

Q1 2013 Earnings Call

Company Participants

- Willy Jordan, Investor Relations Officer

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Banco PanAmericano's Conference Call to discuss the First Quarter 2013 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 respective presentation. We'd now 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 that they are made and the Company is under no obligation to update them in the future or 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>}

Thank you. Good morning. I would like to thank you all for participating in this conference call of Banco PanAmericano and its subsidiary for the first quarter of 2013. As we have been saying in our last calls, PanAmericano has been gradually evolving in reticulating its results. Looking at the last four quarters, we can see that this recovery is mainly driven by the income from credit operations growth due to the gradual accumulation and caring of a larger credit portfolio and also by the credit assignments without recourse growth and by the reduction of the allowance for loan losses.

These results have been followed by tight cost control, which have presented the increase of our recurring expenses, even though we have been growing significantly our credit origination capacity. What has permitted the simultaneous growth of our credit portfolio with retained results and of the volume of credit assignments without recourse to competing targets was a significant acceleration of our credit origination, which has more than doubled in comparison to the same quarter in 2012.

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Nevertheless, in this respect, it is important to highlight that due to the execution of a series of operational restructuring actions and with the consolidation of several initiatives to diversify PanAmericano's business strategy such as those, which enables our entry in the market for new cars financing in the dealership network, corporate and real-estate credit besides the readjustment of our operations in payroll deduction loans. This production growth was achieved even with adoption of more conservative credit approval criteria, which were reflected even though in a lagged manner in the reduction of the allowance for loan losses. These results are in line with the strategy established since the beginning of our administration as we have informed on several occasions and showed precisely the maturity of the initiatives mentioned.

Starting with the highlights of the first quarter on page three of our presentation, we see that the origination of credit assets maintained its growth trajectory, reaching a monthly average of R\$1.041 billion in the first quarter of 2013, 4.9% higher than the R\$993.1 million of the fourth quarter of 2012 and 101.8% higher, meaning more than double of R\$516.2 million of the first quarter of 2012. The production growth in the first quarter of '13 was driven by the higher origination of vehicle financing, personal credit and payroll loans.

Without these, the total expanded credit portfolio stood at R\$14 billion at the end of the first quarter, at 1.8% from the R\$13.8 billion portfolio of December 2012 and 37.5% higher than the R\$10.2 billion portfolio from March 2012. More importantly as we have been saying, if you look at the growth of the credit portfolio with retained results, which exclude lower assigned with recourse and does provides a measure of the Company's revenue earning portfolio. This portfolio has kept growing faster than the total credit portfolio as the portfolio refined with recourse in the past mature and reached R\$13 billion at the end of the first quarter, with a growth of 3.4% over the previous quarter and 56.5% over the same quarter of 2012.

Our net interest margin stood at 22.2% in the first quarter, 2.4 percentage points higher than in the fourth quarter of 2012, and 2.6 percentage points higher than the same period of the last year. The allowance for loan losses expenses by its turn as we see in the following bullet point was R\$307.7 million in the first quarter, 9.4% less than the expense of R\$339.5 million in the previous quarter and 9.8% lower than the same quarter of 2012, reflecting the trend indicated by improvement in the early indicators of credit quality of the portfolios originated since the end of 2011.

Equally important was increase in the recovery of debt that had been previously written off against the allowance for loan losses, which was the result from a complete review of the collection process. As a result, the net expense on allowance for loan losses totaled R\$267.2 million in first quarter 2013, down 9.7% from the net expense of R\$295.9 million in the fourth quarter of '12.

PanAmericano recorded a consolidated net profit of R\$39 million in this first quarter compared with a loss of R\$38.4 million in the previous quarter, and a net profit of R\$2.9 million in the first quarter of '12. Our consolidated shareholders' equity was thus R\$2,527 million at the end of March.

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Moving to page 4, we can see our shareholding structure in March. There was a slight increase of the participation of investors identified in Brazil compared to the previous quarter, while the participation of corporate shareholders increased significantly from 90.7% to 97.5% in March.

On page 5, we have the main income statement items. In the comparison of the first quarter '13 with fourth quarter '12 and with the same quarter in 2012. The main changes as we mentioned before were due to the increase of the average earning assets mainly, the current portfolio that provided the growth of our income of credit operations and also to the different amounts of credit assignments without recourse performed in each period and through the decrease of the allowance for loan losses.

The line of derivative transactions as always remained (inaudible) reflects basically the results with the derivatives portfolio. As our derivatives portfolio aims to hedge the exposure of that denominated in foreign currency, the resulting derivatives has almost the symmetric counterpart on funding operation expenses. So, we need to always look at the sum of these two lines, where we feel that there is no important variation. Thus the negative result of R\$103 million in derivatives due to the fall of 1.4% in the exchange rate of the real against the US dollar in the quarter is offset by a decrease of the funding operations expenses.

In the next page, we have the asset origination for the quarter. The top figure, which is probably the most important in this presentation shows the growth of origination in all business lines, which made our total origination more than double in comparison to fourth quarter '12, reaching a monthly average of R\$1,041.7 million in first quarter '13. Production growth in the first quarter was driven by a higher origination in vehicles, personal credit and payroll loans. The quality of the credit portfolio continues to benefit as we see in the lower right corner figure of the more conservative approach in the origination of new loans, which has been adopted since the end of 2011.

This approach includes, in addition to the more restrictive criteria for credit approval, also the growth of the portfolios of new car loans, payroll loans and corporate loans, reinforcing PanAmericano's growth strategy in lower-risk segments.

On page 7, we have more information about the asset origination in vehicles, which remain the main business line of PanAmericano. As we can see in the figure on the bottom left of the page, the increase in origination was achieved despite the maintenance of more conservative criteria for the approval of new loans, which primarily reflected in the increase of average down payment, which reached 35%. Yet, the picture on the bottom right corner shows the high level of pulverization in our origination in vehicle loans. We have a low concentration by economic group. Thus, the ten largest groups accounted for only 14.2% of our total vehicle financing origination.

On page 8, we can see the PanAmericano's disbursed R\$574.8 million in new payroll deductible loans in the first quarter of '13, 23% more than fourth quarter of '12 and 217.9% greater than the first quarter of 2012 due to the restructuring of our operations in this segment. Personal loans and consumer financing accounted for R\$133.3 million of new

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loan disbursements between January and March, 39% higher than in same quarter of 2012. It is worth to mention here, the important growth of origination in our branches throughout the year, where the cost of origination is already embedded in the bank's fixed expenses.

The balance of our payroll loans portfolio fell slightly in the quarter due to the higher mix of payroll loans in the portfolios assigned in the period. I would like to highlight here that we always seek to optimize this mix, selecting the portfolios where we find most attractive conditions of sale price at each moment. One can therefore expect the mix of the portfolios assigned to vary over time.

In the following page, we see corporate loans, where the origination came through R\$697.1 million in the first quarter of 2013. The expanded credit portfolio for corporate loans reached R\$1,902.3 million in the end of March, including guarantees we issued and corporate securities. Looking at the opening of our client portfolio by industry, we can see that the portfolio is well diversified by sectors, with the most important participation in agricultural and construction and development.

Moving to page 10, we see that PanAmericano granted R\$263.5 million in real estate loan in the first quarter of 2013, being one, R\$86.9 million in real estate loans to corporations; two, R\$176.6 million in loans for individuals, these divided between R\$99.6 million in refinancing operations, R\$53.7 million for the acquisition of real estate, and R\$4.4 million in other products, and three, R\$18.8 million on credits purchased by Brazilian securities for securitization.

Thus, the real estate credit portfolio reached R\$1,274.4 million in the end of March, being R\$810.2 million in loans to corporations and R\$464.2 million in loans for individuals. This value is 0.5% lower than the prior quarter also affected by the increased share of real estate loans in the mix of credit assignments.

On page 11, we have the opening of our credit portfolio. In the first table, we can see that vehicle financing remain the main segment in PanAmericano's credit portfolio as I said with 59.4% of the on balance credit portfolio, including leasing operations. Then comes the corporate credit portfolio with 14.1% share, and then the real estate and payroll loans, nearly tied with 9.8% and 9.7% of the total credit portfolio respectively. The total credit portfolio was R\$14 billion in the end of first quarter, 1.8% higher than the credit portfolio of 13.8 billion in December '12, and 37.5% higher than the R\$10.2 billion portfolio in March 2012. More importantly, the balance of the loan portfolio with retained results in the lower left corner figure grew 3.4% in the previous quarter and 56.5% over the same quarter of 2012, reaching more than R\$13 billion.

On page 12, we show a comparison of the costs and administrative expenses in relation to the previous quarter and the same quarter of 2012. It is worth to remember that the cost and expenses were impacted in the second half of 2012 by the merger of Brazilian Finance & Real Estate. With it, we added to the staff of PanAmericano 683 employees, causing it to reach by the end of March a total 3,437 employees in the group. Thus the sum of personnel expenses, taxes and other administrative expenses totaled R\$443.2

million in the first quarter of 2013. Now, excluding from this value the variable expenses related to commissions from the assignments of loans without recourse, costs and expenses, totaled R\$370 million, that is 3.4% lower than in the previous quarter in the same basis of comparison.

The adequacy of the cost structure of PanAmericano through its revenue origination capacity is analyzed continuously. Thus if the economic and market environment interfere in the progress of our business plan, additional adjustment measures will be taken to ensure that this adequacy will prevail.

In the figure, at the bottom of the page, we have the evolution of ALL expenses and the recovery of loans in arrears. The ALL expenses were R\$307.7 million in the first quarter, 9.4% less than the expense of the previous quarter. Yet, the recovery of loans previously written off against the allowance for loan losses totaled R\$40.5 million in the first quarter, making the net expense of ALL fall to R\$267.2 million in the first quarter '13, which is 9.7% lower than the net expense of R\$295.9 million in the previous quarter and 15.3% less than the net expense of R\$315.4 million in the first quarter '12. Noting that this expenditure reached its peak of R\$409.6 million in the second quarter of 2012 and had been gradually reduced thereafter.

Taxable funding on page 14, we continue to record the exchange of more expensive liabilities inherited from the past by lines with more competitive market costs reflecting the improvement in PanAmericano's credit risk perception.

Funding in DPGE decreased a little more to R\$523.8 million in March, while the balance of funding through credit assignments with recourse has been gradually reduced as the portfolios assigned in the past matured since PanAmericano did not have more assignments of this type under the current administration. Thus the balance of R\$972.9 million in portfolios assigned would recourse in the end of the first quarter represented a decrease of 16% in comparison to the balance at the end of the previous quarter and a decrease of 47.6% compared to the balance of R\$1,857.1 million at the end of the first quarter of 2012. The total balance of funding in the quarter was approximately R\$14.5 billion following the funding needs for our assets.

On page 14, we have the opening of the calculation of the Basel ratio, which was 14.31% for the financial conglomerate and 11.77% for the economic financial consolidated, while the operating margin stood at R\$545.8 million for the financial conglomerate and R\$118.5 million in the economic financial consolidated.

On page 11 finally, we have a chart that demonstrates our stock performance over the past 12 months. The total financial volume traded in the first quarter of 2013 was R\$195 million with a daily average of R\$3.3 million, a significant growth of 65.8% over the daily average of the previous quarter.

On March 31 2013, the market value of the bank was R\$3.8 billion. The share started the first quarter of 2013 at R\$5.12 and ended the quarter at R\$7.06, an appreciation of 37.9% in

the period. The highest price of the share was R\$7.17 per share and the minimum was R\$5.12 in the quarter. In the same period, the Bovespa Index depreciated by 9.9%.

I'll now step back to the mediator to begin the question-and-answer session. Thanks again to all.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the Q&A session. (Operator Instructions) Since there seems to be no questions, I would like to turn the conference -- the floor over to Mr. Willy Jordan for his final remarks.

A - Willy Jordan {BIO 15002562 <GO>}

Well, I would like to thank you all again for being present in our first quarter conference results conference call and I would like to see you again in the next quarter. Thank you again.

Operator

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

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