



Brazilian Development Bank

Supporting the
growth of our
economy



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A SOLID LINK TO A COUNTRY FULL OF OPPORTUNITIES

The history of the BNDES could be misconstrued as the recent historical development of the Brazilian economy. Since it was founded, in 1952, the Bank has become one of Brazil's main instruments for fostering the expansion of the country's industry and infrastructure. Over its history, it has expanded its activities to support exports, besides sustaining the growth and modernization of Brazilian production.

As Brazil is escalating its presence in the international arena and demonstrating the capacity of its economy to withstand the critical financial crisis, it is not surprising that the Bank is also seeking to amplify its operations beyond Brazilian shores. With the extensive knowledge stemming from its vast experience coupled with the outstanding know-how of its technical staff, the BNDES has what it takes to be a valuable means for investors to understand and access the most advantageous opportunities offered by the Brazilian economy.

Brazil requires heavy investment in infrastructure, which provides opportunities for projects with high returns and low risk. To accelerate such much-needed efforts to move the country ahead, the Federal Government launched, in 2007, the Growth Acceleration Program (Programa de Aceleração do Crescimento – PAC), and the BNDES is its main financier. Other areas in which Brazil is highly competitive, with attractive investment prospects, include ethanol, pulp and paper, foodstuff, as well as mining and steel work. In addition, the country takes prides in its sophisticated industrial sector with high capacity for added value.

Other reassuring factors include the strength of the domestic market and the recent advances regarding better distribution of wealth, which have both helped tackle the international financial

crisis. Simultaneously, investment over the last few years in Brazil's more competitive sectors has guaranteed a privileged position to meet foreign demand as soon as the world's economic situation improves, thus amplifying its competitiveness.

In sum, there are excellent opportunities that the BNDES, the largest development bank in the Americas, plans to bring to light through its international efforts. The Bank has already formalized its subsidiary office in London and will soon open its agency in Montevideo, Uruguay, headquarters of the Mercosur trade bloc.

Uniting the capitals market, financial institutions and international organizations, the BNDES could be the strongest link between foreign companies and the tremendous potentials available in our country, besides boosting the efforts of Brazilian companies on the road to internationalization.

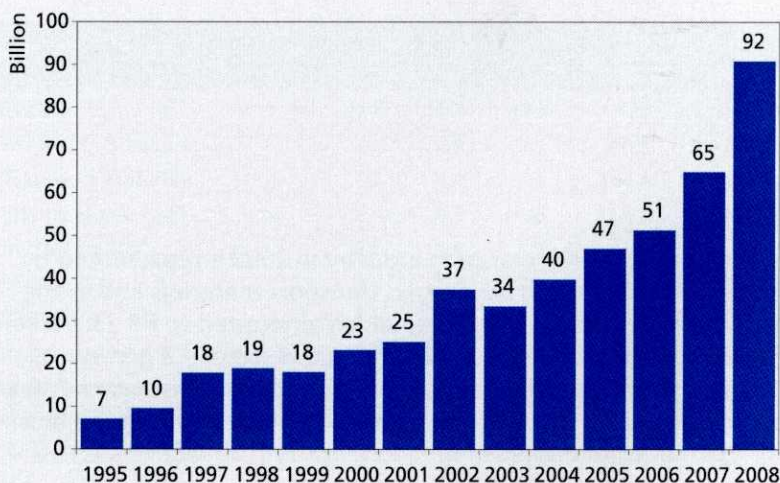
Luciano Coutinho
President of the BNDES

THE BANK'S KEY FIGURES

Disbursements

The investment cycle that the Brazilian economy went through from 2003 to the second half of 2008 was combined with a sharp rise in the demand for BNDES funds. In 2008, the Bank's disbursements reached a historical record of R\$ 92.2 billion (Chart 1), a 42% increase over 2007, when disbursements amounted to R\$ 64.9 billion.

Chart 1 – Development of disbursements – 1995-2008
(In R\$ billion)

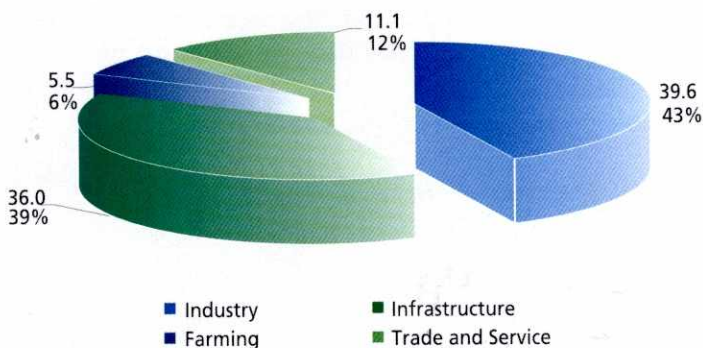


Source: BNDES.

• Sectors

Out of this disbursed amount, 82% was invested in industry (43%) and in infrastructure (39%). Disbursements to industry grew 47.6% in 2007-2008, while infrastructure rose 36.9%, in the same period (Table 1).

Chart 2 – BNDES' disbursements per sector – 2008
(In R\$ billion)



Source: BNDES.

The outstanding performance in industry in 2008 is represented by projects in foodstuff and beverages, transport materials and in the chemical/petrochemical industries, which amounted to R\$ 23.2 billion, i.e., around 60% of the disbursements to this sector – a growth of 111%, 58.4% and 31.5% against 2007, respectively. Disbursements to the mining industry grew 215%, even though they still represent a small share of total disbursements to industry (Table 2).

Concerning infrastructure, disbursements were mostly forwarded to the road/highway transport sector – R\$ 13.8 billion –, followed by the electric power sector – R\$ 8.6 billion.

The telecommunications industry also stood apart, with a growth rate of 83% in 2007-2008 – the highest rate in the infrastructure sector.

Table 1 – BNDES' disbursements per sector (R\$ billion)

Sectors	2006	2007	2008	Growth Rate (%)	
				2007/2006	2008/2007
Industry	27.1	26.4	39.0	-2.5	47.6
Infrastructure	15.8	25.6	35.1	62.1	36.9
Farming	3.4	5.0	5.6	46	11.9
Trade/Services	5.0	7.8	11.2	57.5	42.9
Other	-	-	1.4	-	-
Total	51.3	64.9	92.2	26.5	42.1

Source: BNDES.

Table 2 – BNDES' disbursements per leading sectors (R\$ billion)

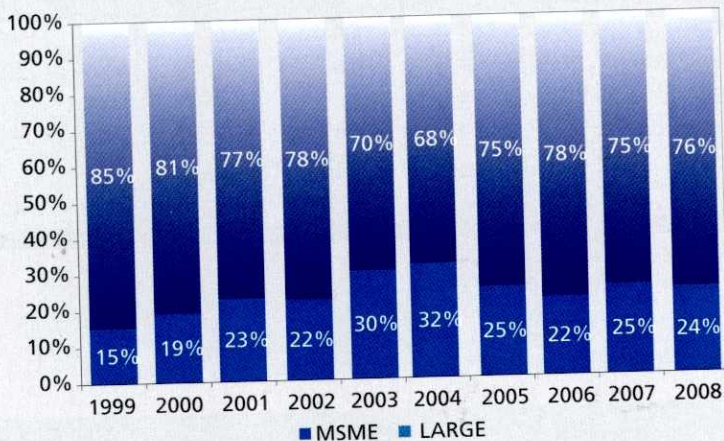
Sectors	2006	2007	2008	Growth Rate (%)	
				2007/2006	2008/2007
Industry	27.1	26.4	39	-2.5	47.6
Foodstuff & beverage	3.6	4.8	10.1	30.8	111.0
Transport Material	9.4	4.8	7.5	-49.4	58.4
Chemical and Petrochemical	2.6	4.3	5.6	64.2	31.5
Metalworking	2.5	3.6	3.7	45.8	2.1
Mechanical	3.2	3.4	3.4	4.1	1.3
Mining	1.5	1.1	3.3	-27.9	215.2
Infrastructure	15.8	25.6	35.1	62.1	36.9
Road Transport	5.9	9.9	13.8	68.1	39.9
Electric Power	3.2	6.4	8.6	98.7	35.7
Telecommunications	2.1	3.4	6.2	58.4	83.1
Other Transport	2.2	1.9	3.2	-12.0	63.4

Source: BNDES.

• Micro, small and medium-sized enterprises

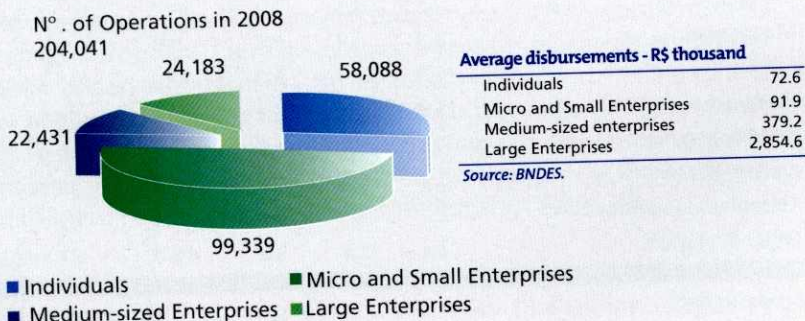
Micro, small and medium-sized enterprises (MSME), as shown in Chart 3, accounted for 24% of the BNDES' disbursements in 2008, reaching over 120,000 operations (Charts 3 and 4).

Chart 3 – Development of the BNDES' disbursements per company size (In %)



Source: BNDES.

Chart 4 – Development of the BNDES' disbursements per company size in 2008 and average disbursements (In R\$ billion)



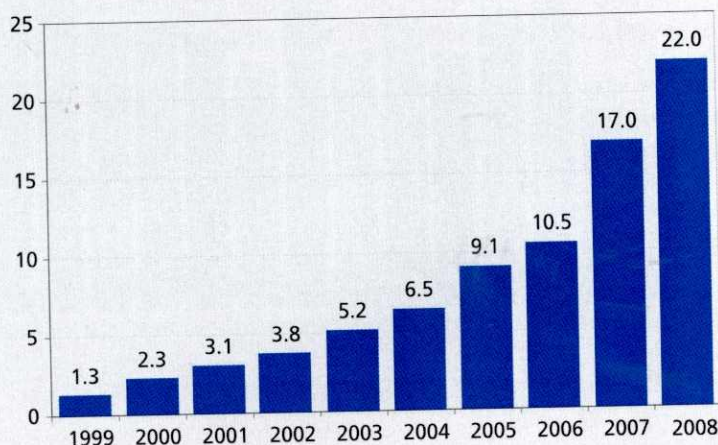
Source: BNDES.

Source: BNDES.

- **Machinery and equipment financing**

The disbursements of the FINAME line (assigned to the purchase of machinery and equipment) reached R\$ 22 billion in 2008, a 30% growth versus 2007 (Chart 5). The road/highway transport sector had the most remarkable increase, amassing, in 2008, some 50% of FINAME's disbursements.

Chart 5 – FINAME's disbursements – 1999-2008
(In R\$ billion)



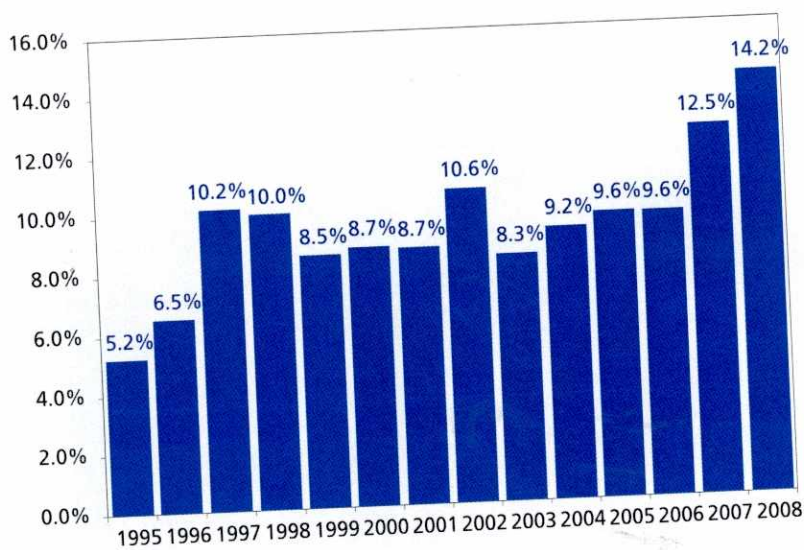
Source: BNDES.

- **The BNDES' importance to investments**

The strong expansion of the BNDES' operations led the institution to grow in importance as a long-term financing provider. In 2008,

the BNDES' disbursements represented 14.2% of the economy's gross formation of fixed capital, which is well above that of preceding years (Chart 6).

Chart 6 – BNDES/FBKF disbursements – 1995-2008



Source: BNDES.

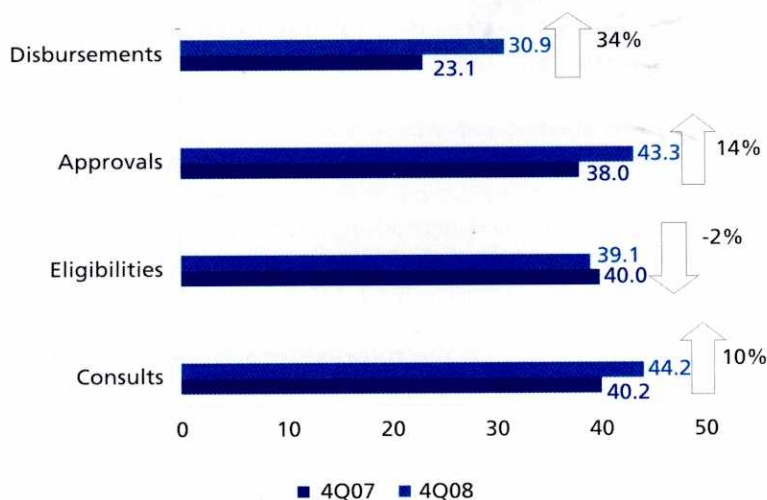
The International Financial Crisis and the BNDES

The international financial crisis, a setback cast on the world in 2007, has dramatically worsened since September 2008, as Lehman Brothers, the fifth largest US investment bank, headed for bankruptcy. As a result, the world credit markets witnessed a sharp

drop. This led governments to intervene in the financial markets in an attempt to recover the loss of trust. The crisis affected the development of the Brazilian economy in the last quarter of 2008, with a severe drop in industrial production and investment indicators.

The BNDES' performance figures reveal a normal scenario for the Bank's operations in 2008, even with the international crisis. Chart 7 compares the figures of consultations, eligibilities, approvals and disbursements over the fourth quarter of 2008 against the fourth quarter of 2007. Except for eligibilities, which dropped 2%, the other items grew consistently: disbursements, up 34%; approvals, 14%; and consultations, 10%. The expectation for 2009 is that the Bank will continue to expand its operations, securing financing for much-needed infrastructure and industrial development in an environment that lacks access to credit within the private sector.

Chart 7 – The BNDES and the international financial crisis
(In R\$ billion)



Source: BNDES.

Disbursements to PAC Projects Expected to Reach R\$ 44 bn in 2009

- *Bank's portfolio totals R\$ 99.7 bn in financing, with 261 projects*

The BNDES has secured its position as main financing agent for the Federal Government's Growth Acceleration Program (PAC). The Bank expects to release R\$ 44 billion this year to both the private and public sectors for investments within the program. Of this total, R\$ 37.6 billion in financing is earmarked for the energy sector, and some R\$ 26.7 billion of this latter amount is set for the oil & gas segment.

From the disbursements forecast for this year, transport logistics projects expect R\$ 5 billion, and social and urban projects, along with the streamlining of public administration, will receive close to R\$ 1.3 billion.

Such forecasts for disbursements in 2009 are anchored in the portfolio of operations totaling R\$ 99.7 billion in financing – this includes those already contracted, approved, under analysis, eligible and under consultation. Such financing is expected to leverage the total investments of R\$ 176.4 billion in infrastructure (energy, logistics and social/urban), as well as in the modernization of public administration. Of the forecast total to be financed, close to R\$ 58 billion is for operations that have already been approved and contracted by the Bank, and some R\$ 41 billion refer to projects not only under consultation, but also eligible and/or under analysis, totaling 261 undertakings. These figures were finalized at the end of April 2009.

In the energy sector alone, the BNDES' financing portfolio amounts to R\$ 77.5 billion (R\$ 39 billion in electric power, and almost R\$ 38 billion in oil & gas projects). Investments forecast in electric power, under the scope of the PAC, reach R\$ 63 billion, with R\$ 55.5 billion in power generation, and R\$ 7.5 billion in transmission lines.

With this, the BNDES plans to maintain the rate of accelerated growth in disbursements to projects within the PAC, which, in 2008, amassed R\$ 10.3 billion, corresponding to 11.3% of the year's total disbursements.

International Division Expands Support to Boost Growth of Companies and Exports

Aware of the need to expand its support to global efforts of Brazilian companies and to promote Brazil on an international level, the BNDES created, in December 2008, its International Division (AINT). This division is focused on establishing an integrated structure of the Bank's activities outside of Brazil, uniting attributes that were previously dispersed throughout the BNDES' framework. In conjunction with its other sectors, AINT heads and coordinates the implementation of operational and institutional activities related to the Bank's efforts outside the country.

Besides this, AINT is also responsible for raising funds abroad and structuring funds aimed at placing the Brazilian economy on the global playing field.

The Bank is in the final stages of implementing its office in Montevideo, in Uruguay, which will endeavor to identify, structure and facilitate inviting business ventures for Brazil, especially

in countries within the Mercosur trade bloc. Following this, a subsidiary in London was set up under the framework of an investment holding company, which has already been officially formalized.

Fund-raising with Multilateral Organizations and Governmental Agencies

In 2008, resources coming from multilateral organizations and governmental agencies amounted to US\$ 850 million. Of this total, US\$ 750 million was raised together with the China Development Bank (CDB) and US\$ 100 million with the Inter-American Development Bank (IDB).

In 1964, the BNDES began a successful partnership with the IDB and, in March 2009, the two entities signed a contract releasing US\$ 1 billion to the BNDES. These resources are the last tranche of a US\$ 3 billion agreement earmarked for credit lines to micro, small and medium-sized companies, and the two institutions are already negotiating another accord.

Last year, the BNDES reignited its partnership with the Japan Finance Corporation (JFC), whose foreign arm is the Japan Bank for International Cooperation (JBIC). Totalling US\$ 250 million, the agreement foresees disbursement of all these resources in 2009.

Fund-raising on the Market

In 2008, expecting record levels of disbursements, the BNDES returned to the international market to successfully renegotiate foreign debt securities issued in 1998, with maturity in June. The renegotiation, sealed in the same month, was settled at the original value at issuance – US\$ 1 billion, nominal value – with an interest rate of 6.369% per year, while the new maturity date was set for June 16, 2018. The structure and execution of the transaction was heralded by the renowned magazine *Latin Finance* as 2008's best deal in the quasi-sovereign bond/financial institution bond category.

Support for Exports

Parallel to the creation of AINT, the BNDES intensified its support for exports of Brazilian goods and services. The last quarter in 2008 was scored by a strong lack of liquidity in the international market, which also affected Brazilian exporters. Financing for exports dropped to half that of the previous year. Aimed at curtailing the effects brought on by the scarcity of credit, the BNDES set out to meet the needs of Brazilian exporters by expanding its pre-shipment financing. As a consequence, disbursements from the BNDES-exim pre-shipment lines totaled US\$ 4.9 billion last year.

On the whole, the BNDES-exim lines released a total of US\$ 6.6 billion in 2008, a record amount in the history of the BNDES' credit lines offered to exports, which were created in 1990. This sum was 57% higher than in the previous year.

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One of the world's largest development banks requests a page of your attention.



In 2008 alone, the Brazilian Development Bank (BNDES) financed projects worth more than US\$ 46 billion for enterprises established in Brazil – companies of all sizes in a wide variety of sectors, ranging from infrastructure, exports, industry and trade to services, and agriculture. Such investments always underpin production with sustainable growth, generating income and offsetting Brazil's social and regional inequalities. Credits are allocated to companies that believe in the productive power of Brazil and the creative flair of its people.



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