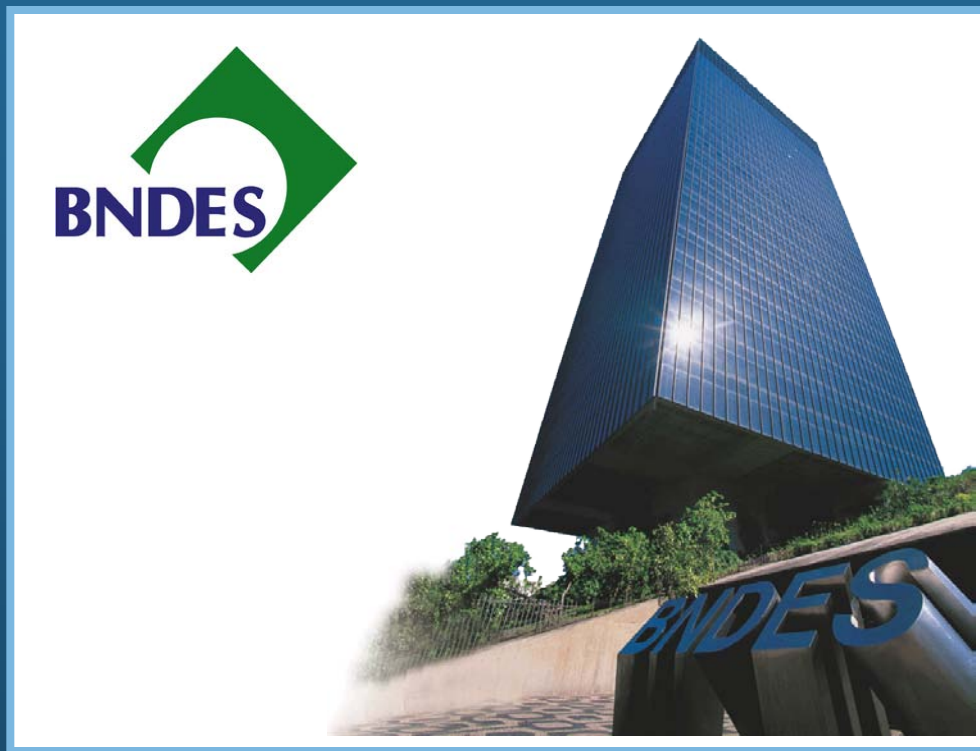


The Brazilian Development Bank



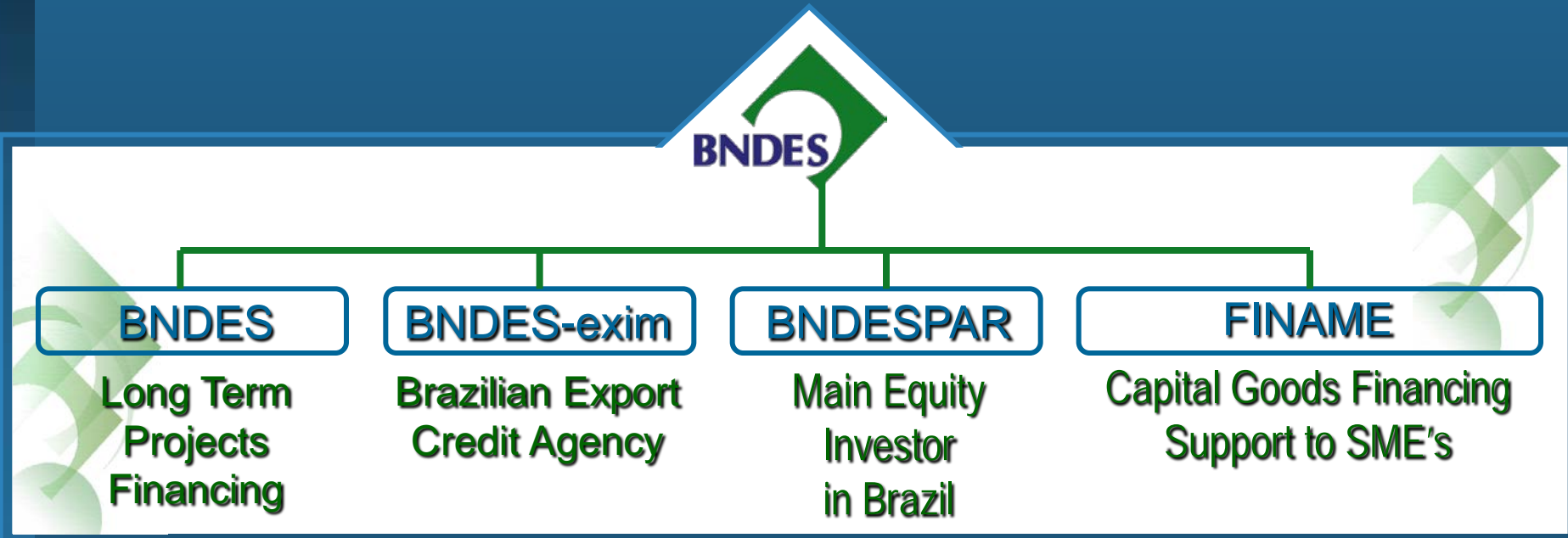
2009
May

Eduardo Rath Fingerl

Managing Director - Capital Markets Operations / Environmental Activities
Member of the Board – The New Club of Paris

BNDES – Brazilian Development Bank

- Established in 1952
- 100% state-owned company
- Main provider of long-term financing in Brazil



BNDES in Context

Dec 31, 2008

<i>US\$ million</i>	BNDES
Total Assets	118,655
Shareholders' Equity	10,812
Net Income	2,903
Loans Disbursements	49,791
Total Loans	92,422
Capitalization	9.1%
ROA	2.2%
ROE	21.2%

BNDES' Past Challenges

BNDES has been mobilized by the Brazilian government to face major economic challenges



- 1980's debt crisis: Funds for Infrastructure projects
- Liberalization of Brazilian economy in the 1990's: support to industry sector to face international competition
- Brazilian Privatization Program: main agent of extensive public assets recycling
- Energy crisis of 2001-2002: Agent of Treasury funds to support the electric sector



Credit crunch in 2009: working capital with National Treasury support

Internal Environment

- ◆ Excellent results in loan portfolio and equity participations

	Dec 08 BNDES	Brazilian Private Banks	Brazilian State Owned Banks
Loans outstanding w/ rating AA-C / Total Loans (%)	97.7	91.0	91.4
Return on equity participations % yearly (06-08)	24.8		
Non Performing Loans/Total Loans (%)	0.15		

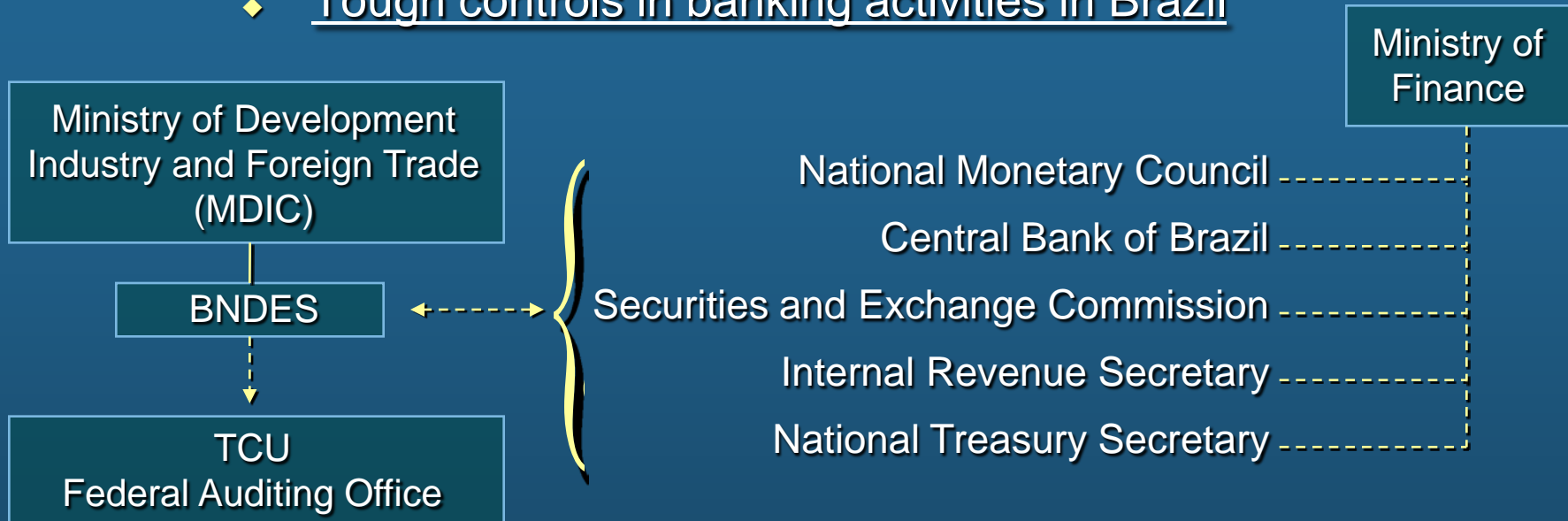
- ◆ The collateral culture: fixed assets security gives a comfortable position for the analysts
- ◆ Solid risk analysis practices established in BNDES: includes qualitative rating (*no metrics*)



Resistance to changes

External Environment

- ◆ Tough controls in banking activities in Brazil



The collateral culture: conservative position of credit analysis

Challenges for a Cultural Transformation

- ✓ Clash of views: risk analyst focused on numbers – corporate analyst close to the firm
- ✓ But best practices pray for a complete segregation
- ✓ Dilemma:
How to address intangible assets evaluation



- ✓ Risk analysis tools to capture intangible values
- ✓ Interaction between risk and corporate analysts under strictly controlled process stages

BNDES: Changing the Mindset

Top down changes in BNDES' operational policies

- New credit lines directed towards investments in innovation: no collaterals (*up to US\$ 5 million*)
- Venture Capital Funds
- Seed Money Funds
- FUNTEC (*grants for R&D*)



Innovative small firms
- US\$ 50 million in equity -

BNDES: Changing the Mindset

- ✓ Knowledge management on a personal basis
- ✓ Fast staff renovation (*25% of employees in 2008/09*)
- ✓ Dilemma:
No tools ready for institutional knowledge management

Top-down restructuring of the Bank



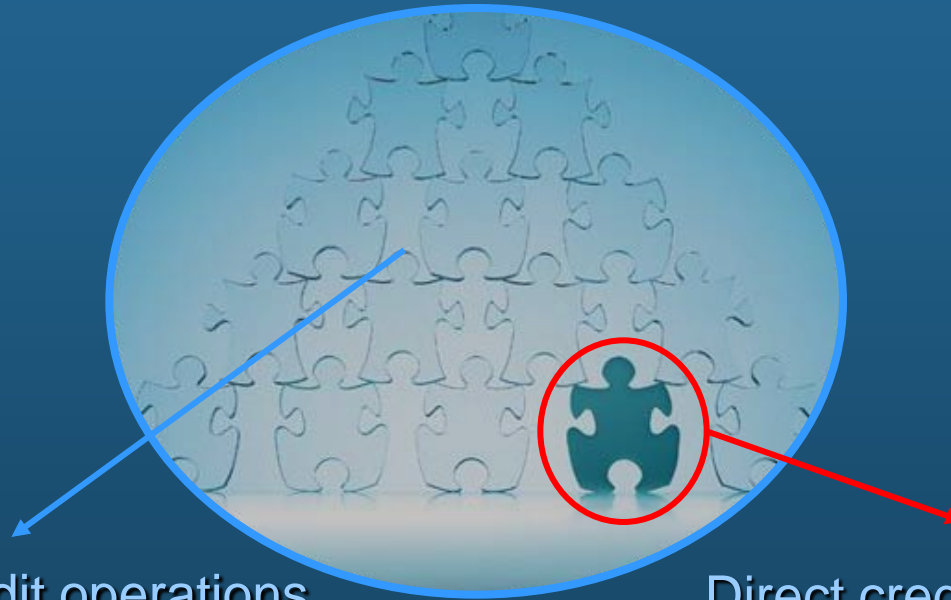
New BNDES' Divisions:

- Human resources: detached from administration area
- Projeto Agir: dedicated to process remodeling / ERP
- Environmental: Fundo Amazonia and Green Financing
- Risk Management: compliance w/ Central Bank recommendations
- VC/PE: equity to innovative SME'S

BNDES: Changing the Mindset

2008

Dilemma: Access to clients information



On lend credit operations

Number of beneficiaries: 202,373

Direct credit operations

Number of beneficiaries: 1,668

Challenges to BNDES

To create a bottom-up change of mindset

Knowledge management
Competence-based management
Information technology

} Integrated actions

- Knowledge management: turn tacit into BNDES's knowledge
- Competences: **broad** training program
- IT: ERP

Review of IC methodology
during confidence crisis (*raise in volatility*)

Challenges to BNDES

- Role of State-Owned Banks in Brazil
 - ◆ Sustain credit with/without Treasury funds

	State-Owned Banks	Private Banks
2004	15.0%	22.0%
2005	16.0%	25.0%
2006	20.0%	21.0%
2007	19.0%	33.0%
2008	40.0%	27.0%

BNDES' Disbursements / Fixed Investments



Challenges to BNDES: Changing and Growing

	Disbursements R\$ millions	N. employees
2004	39,833	1,911
2005	46,980	1,929
2006	51,318	1,952
2007	64,891	1,984
2008	90,877	2,009

Risks or opportunities ?



**The Brazilian Development Bank
Rio de Janeiro/RJ, Brazil**

Eduardo Rath Fingerl

***Managing Director - Capital Market Operations /
Environmental Activities***

Phone: (55) (21) 2172-8650 / 2172-8231



edurath@bndes.gov.br

***Home page:
<http://www.bndes.gov.br/english/default.asp>***

BNDES IC Rating Agenda

"An Update"

May 2009 – IC5 Paris

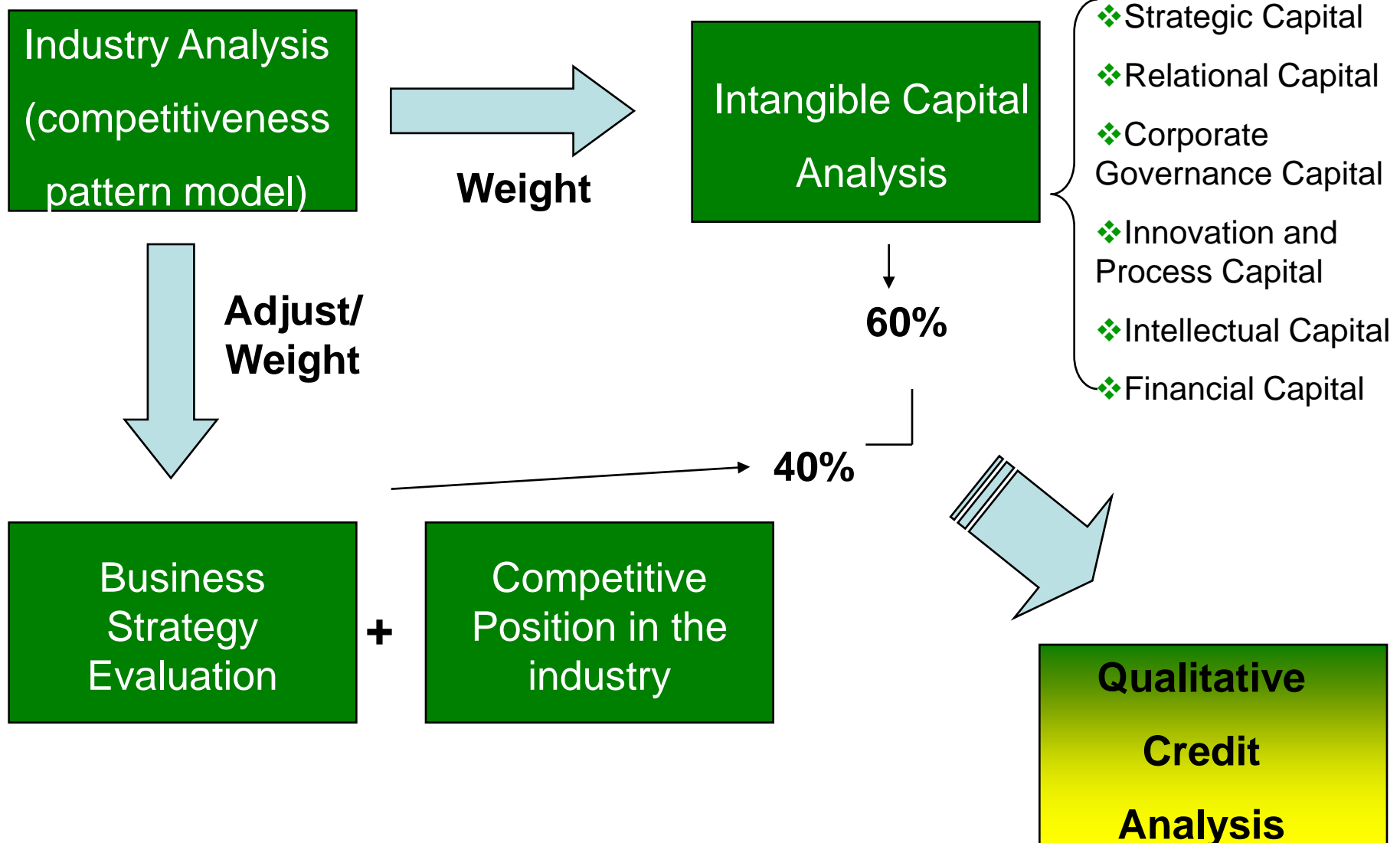
Helena Tenorio Veiga de Almeida

Where we were in May 2008

- We had concluded the tests with a sample of 40 enterprises.
- The IC rating was supposed to be formally included as a part of the BNDES qualitative rating of companies (~ 600 ratings per year)
- In June 2008 the Board decided not only to include the Intangibles perspective into the rating but also into the whole credit analysis process → Integrated Perspective
- Due to these new approach: The Board decided to start a training process for all BNDES's analysts (~ 500).

(II) Where we are Now

The new credit analysis methodology



Thank you.