited from the past for aligned with more attractive market costs, reflecting the better credit risk perception of Panamericano.

Our funding in DPGE, which is Funding instruments guarantee by the FGC were R\$784 million in September, 55.7% lower than the balance in the third quarter of 2012 and of 2011, reflecting exactly this change for more attractive funding alternatives.

I think it's worth to highlight it the smaller decrease in the third quarter was due to the low concentration of maturities of such instruments in the third quarter. For the fourth quarter of 2012, we have a larger concentration of maturity. So we will see this funding from DPGE falling more significantly.

The total balance of funding was of R\$14.1 billion in the end of the quarter, following the higher needs for financing of our asset portfolio.

On page 13, we have the opening of our Basel Ratio, which was 14.97% for the financial conglomerates and 12.19% for in the consolidated economic and financial, while the operational margin stood at R\$603.3 million for the consolidated financial figures and R\$163.9 million for the consolidated economic financial figures.

On page 14 finally, we have a chart that demonstrates the performance of our stock in the last 12 months. The financial volume negotiated in the third quarter of 2012 was R\$206.1 million. We have a daily average of R\$3.3 million, which was 30.9% above the daily average of the previous quarter, showing an important increase in the liquidity of our stock after the completion of our capital increase.

On September 30, 2012 the market value of the bank was R\$2.7 billion. Our stock started the quarter quoted at R\$5.10 and ended the quarter at R\$5.08 at evaluation of 0.4% during the period.

I will now turn the floor back for the question-and-answer session. Thank you once again.

Questions And Answers

Operator

Thank you, sir. Ladies and gentleman we will now begin the Q&A session. [Operator Instructions]. Well, it appears that we have no questions at this time. I would now like to turn the floor back over to Mr. Willy Jordan for his final remarks. Sir?

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

Well, thank you all once again. And we hope to see you again in our next quarter's conference call. Until then, our IR team is available by phone, e-mail or any means to clarify any doubts that you might have over our results. Thank you very much.

Operator

And we thank you Mr. Jordan and to the rest of management for your time, sir. This concludes Banco Panamericano's conference call. You may now disconnect your lines. Thank you everyone and have a great day.

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