

THE BRAZILIAN DEVELOPMENT BANK

WHAT IS A DEVELOPMENT BANK (DB)?

The first DBs appeared in the mid-19th century in Europe. Since then, they have been playing a relevant role in the socioeconomic development of the countries and regions where they act, according to their different stages, in scenarios of both stability and crisis.

There is not a sole definition of a development bank. DBs may differ in relation to: capital structure (integral or partially controlled by the government); funding (fiscal and parafiscal, fundraising with clients or in the market, return of assets); variety of sectors supported; clients' size (there are institutions that only work with micro and small enterprises, whereas others work with differentiated sizes); loan models (direct and/or indirect operations); credit conditions; regulation and monitoring (special regime or monetary authority); and corporate governance (independent or controlled by the state). There are also several instruments of credit support: financing offer, guarantees, insurance, reinsurance, shareholding, interest equalization, nonreimbursable funds, and support for reparation of projects, among others.

In addition to Brazil, various developed and developing countries have strong DBs, such as Germany, China, South Korea, Japan, Mexico, France and Russia. Each institution has its way of operating, but they all help implementing public policies, complementing the offer of financial support from the financial system and contributing to private and public sectors to take risks and face

challenges regarding strategic long-term investments. In the last few decades, the growing attention given by these entities to the integration of economic, social and environmental dimensions of development is especially significant.

WHO ARE WE?

We are the Brazilian Development Bank (BNDES), a federal public company linked to the Ministry of Planning, Development and Management, being the main instrument of the Federal Government for long-term financing and investment in the segments of the Brazilian economy. With headquarters in Brasília and most activities concentrated in Rio de Janeiro, we operate throughout the country, with offices in São Paulo and Recife. We have operated since 1952 and today we are one of the largest DBs in the world.

The BNDES System is comprised of three companies: BNDES and its subsidiaries, BNDES Participações S.A. (BNDESPAR), which operates in the capital market, and the Special Agency for Industrial Financing (FINAME), dedicated to the promotion of the production and marketing of machinery and equipment.

Our actions are **guided** by the Advisory Board, our highest governance body, by the Audit Committee and by the Fiscal Council. We render accounts to several government instances: Ministry of Finance, Brazilian Central Bank (BCB), National Congress, Ministry of Transparency, Supervision and Comptroller General of the Union (CGU) and Federal Court of Accounts (TCU).

Learn more in the section
Governance, ethics and transparency

GRI INDICATORS:

102-1 | 102-2 | 102-3 | 102-4 | 102-5
102-6 | 102-7 | 102-15 | 102-45 | 201-4

Learn more in the section
Our relationships

We **relate** with various audiences, from the aforementioned government bodies to Brazilian citizens, including suppliers of goods, services and financeable items, clients, opinion formers, financial agents, institutional partnerships and the academic community, among others.

WHAT ARE OUR SOURCES OF FINANCIAL RESOURCES?

We count on various sources of resources to concede financial support for long-term investments in the Brazilian economy. The return of our own operations along with the resources from the Workers' Assistance Fund (FAT), PIS-Pasep Fund and National Treasury represent a significant portion of our structure of financing. Other governmental funds, fundraising abroad (via multilateral institutions or issuance of bonds), public issuances of BNDESPAR debentures and banking instruments complement this structure.

NATIONAL TREASURY

Between 2008 and 2014, we received expressive funding for performing our operations.

From 2015, there was no more fundraising from this source. On December 2016, we concluded an advance payment of debt of R\$ 100 billion. In 2017, an additional R\$ 50 billion was **anticipated**. In total R\$ 180 billion has been advanced to the Treasury, 43% of the funds received in the 2008-2014 period.

Learn more in the section
Financial sustainability

WORKERS' ASSISTANCE FUND AND PIS-PASEP FUND

The 1988 Brazilian Federal Constitution determined that 40% of the PIS-Pasep collection is earmarked to finance economic development programs through BNDES, in order to not only protect the unemployed worker but also generate opportunities of employment. In 1990, with the extinction of PIS-Pasep and the creation of FAT it became one of our main sources of resources.

These resources are called Constitutional FAT, and BNDES is assigned to decide on their application, provided that they are employed in economic development programs. We also raise funds from FAT via FAT Special Deposits, to be applied in specific programs and sectors, previously determined and approved by the FAT Deliberative Council Executive Secretariat.

ISSUANCE OF BONDS

Since 1953, we have raised funds on the international market through operations of issuance of bonds. The bonds issued have pre-fixed rates, determined in a bookbuilding process and amortization of the principal in a single installment. In this case, the destination of resources is not determined, allowing the Bank to amplify the operation scope.

OPERATIONS WITH MULTILATERAL INSTITUTIONS AND GOVERNMENT AGENCIES

Fundraising with multilateral institutions and government agencies are performed with partner institutions.

Unlike bonds issuance, the funds raised with these institutions have, in general, a specific destination to entrepreneurial sectors or segments and they must thus meet the creditor's conditions.

The main advantages of these sources are stable cost and longer financing terms in relation to other market fundraising ways, besides its countercyclical character.

Fundraising with several international financial institutions mainly aims to create an appropriate budget for our operations, in order to maintain a balanced external debt in terms of currencies, terms and interest rates, since such loans traditionally present equivalent costs in hard currency and more attractive and longer terms than those practiced in the international market.

In a scenario of lesser availability of resources from domestic institutional sources, and considering the presence of foreign companies and their interest in investing in Brazil, there is potential to expand cooperation with traditional partners, as well as to establish new partnerships with international organizations.

OTHER LOANS ABROAD

These are operations conducted abroad with other institutions that are not multilateral agencies and government agencies, usually commercial banks or a group of commercial banks and/or other institutions.

OTHER GOVERNMENTAL SOURCES

The most representative values refer to the Merchant Marine Fund (FMM), whose resources are directed to financing national shipping companies, Brazilian shipbuilders and the Brazilian Navy; and the FI-FGTS, whose funds were raised in 2008 for application in infrastructure projects.

BNDESPAR DEBENTURES

Through public issuances of BNDESPAR debentures, we contributed to the development of the Brazilian fixed-income market and sought to diversify sources of resources.

AGRIBUSINESS LETTERS OF CREDIT (LCA)

We conduct LCA auctions with authorized institutions in electronic trading platforms. In 2017, there was no auction of LCA, due to changes in the legislation regarding the targeting of funds raised.

BNDES does not receive emergency financial aid from the government, since it is a nondependent State-owned company directly controlled by the Federal Government, according to current legislation.

HOW DOES OUR FINANCIAL SUPPORT WORK?

Upon reaching BNDES, a request for financial support goes through several phases of evaluation, from the submission to the release of funds. Each of these stages involves different teams, with collective decision-making.

The stages of the process of granting the financial support vary according to the amount requested and to the participation – or not – of an accredited financial agent in the operation.

In general, the client can request financing directly to the BNDES (direct support) when the amount exceeds R\$ 20 million. All financing operations for the isolated purchase of machinery and equipment, as well as financing of less than R\$ 20 million for projects for the implementation, modernization and expansion of businesses are carried out indirectly.

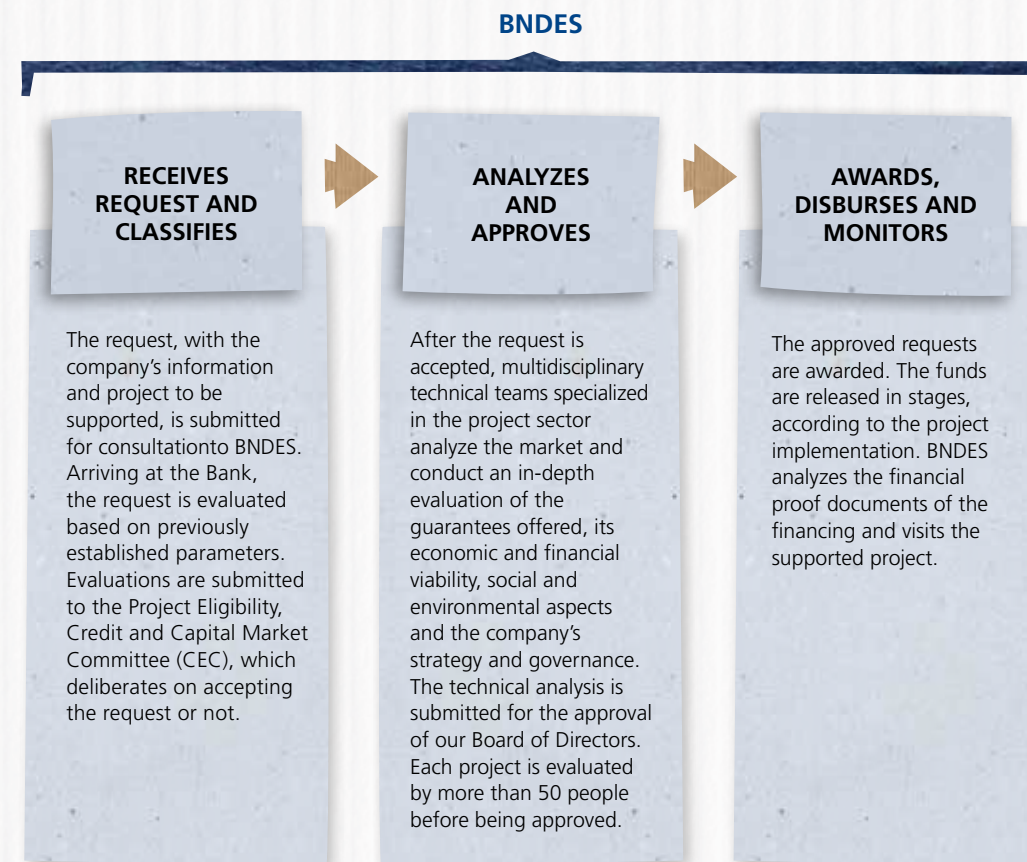
In this case, our partner institutions (such as commercial banks, development banks and development agencies) act as intermediaries, totally or partially assuming the risk of default by the client and allowing our resources to reach all Brazilian municipalities, since we do not have branches.

But attention: we do not accredit consultants (individuals or legal entities) as intermediaries to facilitate, expedite or approve credit operations.

Learn more about how this process works and about our forms of support in the following infographics.

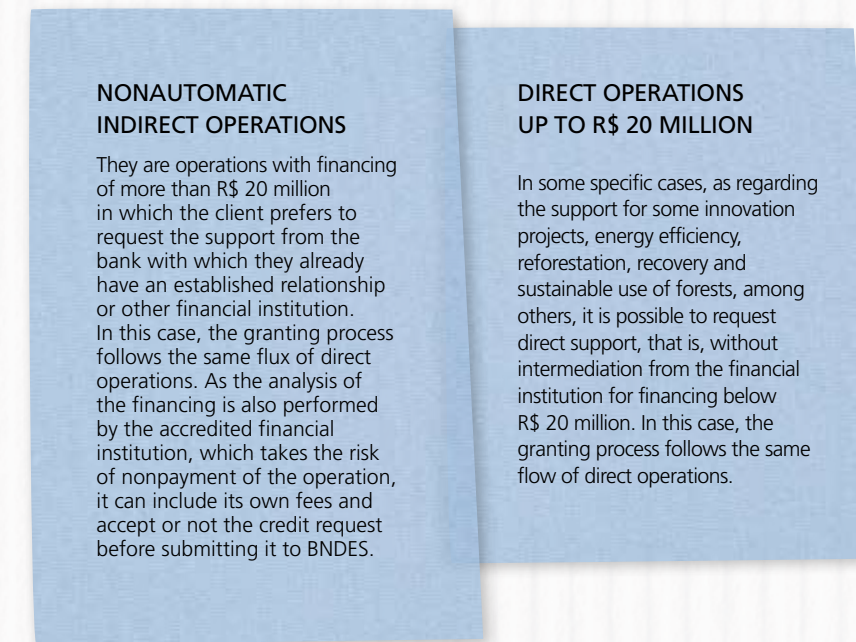
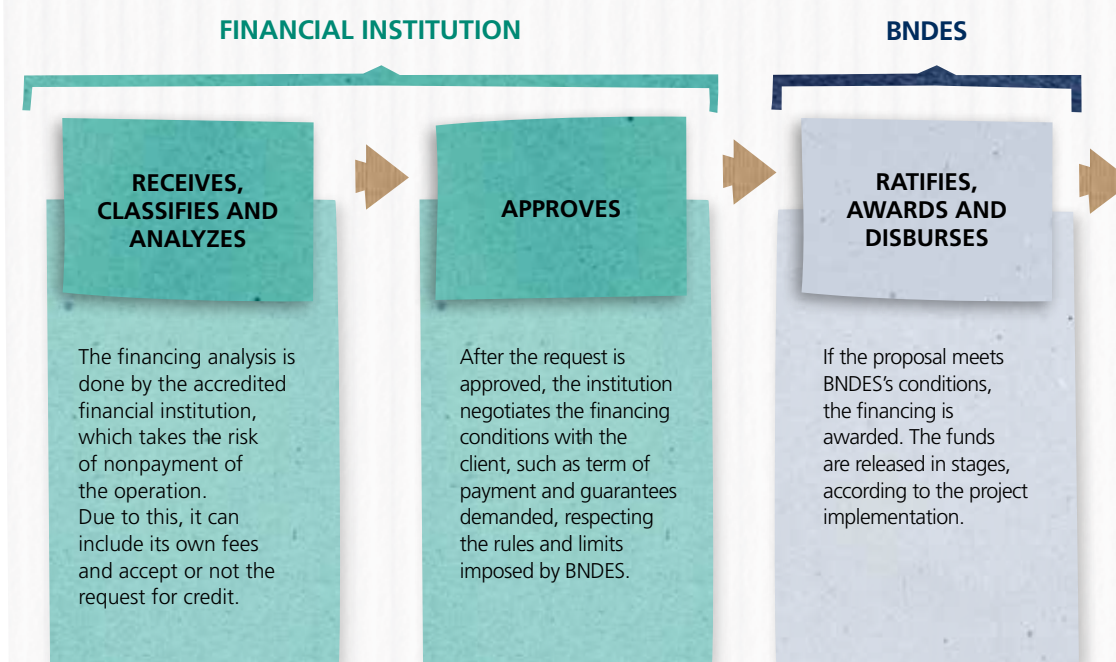
DIRECT OPERATIONS

Request for financing as of R\$ 20 million



AUTOMATIC INDIRECT OPERATIONS

Request for financing up to R\$ 20 million



BNDES AND FINANCIAL INSTITUTION



Learn more in the section *Our strategy*

HOW ARE SUPPORTED PROJECTS SELECTED?

Upon reaching the BNDES, the request for financial support is evaluated based on parameters regulated by our **operational and credit policies**, which set loan conditions for our clients.

In addition, the expected impact of each project is assessed using the **thesis of investment impact on projects (Tiip)**, an internally developed methodology that, in addition to enabling an analysis of the project's expected effects in economic, social, environmental and regional dimensions and of the client, contributes to the definition of the project's follow-up indicators throughout its execution.

In this stage, the most appropriate instruments to meet the request and the environmental risk profile of the operations are also evaluated. All such information is then forwarded to the Project Eligibility, Credit and Capital Market Committee (CEC), a collegiate body formed by BNDES's superintendents.

Applications for direct and indirect nonautomatic financing may be sent via our website, being submitted to prior electronic consultation. The system contributes to improving communication with the client, reducing operational procedures on paper, increasing transparency and enabling client follow-up. Additionally, in 2017 we started to offer the option of digitally signing the registration forms – documents required for direct financing – using the e-CPF.