

Y 2012 Earnings Call

Company Participants

- Willy Jordan, Investor Relations

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Banco PanAmericano's conference call to discuss the Fourth Quarter and Year of 2012 Results. This event is 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 also like to inform you that all participants will be in a 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 the conference call, sir.

Willy Jordan {BIO 15002562 <GO>}

Good morning. I would like to thank you all for participating in this conference call of Banco PanAmericano and its subsidiaries for the fourth quarter of 2012. After deploying a series of operational restructuring actions and with the consolidation of our several initiatives, we diversified PanAmericano's business strategy such as those which enabled our entry in the market of new car financing in the dealership matter corporate and real estate credit besides the readjustment of our operations in payroll deduction loans, we could verify in the fourth quarter of 2012 the consolidation of PanAmericano's business generation on a higher level of financial volume and in a more diversified composition of our business lines.

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.

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Starting with the highlights of the third 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\$993 in the fourth quarter of 2012, 13% higher than the R\$878.5 million of the third quarter of 2012 and 51.8% than the R\$654 of the fourth quarter of 2011.

The production growth in the fourth quarter '12 was driven by the higher origination of vehicle financing, real estate and corporate loans while payroll deduction loans remained practically stable in relation to the previous quarter. With all these, the total extended credit portfolio stood at R\$13.8 billion at the end of the fourth quarter, up 4.4% from the R\$13.2 billion portfolio of September 2012 and 27.1% higher than the R\$10.8 billion from December 2011.

More importantly, as we have been saying, if you look at the growth of the credit portfolio with retained results, which excludes loans assigned with records and thus provide the measure of the company's revenue earnings portfolio. This portfolio has kept growing faster than the total credit portfolio as the portfolios assigned with recourse in the past matures. And so this credit portfolio with retained results reached \$R12.6 billion at the end of the fourth quarter. With the growth of 6.8% over the previous quarter and 44.1% over the same quarter of 2011.

The net interest margin stood at 19.8% in the fourth quarter, 4.4 percentage points higher than in the third quarter and 6.3 percentage points higher than in the same period of the last year. These variations were largely due to the growth of the average income earning assets and also due to the different amounts of credits assignments without recourse in the quarter year compared.

The costs and expenses excluding the variable expenses related to commissions from credit assignments without recourse and the payment of variable compensation to employees meanwhile totaled R\$367.1 million in the fourth quarter of 2012, 7.1% lower than the previous quarter on the same comparison basis. And despite the merger of BFRE, a slightly increase of 0.5% over the fourth quarter of 2011.

These results demonstrate that spending discipline has been maintained with strict control over costs and expenses, even in view of the merger of BFRE and the growth in the origination of loans during the periods year compared, reminding that with the origination growth, we have a higher expense of commission.

The allowance for loan losses expenses as we see in the following point was R\$339.5 million in the fourth quarter, 20.5% less than the expense of R\$427 million in the previous quarter, reflecting the trend indicated by the improvement in the early indicators of credit quality of the portfolios originated since the end of 2011. Such indicators suggest that the allowance for loan losses seen as a percentage of the loan portfolio should continue to gradually decrease in the coming quarters.

Equally important was increase in the recovery of debt, debt has been previously written-off against the allowance for loan losses, which was a result of a complete review of the collection process that included reduction in the number of advisory services and

implementation of our new collections management system, that seeks to better align the interests of the bank with both of the collection advisory service providers.

As a result, the revenue from the recovery of loans in arrears totaled R\$43.6 million in the fourth quarter, up 12.7% from the previous quarter, and 108.6% higher than the revenue flow in the fourth quarter of 2011.

As a result, the net expense on the allowance for loan losses totaled R\$295.9 million in the fourth quarter, down 23.8% from the net expense of R\$388.2 million in the third quarter '12.

PanAmericano recorded a consolidated net loss of R\$38.4 million in the fourth quarter compared with a loss of 197.9 million in the previous quarter, meaning a substantial reduction of over 80% in the period. Our consolidated shareholders' equity was based on R\$2,489 million in the end of December.

Now moving to page four of our presentation, we demonstrate here that our shareholder composition in December 31st. There was a significant growth in the participation of investors domiciled in Brazil in comparison to the previous quarter. The participation of these investors has grown from a little over 50% in the third quarter to over 69% in the end of the fourth quarter of 2012.

Meanwhile, the distribution among individual and corporate shareholders hardly changed, remain the free float quite concentrated in corporate investors.

On page five, we have the main nine items of the income statements comparing the fourth quarter '12 with the third quarter and the same quarter of 2011, the main changes, as I've mentioned before, were due to the growth of our interest earning assets and also to the different amount of loan portfolios assigned new recourse in each business. Thus, there were transfers of portfolios of real estate loans, consumer credit and payroll loans in the amount of R\$1.64 billion in the fourth quarter '12 without recourse compared to the assignment without recourse of mortgage loan portfolio of R\$342.8 million in the third quarter '12 and to the assignment of portfolios of consumer credit and payroll loans in the amount of R\$496.3 million in the fourth quarter 2011.

This effect of disposals is directly reflected in the line of lending operations, which also benefited over the quarter if you compare, as I said before, from the accumulation of a larger loan portfolio which income would help. We will show in the next few slides that evolution.

The line of derivative transactions, as we always remind here, reflects the results with our derivatives portfolio as this portfolio only aims to hedge the currency exposure of our foreign currency debt, the results with derivatives have almost symmetric counterparts in expanding on funding operations. So we always look at this term of these two lines where we see that there is no significant relation between the quarters compared.

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Anyway, as the price of the real against the U.S dollar was almost flat in the quarter as also happened in the previous quarter. There was a very little variation in these lines when comparing the fourth quarter 2012 with the third quarter.

The allowance for loan losses, as I've mentioned before, was decreased by 10.5% in the last quarter. Also, we will help by the increase of the recovery of loans in arrears and as a result we've had a significant 23.8% decrease in the net expense of allowance for loan losses, which, of course, helped, also helped a lot improve our net income. On the next page, we have the origination of loan. The net environment of moderate performance of the economic activity and accommodation of the delinquency of (inaudible) combined with the maturation, with the maturity of initiatives of strategic re-direction, an operational restructuring of PanAmericano.

The origination of loan assets maintains its growth trajectory even when compared to the higher level of origination in the previous quarter. Reaching a monthly average of R\$993 million in the fourth quarter as we have mentioned before.

The quality of the loan portfolio continues to benefit as we see in the lower-right corner of the -- in the figure in the lower right corner of the page. From the more conservative approach, in the origination of new loans, which has been adopted since the end of 2011. This position includes in addition to the more restricted criteria for approval, also the growth of the portfolios of new cars, payroll and corporate loans reinforcing our growth strategy in lower risk segments.

On page seven, we have more information about the origination of portfolio in the vehicle financing segment, which remains the main market segment of PanAmericano.

As we can see the graph, at the bottom of the page, the most significant increase in origination was achieved even with the maintenance of more conservative criteria for approval of these loans, which were reflected in reducing average standards and increasing average down payments throughout the year.

In addition, we maintained our strategy for the light vehicle segment, which is to seek an equilibrated balance between the volumes of financing of new and used cars.

In payroll loans on page eight, PanAmericano granted R\$467.3 million in new financing in the fourth quarter, 277.6% higher than the R\$123.8 million in the fourth quarter of 2011. Thus reflecting the complete restructuring of this area.

The segment of personal loans and consumer credit accounted for granting R\$120.6 million in new financing between September and December with a 5.4% growth over the same quarter of 2011. It is worth mentioning here the important growth of origination in our own branches throughout the year where the cost of origination is already embedded in the Bank's fixed cost.

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On the next page, we see the granting of corporate loans, which was R\$692 million in the fourth quarter of '12, a figure 20.7% higher than the R\$573.4 million in the third quarter of 2012 and 42.9% above the R\$484.3 million in the same quarter last year. Thus the portfolio of corporate loans totaled R\$1663.7 billion in the end of December with the growth of 15.3% and 93.5% respectively over the previous quarter and the fourth quarter 2011.

Moreover, it is worth noting that in December 31, 2012, PanAmericano had applications in corporate bonds in the amount of R\$44 million. Thus the expanded loan portfolio for wholesale operations including the operations of private securities totaled R\$1707.7 million in the end of the fourth quarter.

Looking at the breakdown of our corporate portfolio by industry, we find that the portfolio is well diversified by factor of activity of our clients, with the most important holdings in agri business, and construction and development.

Moving to page 10. We see that PanAmericano granted R\$302.1 million in mortgage loans in fourth quarter 2012, 29.3% above the previous quarter with R\$668.1 million in loans to corporations, R\$173 million in loans to individuals and R\$58.5 million in loans acquired by Brazilian Securities for securitization. The R\$173 million in loans to individuals in their turn were divided between R\$131.6 million in refinancing operations R\$41.5 million for traditional real-estate acquisition and R\$2.5 million in other modalities.

Therefore the mortgage loan portfolio reached R\$1,281.4 million in the end of December of which R\$791.8 million in real estate financing for corporation and R\$489.6 million in loans to individuals.

The value of the mortgage loan portfolio was 6.8% greater than the R\$1.2 billion balance of this portfolio in the previous quarter.

On page 11, we have the breakdown of our loan portfolio. In the first table, we can see there the vehicle financing segment, that's the main share of the portfolio, out of that we had 57.5% of the on balance type portfolio including leasing operation.

Thirdly we have the corporate credit portfolio already as the second largest position with a 13% participation and then comes the payroll loans with a 11.7% share representing the third largest portfolio. The mortgage loan portfolio in third quarter '12 reached a stake of 10.2% of our total portfolio.

The total loan portfolio was R\$13.8 billion before, that is 4.4% higher than the previous quarter and 27.1% higher than in December 2011. Also as I have mentioned before more important is to look at the portfolio with retained results, which increased 6.8% over the last quarter and 44.1% over the same quarter of 2011.

On page 12, we show a comparison of administrative costs and expenses in the quarter with the previous quarter and the same quarter of 2011. It is important to remember as I have said that costs and expenses were impacted in this second half of 2012 by the

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merger of BFRE. With it, we added 683 employees reaching a total of 3416 employees in the group. Thus the sum of personnel expenses, taxes and now the administrative expenses totaled R\$439.8 million in the fourth quarter '12. Now, excluding the value of variable expenses related to commission for credit assignment without recourse and the payment of variable compensation for employees, costs and expenses thus adjusted totaled R\$367.1 million or 7.1% more than in the previous quarter in the same comparison basis and only 0.5% below the fourth quarter of 2011.

In the graph, at the bottom of the page, we have the evolution of P&L expenses and recovery of loan where, as we've mentioned before, we have reached 23.8% decrease of our net expenses of allowance for loan losses in comparison to the previous quarter

As for fund-raising on page 13, it is still showing the exchange of more expenses, liabilities inherited from the past for more competitive lines improved -- reflecting the improved perception of PanAmericano's credit reach by the market.

Funding in DPGE was R\$526 million in December, down 33% from the prior quarter, reflecting exactly this type of exchange. Likewise, the outstanding borrowing through credit assignment with recourse has been gradually reduced as the portfolios assigned in the past mature since PanAmericano didn't perform more assignment of this type under the current administration. Thus, the balance of R\$1157.8 million in portfolios assigned with recourse in the end of the fourth quarter represented a 15.9% decrease when comparing to the 1.377 billion balancing the previous quarter and also a decrease of 44.4% when comparing to the R\$2.83 billion at the end of the fourth quarter of 2011. Total funding in the end of the quarter was about R\$14.1 billion in line with the funding needs from our assets.

On page 14, we have the opening of the calculation of our Basel index, which was 14.13% for the financial conglomerate and 11.68% in the consolidated economic and financial figures, while the operational operating margin stood at R\$494.1 million for the financial conglomerate and R\$84.4 million in the economic financial consolidated statement [ph].

Finally, on page 15, we have a chart that demonstrates the performance of our stocks over the past 12 months. The total financial volume traded in the fourth quarter of 2012 was R\$117.6 million with a daily average of R\$2 million, 39% lower than the daily average of the previous quarter.

On December 31, 2012, the market value of the Bank was R\$2.8 billion with stocks starting the fourth quarter priced at R\$5.09 and ended the quarter at 5.15 with an appreciation of 1.16% in the period. The maximum price was 5.16 per share, and the minimum was 4.50 per share in the quarter.

In the same period, the Bovespa index rose 2.3%.

Now I'll turn back the floor to the mediator to begin our question-and-answer session. Thank you again to all.

Questions And Answers

Operator

And we thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. (Operator Instructions) We will pause momentarily. And since there seems to be no questions at this time, I would like to turn the floor back over to Mr. Willy Jordan for his final remarks. Sir?

A - Willy Jordan {BIO 15002562 <GO>}

Well, thank you all again. I would like to remind you that our Investor Relations Department is more than available to solve any doubt that might remain when you analyze our results. And I hope to see you again in the next quarter. Thank you once again.

Operator

And this concludes Banco PanAmericano's conference call. You may now disconnect and have a good day. Thank you, everyone.

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