

ANNUAL REPORT

2013



DELIVERIES TO SOCIETY

FIND OUT HOW THE
BNDES' RESOURCES
WERE INVESTED IN 2013.
MORE THAN 270,000 COMPANIES
RECEIVED SUPPORT FROM
THE BANK, WHICH DISBURSED
R\$ 190 BILLION IN
1,144,262 OPERATIONS.

Strategy

The BNDES' achievements with regards to priorities, including the infrastructure sector, fostering competitiveness, social and productive inclusion, innovation, regional and socio-environmental development.

Corporate vision

Management, financial information and human resources are also part of this report, which refers readers to more detailed content online.



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MISSION

To foster sustainable and competitive development in the Brazilian economy, generating employment while reducing social and regional inequalities.

VISION

To perform its duties as the development bank of Brazil, an institution of excellence that is innovative and proactive in light of the challenges in our society.

VALUES

Commitment to development
Public principles
Excellence
Ethics

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Over the years, the BNDES has been working towards an integrated report, which is an international initiative that aims at building common parameters for public and private organizations to report on their activities. It is an effort towards transparency and stability in the worldwide economic system.

In its Annual Report, the BNDES aims at presenting to interested parties the highlights of its efforts in 2013, focusing on the economic, social and environmental aspects.

For the first time, the BNDES will issue this report in a magazine format, which will help those who seek to know how the Bank generates value for society, its clients and the Brazilian economy. Using accessible and dynamic language, this magazine presents the BNDES' efforts when using capitals and perspectives that are part of the company's Strategic Map.

The 2013 Report is also available in a more detailed PDF format – the Annual Technical Report, with more operational and financial information. Throughout the text, readers are referred to contents in the magazine and on other digital platforms in the “Learn More” sections. In all parts, the Bank continues to use the 18 Global Reporting Initiative (GRI) indicators, which are flagged with the “Q” icon.

The period of the report ranges from January to December 2013 and comprises the entire BNDES System, which includes the six BNDES facilities – in the Federal District, Rio de Janeiro, São Paulo and Recife (Brazil), Montevideo (Uruguay) and Johannesburg (South Africa) –, as well as the subsidiaries: BNDES Participações S.A. (BNDESPAR), which works in the capitals market; the Special Agency for Industrial Financing (FINAME), dedicated to fostering production and commercialization of machinery and equipment; and the BNDES PLC, located in London (United Kingdom).

As a result of rounding up, the sum of the numbers in the charts might not be exact; much like the sum of the percentages may not total 100%. For the same reason, there may be a small variation between values presented in the report.

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Integrated report
International Integrated
Reporting Council



**Annual
Technical Report**

The BNDES indicators in 2013 reflect the Bank's heedful alignment with the production sector's needs and the Federal Government's guidelines. The institution has focused its activities on three fundamental pillars: infrastructure, competitiveness and productive inclusion, besides paying special attention to micro and small enterprises.

The Bank once again played an important role in expanding and maintaining the dynamics of the economy, with disbursements of R\$ 190 billion in 2013, up 22% in comparison with 2012. These amounts were connected to investments totaling R\$ 396 billion, due to the counter-investments the Bank requires in its financing operations.

As can be seen, the numbers in this report demonstrate the importance of the BNDES in carrying out structuring projects that are imperative to the country's development. This consolidates the institution as the main long-term financing instrument in the Brazilian economy.

Within this context, the Bank's efforts fully adhere to policies that stimulate industrial production and foreign trade implemented by the Ministry of Development, Industry and Foreign Trade (MDIC) to tackle the unfavorable international economic situation that has surfaced in the last few years.

In retrospect, over the last six decades, the BNDES has a vast portfolio of services aimed at developing Brazil. Looking towards the future, the Bank is key in dealing with upcoming challenges, such as sustainability.

I believe that the BNDES will play an essential role in resolving the country's challenges, no matter what they are.

Congratulations to all of the Bank's collaborators for contributing to the development of Brazil!

Mauro Borges

*Ministry of Development, Industry
and Foreign Trade (MDIC)*

Investments expanded remarkably in 2013, despite the difficulties that international trade presented on the Brazilian economy. The Gross Formation of Fixed Capital grew 6.3% – within which machinery and equipment rose 10.1% – sitting well above GDP growth (2.3%). Institutionally, highlights were the vigorous starting point in the logistics concession program and the auction of the pre-salt Libra oil field.

The BNDES contributed positively to such performance. Investments leveraged through its funding accounted for 25.6% of the Gross Formation of Fixed Capital in the country, directly and indirectly creating or maintaining 5.9 million jobs during the investment period.

The Bank's technical support was also prominent in structuring logistics projects that gave rise to road and airport auctions, as well as contributing to state and municipal projects in health, sanitation and urban mobility.

To ensure the favorable performance of investments, the Bank disbursed R\$ 190.4 billion, some 22.1% above the nominal amount of R\$ 156 billion posted in 2012.

The BNDES has a longstanding commitment to infrastructure and industry. In 2013, as in the last few years, it is worth mentioning the advance of other strategic priorities. The percentage of the Bank's disbursements to micro, small and medium-sized enterprises (MSME) are at all-time records. The participation of the North and Northeastern regions has also been, at least, equivalent to its contribution to GDP. Support to the Green Economy was three times that in 2007 and, to innovation, this indicator was 16 times higher in relation to the same year, which shows that these are increasingly effective priorities for the BNDES, as well as Brazil.

The BNDES' financial strength is essential in continuing these multiple development efforts. Another fundamental part is the governance structure characterized by collective decisions, ranging from the arrival of an operation up to its approval, and analyses submitted to a system of checks and balances, revealing the decisive validation of its professional staff.

Transparency is another permanent and growing commitment of the BNDES. Among the direct communication channels with society, standing apart are the Ombudsperson, the Citizen Information Service and the website www.bndes.gov.br/transparencia. The BNDES is also subject to the scrutiny of National Congress, as well as official regulation and control agencies.

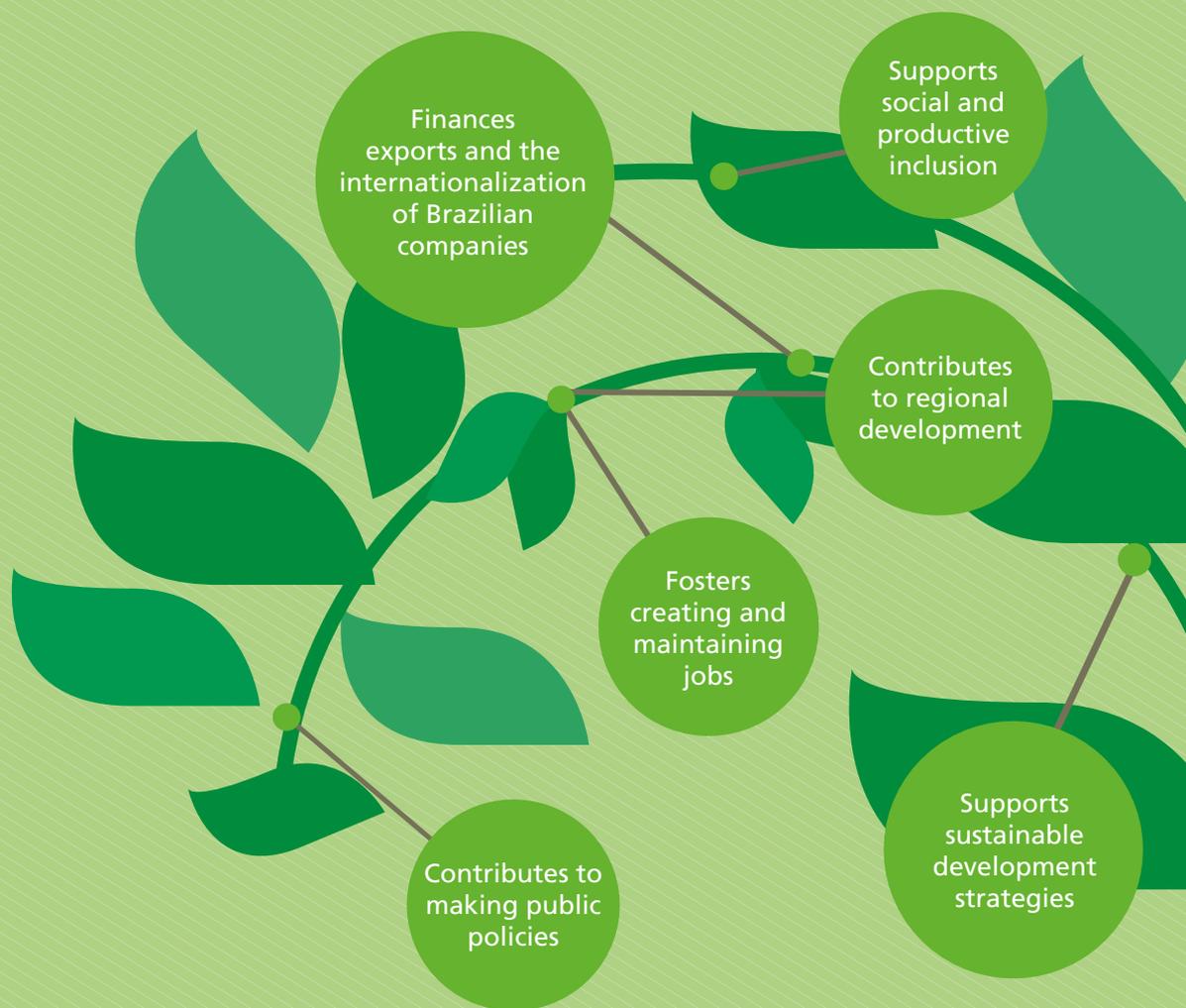
Finally, it bears repeating that the BNDES' main mission is to enable the expansion of investments as a proportion of GDP, which is key in guaranteeing the sustainability of growth. In the last few years, the BNDES has met the need to continuously furnish long-term national financing. At the same time, the Bank has always worked towards strengthening the capitals market, seeking to attract companies and investors, as well as inducing good corporate governance practices. In the coming years, we need to add even more to these efforts in order to enhance a steady expansion in private credit and the capitals market in terms of long-term financing.

Luciano Coutinho
President of the BNDES

The chart below summarizes the main highlights in earmarked resources.

2013 Disbursements (in R\$ billion)	
Infrastructure	62.2
Industry	58.0
Micro, Small and Medium-sized Enterprises (MSME)	63.5
North and Northeast regions	39.4
Green economy	24.4
Innovation	5.2
Variation in relation to 2012 (%)	
Infrastructure	17.5
Industry	21.7
Micro, Small and Medium-sized Enterprises (MSME)	26.8
North and Northeast regions	14.6
Green economy	17.2
Innovation	58.6

The Brazilian development bank



A bank dedicated to developing a country. The main force in implementing the Federal Government's investment policy, the BNDES has a challenging and substantial mission, which sets it aside from the rest.

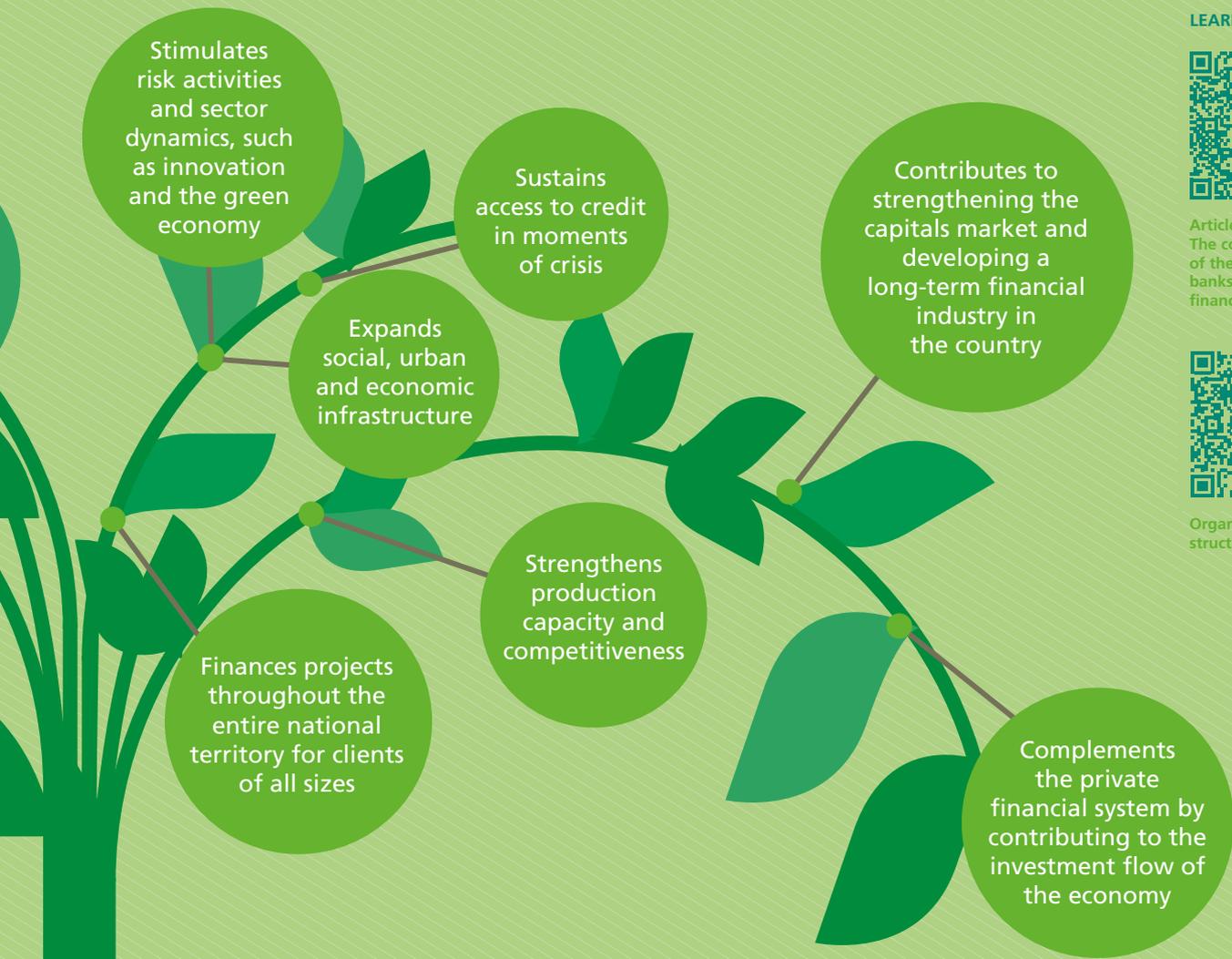
To face the challenge, the Bank has a set of policies and procedures, as well as various products and mechanisms for financial, technical and institutional support. Such mechanisms guide and operationalize its efforts, employing an integrated vision of sustainable development.

The BNDES is a federally-owned company connected to the Ministry of Development, Industry and Foreign Trade, and its efforts are guided by the Advisory Board, the Auditing Committee and the Fiscal Council and reports to several government bodies: the Ministry of Finance, the Ministry of Planning and Budgeting, the Central Bank, National Congress, the Office of the Comptroller General and the Federal Court of Accounts.

PROCESSES

KNOWLEDGE

PEOPLE



LEARN MORE



Article:
The contribution of the development banks for long-term financing



Organizational structure

Development banks are public institutions that surfaced in the 1940s in an effort to rebuild the post-war world, and since then have played an important role in socio-economic development, in accordance with the different stages of the countries in which they operate, in times of both stability and crisis.

Each institution has its specific operations, but, in general, all of them invest intellectual, human, social and financial capital – the latter generally from public sources – to help implement policies and contribute so that the private and public sectors take on risks and challenges in strategic long-term investments. Over the last few decades, what has stood apart is the increasing attention to integrating the economic, social and environmental aspects of development.

RELATIONSHIPS

FINANCIAL RESOURCES

Process and governance

Q1

All requests for financial support from the Bank are analyzed according to principles of separating responsibilities – that is, each phase of a financing operation involves different teams –, with decisions made collectively.

Granting financial support is one of the BNDES' most important processes. Its phases vary according

to the intended amount of financing and the participation of partner agents – among them, most of the financial institutions in the country –, which could be intermediaries in the financing operation, fully or partially taking on the credit risk (non-payment) of the operation. Operations are then classified: direct, non-automatic and automatic indirect operations.

Consultation

Sending a consultation to the Bank – directly or through partners – with company information and the project for which the client plans to receive support marks the beginning of the process. In 2013, applications for financing totaled R\$ 277.4 billion.

There are several channels through which interested parties can learn about the types of support and the conditions the Bank offers and how to initiate the first contact, such as the Call Center, the face-to-face entrepreneurial support service and the website, especially the online tool More BNDES.

Eligibility

The BNDES, in accordance with previously-established parameters, assesses whether the request contributes to the sustainable and competitive development of the country and whether the interested party has the required financing conditions. At this stage, the most appropriate financing products to meet the support request are also identified. Also in this step, the operations to be classified are identified in accordance with the environmental risk. The charts to the right show the risk profile of projects rated in 2013 (more details on page 23).



- A** Activities related to significant or regional environmental impact risks.
- B** Activity associated with lesser or local environmental impact.
- C** Activities do not present any apparent environmental risk.



There are three types of financing operations. Direct and indirect non-automatic operations follow the same steps, but differ in that the latter modality is carried out with an intermediary financial agent. Created to expand access to credit, indirect automatic operations also follow the same steps, but are faster and involve financial agents more.



Eligibility analyses are forwarded to a committee, comprising employees from all areas of the Bank, who discusses the request.

CAPITALS MARKET

The BNDES' operations in the capitals market, through its subsidiary BNDESPAR, follow a process adapted to the specific efforts of this nature, but also respect the principles of separate responsibilities and collective decisions.

IN FOCUS

Security and agility

The Bank is making efforts to reduce the minimum time to award financing, ensuring the security of financial operations that present default rates below the average in the national financing system, thanks to the quality of

analyses performed. An important advance in 2013 was the creation of the Financial Support Management Committee, responsible for overseeing the effectiveness and efficiency of this process that is key to the BNDES.

Transversal themes

Social and environmental aspects, as well as innovation and regional development, are all features taken into account in the different stages of the financing process, in assessing impacts and inducing investments integrated into the projects.

Analysis and approval

From the new information sent by the interested parties or the financing agent, requests classified as eligible undergo a thorough analysis, carried out by multidisciplinary technical teams specialized in the economic sector of the project.

At this stage, they assess the guarantees offered and conduct a study on the economic-financial viability of the project, including analysis of the market, the corporate strategy and company governance. The social and environmental aspects of the initiative are analyzed in accordance with the BNDES' Socio-environmental Policy and guidelines that deal with socio-environmental issues that are particular to every sector. Another instrument to assist with this analysis is the Company Assessment Methodology (MAE), which evaluates intangible assets such as the level of commitment of a company to social and environmental responsibility and associated practices. ^{Q2}

In automatic indirect operations, the financing agent classifies and analyzes the request for financing. After credit is approved, the partner seeks the Bank's approval, without which resources are not released.



Technical analysis is submitted to the BNDES' Board of Directors for approval.

Effectiveness

Besides following up on each project receiving support, the Bank has been fine-tuning the system to monitor direct and indirect impacts resulting from its efforts to develop the country. To do so, an important corporate project called Effectiveness was created in 2013.

Contracting

Approved requests are contracted in compliance with the legal standards of the Bank. It is important to mention the Social Clause in these contracts, which outlines the fight against discrimination based on race or gender, child labor and slave labor in Brazil. The Social Clause clearly states that proof of such illegal acts may result in the suspension or early termination of the operation.

Disbursement and follow-up

Funds are released in stages, in keeping with the implementation of parts of the project. The BNDES analyzes the documents that prove the use of financing in accordance with the physical and financial schedule, besides visiting the supported projects. This follow-up process is essential to mitigate credit risk and guarantees the Bank has comprehensive knowledge of many sectors in the Brazilian economy.

In the case of indirect operations, the financing agent performs the detailed follow-up, and the BNDES monitors the operations through samples.

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Innovation Policy



Policy on Surrounding Areas



Socio-environmental Policy

Meeting the varied needs of financial support with a comprehensive view of development is one of the BNDES' challenges. To do so, the Bank has a portfolio of policies as well as different products and support instruments. These are always aligned with governmental policies and in tune with the economic moment and the country's needs. This portfolio enables reimbursable and non-reimbursable financing, fixed and variable income market operations, and guarantees.

PRODUCTS

Products define the systematic operationalization of financing and are designed to enable support for public and private enterprises, as well as for the production, commercialization and acquisition of goods and services, serving clients of different sizes. Operations can be carried out directly with the BNDES or through a network of accredited financial agents, in the form of automatic or non-automatic indirect support.

Products can be characterized per se – such as the BNDES Card – or are linked to credit lines and programs that have specific conditions for economic sectors, types of beneficiaries and investments.

There are also funds for reimbursable financing, in which resources and regulation for support are external to the BNDES – for example, the Merchant Marine Fund and the Climate Fund. All applications of these funds are carried out through a BNDES product.

The Bank also works with products from the capitals market, through the subscription of bonds, corporate securities in public offerings and investment funds.

NON-REIMBURSABLE RESOURCES

Resources do not need to be reimbursed, and investment is restricted to social, cultural, environmental, scientific and technological projects, complementing reimbursable financial support from the BNDES in these strategic areas. Resources derive in part from the Bank's profit, such as the Social Fund, or from external donations, such as the Amazon Fund. It is important to mention that should the beneficiary institution fail to meet the conditions for non-reimbursable financing, it is obliged to repay the funds to the Bank.

GUARANTEEING FUNDS

There are also funds to complement the BNDES' financing guarantees, such as the Investment Guarantee Fund (FGI), an important instrument for improving access to credit for micro, small and medium-sized enterprises. In this case, there are no disbursements for operations, only payments to the agent who took on the credit risk in default cases.

IN FOCUS

The Operational Policies consolidate the regulation of the BNDES' policy portfolio, products and financial instruments and are regularly monitored for updates.

Throughout 2013, the Operational Policies were revised and have been in effect since February 2014. Aligned with the government's guidelines, they focus on maintaining and expanding investment, while allowing the private sector space to play a more substantial role in long-term financing.

The portfolio of instruments has been simplified and its new conditions enable gradual change in the Bank's participation levels and the financial cost profile, reducing participation in Long-term Interest Rates (TJLP) and increasing the use of other currencies in financing operations. The priority sectors have the lowest financial costs, the longest terms and the highest percentage of the Bank's participation.

Together with the revision, the Federal Government's Investment Maintenance Program (PSI) was maintained to acquire or support the export of capital goods and investments in innovation, and its conditions were readapted for 2014.

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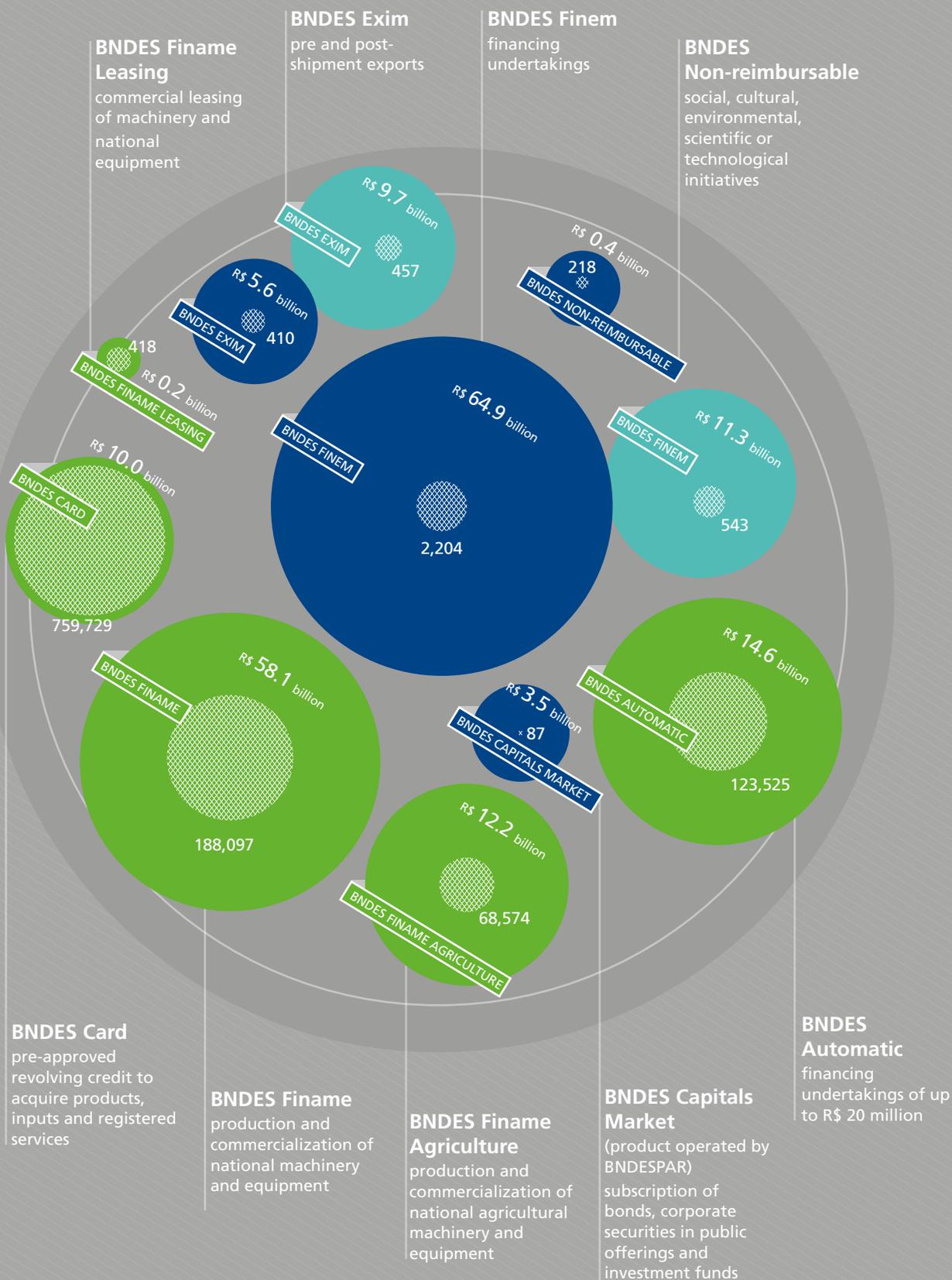
Financial support



More BNDES

MAIN PRODUCTS

DISBURSEMENT AND NUMBER OF OPERATIONS – 2013



● PER AMOUNT

▨ PER NUMBER OF OPERATIONS

● DIRECT OPERATION

▨ INDIRECT NON-AUTOMATIC OPERATION

● INDIRECT AUTOMATIC OPERATION

Present in all sectors of the economy, the Bank serves clients from all regions of the country and of different sizes, from micro and small enterprises to large-scale companies, as well as the public and third sectors.

The Bank's strategy aims at stimulating innovation, local and regional development as well as socio-environmental development. These are aspects it has elected as the most important for economic support in the current context.

Some R\$ 190 billion was disbursed in 2013, highlighting the 17.5% growth compared to 2012 in infrastructure, a priority sector, achieving new records in support for micro, small and medium-sized enterprises, as well as innovation and sustaining the disbursement levels to the North, Northeast and Central-West regions.

The following illustration shows the main figures in the BNDES' operational performance in 2013. Q³



R\$ 5.2 BILLION
INNOVATION



R\$ 19.5 BILLION
SOCIAL
DEVELOPMENT Q⁴



R\$ 24.4 BILLION
GREEN
ECONOMY Q⁵

.....
Economic scenario

The BNDES' disbursements in 2013 reflected the institution's efforts towards credit sustainability following the 2008 crisis and the European crisis. In keeping with the current scenario of renewed investments and under the Federal Government's guidance, the Bank has begun to cautiously moderate its activities for the coming years. Accordingly, the eligibility and approvals in 2013 already presented a discreet 7% and 8% reduction, respectively.

Control

The BNDES received diligences and underwent audits in 2013, which, together, gave rise to 706 requests for information, which were all properly addressed.
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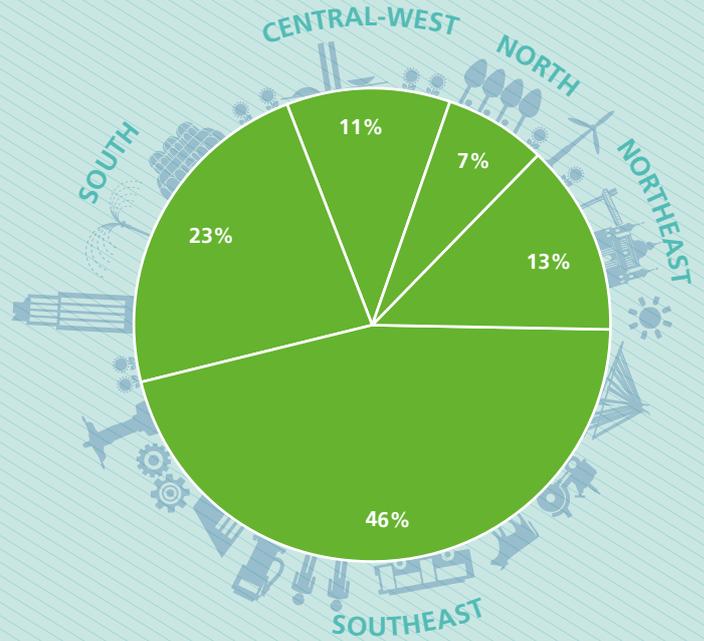


Performance in 2013



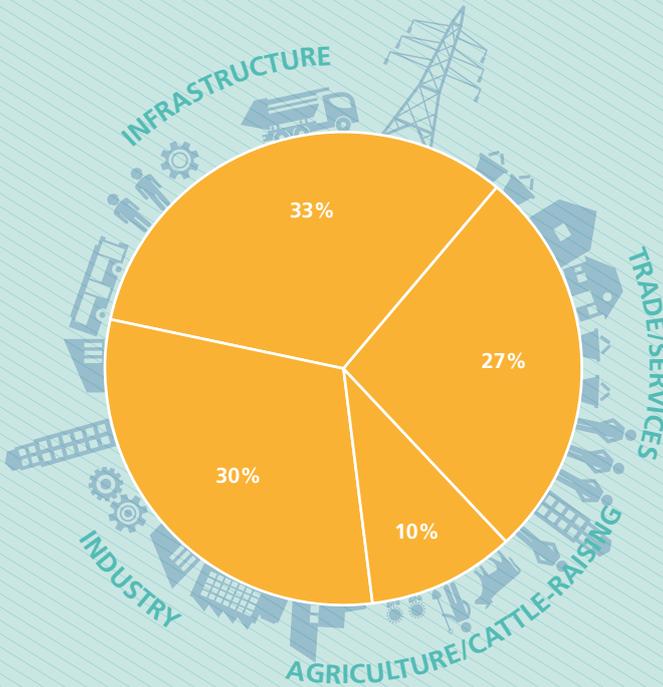
Operational statistics of the BNDES System

Distribution of disbursements per region
(amounts)

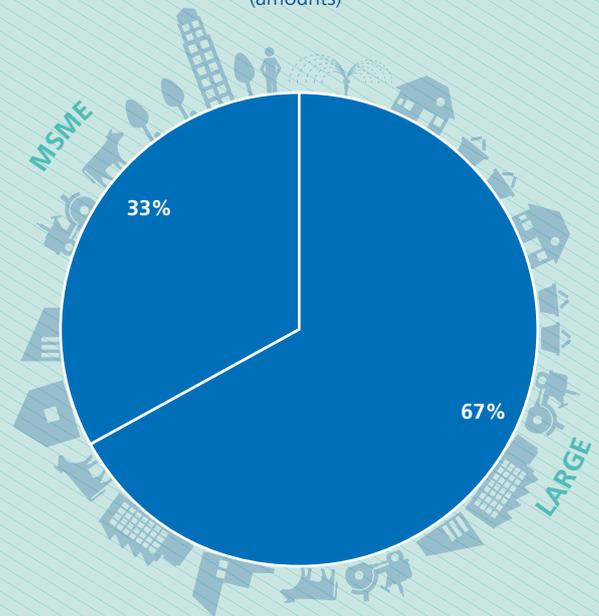


The levels of disbursements in the regions of the country have remained stable in comparison to previous years, with an increase in the South Region.

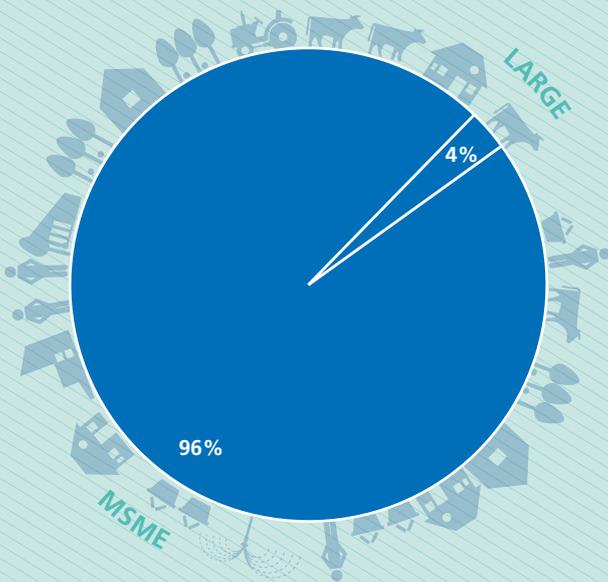
Distribution of disbursements per sector
(amounts)



Distribution of disbursements per client size
(amounts)



Distribution of the number of operations per client size



Support for micro, small and medium-sized enterprises (MSME) and individuals remains expressive: 96% of the financial support operations carried out in 2013 were in this segment.

Responsible for large-scale investments in the economy, larger companies are essential in developing the country. Of Brazil's 1,000 largest firms in the ranking published by the *Valor Econômico* newspaper in August 2013, some 783 had received financing from the BNDES in a five-year period, from 2007 to 2012.

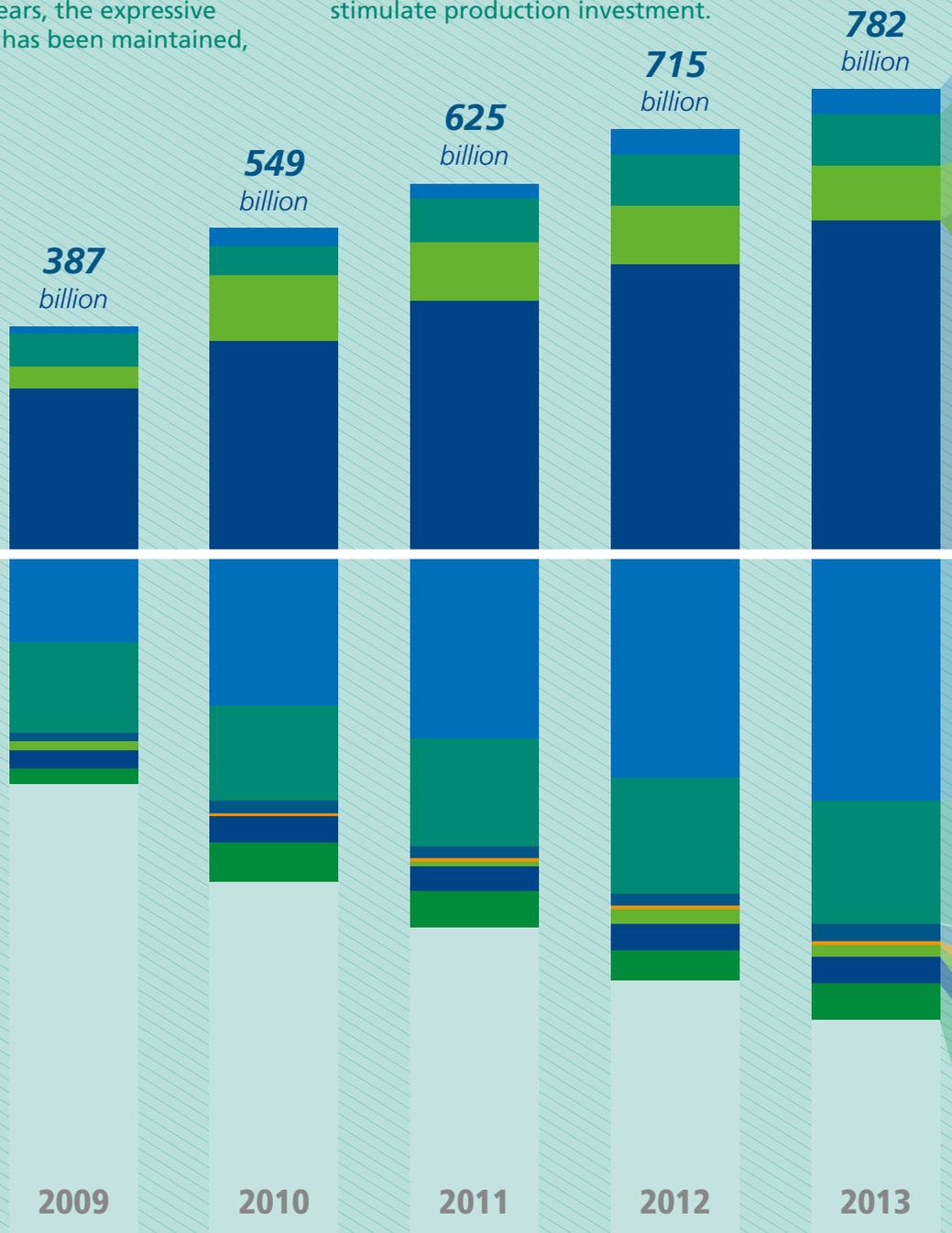
The BNDES in numbers

Total assets

Total liability

The Bank registered a net profit of R\$ 8.150 billion in 2013, maintaining the same level as the R\$ 8.126 billion registered the year before.* In relation to previous years, the expressive performance has been maintained,

despite the capitals market situation and the reduction of the fees charged by the BNDES, in keeping with the Federal Government's effort to stimulate production investment.



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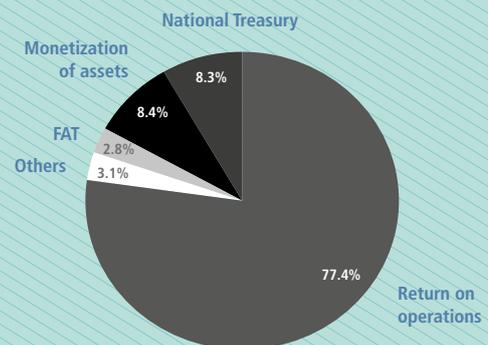
Performance in 2013



Financial information

Cash flow per source of resources

Return on the BNDES' operations comprises the main source of resources for its disbursement and investment budgets.



* Amounts for 2012 disclosed previously were adjusted for comparison purposes as required by accountability norms.

Other assets

Bonds and securities

Comprising public bonds and debentures (debt securities issued by companies), which represent one form of the BNDES' support.

Corporate stakes (shares)

This encompasses shares that the Federal Government included in the BNDES as capital and minority and transitory stakes – an instrument to support capitalization and to develop national companies, as well as strengthening the capitals market. The 9.3% decrease in the 2012-2013 comparison was due to depreciation in the portfolio, accompanying the capitals market.

Credit portfolio and onlendings

Credits classified between the AA and C levels, considered to be of low risk, represent 99.7% of the total portfolio, higher than the 93.3% average in the National Financial System (SFN).

BNDES X SFN inequity



The default rate reached 0.01% on December 31, 2013, the lowest rate in the BNDES' history, reflecting the management and quality of this portfolio, the consistency in operational policies and the BNDES' role as a development bank. During 2013, the volume of renegotiations carried out is equal to 1.2% of the portfolio, and it is one more indicator that confirms this quality.

National Treasury

The National Treasury has been the BNDES' main creditor since 2010. The cost of these resources is mostly pegged to the Long-term Interest Rate (TJLP).

Workers' Assistance Fund (FAT)

A source of resources decreed in the Federal Constitution, whose cost is mainly pegged to the TJLP. The cost of a part of these resources might be pegged to the dollar within limits established in the Constitution.

Fundraising abroad

BNDESPAR debentures

Fundraising abroad and BNDESPAR debentures are additional sources of resources to fundraising in the domestic and international markets.

Repo operations

Other obligations

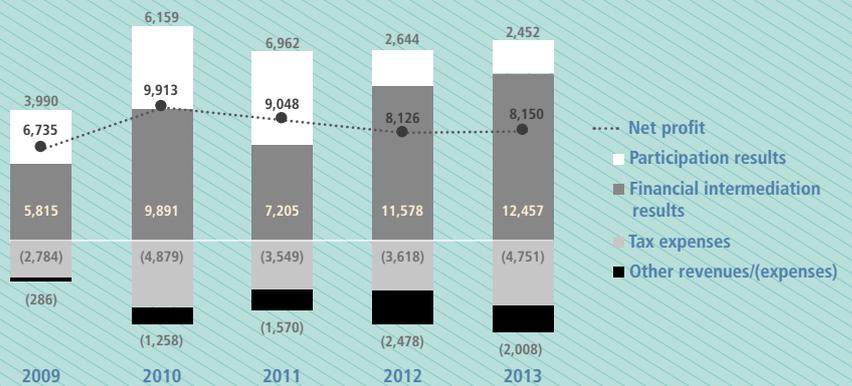
Net worth

Aimed at increasing operational capacity and strengthening its capital structure, the BNDES and the Federal Government, in 2013, signed an instrument for capital valued at R\$ 15 billion.

Prudential indicators

	Minimum	Evaluated
Basel Index	11.0%	19.2%
Main Capital Index	4.5%	10.7%
Level 1 Capital Index	5.5%	12.8%

Result (in R\$ million)



Financial intermediation results

The 7.6% increase in 2012 is due to the positive effects from credit risk allowance, which represents the expected loss when receiving loan operations. Changes in this expectation could result in increased expenditures with allowances or in reversal of allowances carried out in previous periods, situation that occurred in 2013.

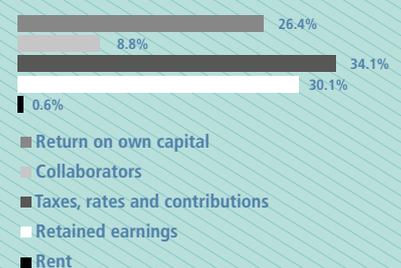
Results from corporate stakes (shares)

Results were influenced by market conditions which were unfavorable in the last two years.

6 Wealth generated and distributed

Using a global view of performance, the Added Value Statement, which is an important indicator for assessing the social role, presents the company's contribution to generating wealth for the economy in which it operates and its effective distribution among employees, the government, financing agents and their shareholders. The wealth generated and distributed by the BNDES in 2013 was R\$ 14.431 billion, with performance up 9.7% on results in 2012.

Added value distributed | 2013



DEVELOPING THE COUNTRY AND DEVELOPING ITSELF

All over the world, development banks are discussing short and long-term issues, those related to national development challenges – in a global scenario of economic and financial uncertainty, innovation opportunities, increasing social and environmental demands –, and those related to their activities: regulation and governance, fundraising and financial sustainability, forms of labor and cooperation, assessing effectiveness, dialogue and transparency.

This is also the BNDES' agenda, marked by its institutional peculiarities and the challenges for Brazilian development in the coming years.

The institution's Strategic Corporate Planning guides all the Bank's efforts in four large-scale perspectives: Sustainable and Competitive Development, Financial Sustainability, Internal Processes, as well as Learning and Competences.

The first entails the development that the Bank seeks for Brazil, based on the government's plans and the current economic situation. Although they are also aimed at the external environment, the other perspectives focus on developing the BNDES, as well as its products, processes and governance.

Strategy management is a participative process at different internal instances, and it is monitored quarterly by a committee in which directors and superintendents are present, to follow up on the BNDES' progress towards the established aims.

For the coming years, the scenario emphasizes the need to expand and modernize infrastructure, social and productive inclusion, innovation, productivity and competitiveness, the international insertion of Brazilian companies, environmental sustainability, promoting regional development and greater approximation of interested parties.

IN FOCUS

The year of 2013 was marked by the progress and institutionalization of planning practices and strategy management, which was formalized as a process.

One of the fruits of strategy management is the annual conception of the corporate projects portfolio to upgrade the quality and efficiency of the Bank and its results for society. In 2013, this portfolio comprised 10 projects related to: Innovation; Sustainability Management; Internationalization; Africa, Latin America and the Caribbean; Fixed Income Instruments; Guarantees; External Relationships; the AGIR project and process governance; Strategic Staff Management; and Effectiveness.

In light of strategic planning and the capitals used by the BNDES to foster sustainable and competitive development, the main achievements in 2013 were organized into four blocks:

- *Fostering development: deliveries to Brazilian society*
- *Management and institutional relations practices: processes, partnerships and dialogue*
- *Financial sustainability: a solid institution*
- *Developing competence: training, acknowledging and developing employees*

Fostering **DEVELOPMENT**

*Infrastructure:
a decisive sector*

*Innovation, socio-environmental
and regional issues*

Social and productive inclusion

*Competitiveness of Brazilian
companies*

Generating knowledge

Management and institutional **RELATIONS PRACTICES**

Management practices

Institutional relations

FINANCIAL **sustainability**

Integrating financial products

Equity structure

Risk management and return

Developing **COMPETENCE**

Innovative environment

*Personal and professional
development*

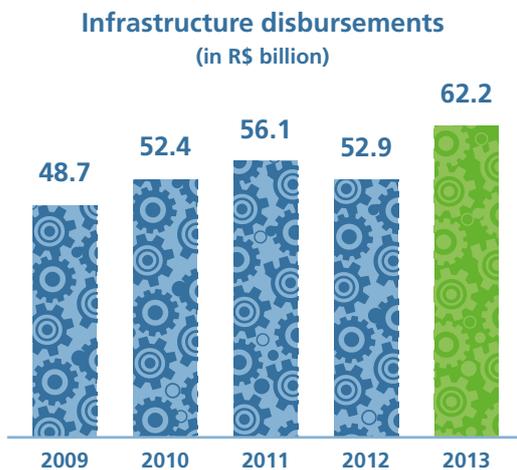
Strategic staff management

Expanding and modernizing logistics, energy, communications, urban mobility, sanitation, health, education and security networks, as well as improving public management, focused on planning and operationalizing these investments, which can leverage development. Advancements in infrastructure foster the improvement of the population's standard of living, while integrating regions and increasing the competitiveness and productivity of companies in all economic activities, which is why this sector has been expressively funded by the BNDES, especially within the scope of the Growth Acceleration Program (PAC). Starting in 2013, the Bank strengthened its efforts together with the Federal Government for the PAC Mobility and the concessions program for transport and energy infrastructures – the latter with investments estimated at US\$ 235 billion.

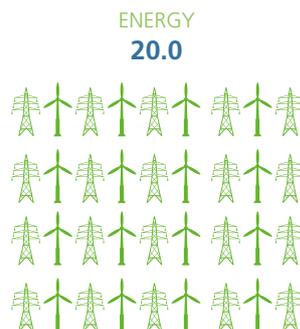
Support for infrastructure has favorable financing conditions in relation to loan terms and financial costs, which is a decisive factor for reducing the rates of public services when going operational, in addition to guaranteeing the feasibility of higher risk and complex projects.

Besides granting financial support, the BNDES assists the federal and state governments when structuring concessions and public-private partnerships (PPP). In 2013, the Bank helped elaborate the parameters for the concessions to the private initiative for airports, highways as well as water and sewage networks.

Aimed at strengthening Brazil's capitals market and helping increase private investments in infrastructure, the BNDES' support includes fixed and variable-income products. It also encompasses the purchase of stakes in companies that can bid in public concession auctions and prospect new business opportunities.



Highlights in infrastructure support in 2013
(in R\$ billion)



IN FOCUS

Structuring projects

Structuring concessions for two airports: the Galeão Airport in Rio de Janeiro and the Confins Airport in Minas Gerais; five highway sections (BR-050 GO-MG, BR-060/153/262 DF-GO-MG, BR-163 MT, BR-163 MS and BR-040 DF-GO-MG) and two basic sanitation and water distribution projects. The winning consortiums of these auctions are expected to invest more than R\$ 38 billion over the next 30 years.

Concessions

Financial support was approved for investment plans in the Guarulhos and Viracopos airports in São Paulo and Brasília, in the Federal District. These aim at expanding and modernizing the airports, which were auctioned in 2012.

Energy transmission

Projects to expand the energy transmission network are among the most expressive approvals in 2013, amounting to R\$ 4.7 billion. These initiatives are of the utmost importance for Brazil's energy system, as they will help add renewable energy to energy parks, as well as fostering energy exchange between the country's regions. This is aimed at maximizing complementary energy use from hydroelectric, wind and biomass sources, preventing the waste of resources.

Sanitation

Approval of support for the following companies: Prolagos Water and Sewage Concessionary of Public Services in Rio de Janeiro; Águas de Andradina S.A., Águas de Castilho S.A. and Foz do Brasil – Rio Claro, in São Paulo, and the Paraná Sanitation Company (SANEPAR) in the amount of R\$ 880 million; and support for the state of Espírito Santo to provide capital to Espírito Santo State Sanitation (CESAN).

Education

Implementing the Innovate Belo Horizonte Project (MG), a public-private partnership which aims at the construction and full installation of mortar-and-brick infrastructure and partial installation of equipment, as well as providing teaching materials, food and school meal services. The scope covers 32 elementary schools and five municipal middle schools, serving 18,880 children and reducing lacking elementary school vacancies by 31.8% and lacking middle school vacancies by 40% in the city of Belo Horizonte.

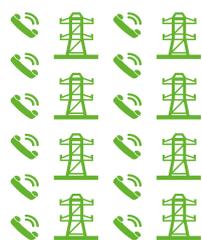
An important result from the corporate project for Fixed-Income Instruments was the launch of the BNDES' Infrastructure Debentures product in 2013, which aims at stimulating projects in the sector to issue debentures (debt securities issued by companies). This was conceived so the Bank would support debenture issuances for projects up to R\$ 300 million, in a partnership effort with the capitals market. The aim is to build a portfolio comprising debentures with lower potential to access a large base of investors. Once this portfolio is formed, the Bank will structure an investment fund using debentures from the infrastructure sector. This fund, in its turn, will seek to distribute and pulverize its quotas, aiming at attracting new investors to take part in financing Brazil's infrastructure projects.

Another corporate project aimed at resolving growing investment complexities, notably from the Federal Government's Logistics Investment

Program, has advanced in the matter of guarantees by studying project finance schemes (a form of financial engineering contractually supported by a project's cash flow, using the assets and receivables of the enterprise as a guarantee) and supporting structuring efforts made by the Brazilian Fund and Guarantee Management Agency (ABGF) and the Infrastructure Guarantee Fund (FGIE).

In support for infrastructure, the BNDES has also accompanied the impact caused by larger-scale investment, aware of the mitigating socio-environmental measures and opportunities for the territory, in accordance with its Policy on the Surrounding Areas of Projects. With this, the Bank has contributed to implementing the country's development strategies, generating new jobs and higher income for inhabitants in the funded regions.

TELECOMMUNICATIONS 2.7



URBAN MOBILITY 3.5

Disbursements to urban mobility were earmarked for 12 operations and represented a 105% increase in relation to 2012, when releases to the segment totaled R\$ 1.7 billion. Growth is a trend due to accomplished planned investments within the scope of the PAC Mobility.

Operations in the capitals market (in R\$)

In the BNDES' investment portfolio through its subsidiary BNDESPAR highlight stakes in the following companies:

ODEBRECHT TRANSPORT (OTP) holding with stakes in 19 other companies from several infrastructure sectors: highways, logistics and urban mobility.	1 billion
TRIUNFO PARTICIPATIONS AND INVESTMENTS holding with stakes in several infrastructure sectors in Brazil: highways, ports, coast-line navigation, power generation and airports.	286 million
OCEANA company dedicated to boat building and chartering services for low-cost maritime support in the oil and gas sector.	105 million

Urban mobility

Three important contracts in the urban mobility sector in metropolises took place in 2013, referring to financing aimed at implementing Line 15 of the São Paulo subway (R\$ 1.7 billion), Line 4 of the Rio de Janeiro subway (R\$ 4.3 billion), and an investment plan by the SuperVia concessionary (R\$ 1.6 billion), which operates the railway network in Rio de Janeiro capital and state.

Health

The second stage to implement and install furnishings and equipment in the Belo Horizonte Metropolitan Hospital in a public-private partnership with the municipality of Belo Horizonte (state of Minas Gerais). The project also includes the administration concession of the hospital's managerial operations. The unit will occupy 41,200 square meters distributed across 11 floors, with total capacity of 320 beds. The project expects total investments of R\$ 216 million, 70% of which (R\$ 173 million) is financed by the BNDES.

Highways

A program to build, expand and modify highways across the entire state of Goiás, as well as building bridges, overpasses, weighing stations and other works, all under implementation, intervened in approximately 2,000 km of highway.

The Integrated, Sustainable and Competitive Program for the State of Mato Grosso, linked to the State Development Plan "MT+20," which defines the state's long-term strategic guidelines. Projects financed by the BNDES aim at mitigating logistic bottlenecks, with investments to asphalt approximately 2,000 km of highway, increasing the state's asphalted network by 49%. Financing is estimated at R\$ 1.4 billion, and investments are to be made by 2016.

There are 20 highways sections in Mato Grosso do Sul receiving support, totaling more than 1,300 km of highway.

The Federal Government's road show

In accordance with the program to support the Federal Government's infrastructure concessions, the BNDES took part in the effort to disseminate opportunities to foreign investors in road shows (business rounds) in the United States, Canada, the United Kingdom, France and China, focusing on representatives of sovereign funds, investment banks, consultants and companies that offer services in public utilities. This initiative was structure as one of the fruits of the Corporate Internationalization Project.

Innovation, socio-environmental and regional difficulties for the sustainable and competitive development of Brazil require the BNDES to prioritize both the promotion of investments focusing on each one of these aspects and the possibilities to integrate them together and with the different forms of operation and projects supported by the Bank. Thus, given the broad range of these issues, as well as the highlights presented, the BNDES' environmental, regional and innovation efforts also permeate other returns to Brazil's society emphasized throughout this report.

Innovation

Essential to improving the competitive positioning of Brazilian companies and fostering development, innovation is a priority for the BNDES.

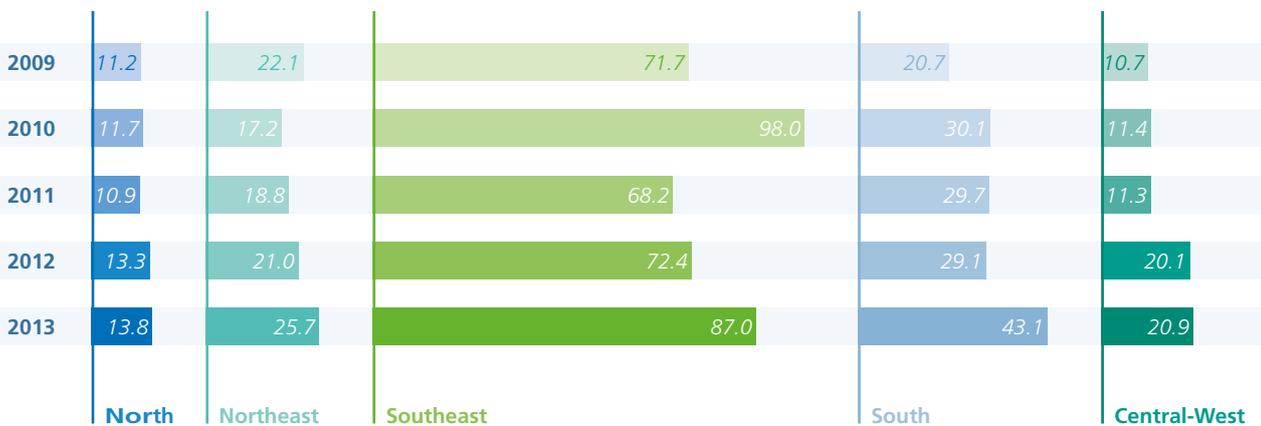
It helps create skilled jobs and increase production efficiency, generating sustained economic and social value for the country.

To guide its priorities when supporting this idea, as a crucial reference, the BNDES used the Brazil Maior Plan and the National Science, Technology and Innovation Strategy (ENCTI).

The Federal Government's Company Innovate Plan was released in March 2013. With R\$ 32 billion in funds for Brazilian companies to invest in innovation and technology, the BNDES and FINEP Innovation and Research are its implementation agents. The plan resulted in increasing innovation project consultations throughout the year. It should also contribute to boosting total disbursements for innovation in 2014.

The Bank has expanded and diversified its project portfolio, putting effort into specific financing lines that have low-financing costs, and into variable-income operations, starting with direct investment or through funds in which it has a stake. Thus, it is possible to provide flexible products to meet the needs and realities of innovative and technology-based companies.

Q³ Disbursements per region (in R\$ billion)



IN FOCUS

Oil and gas

New demands in production of the pre-salt layer require large-scale investments in innovation. The BNDES currently finances the investment plan in research and development (R&D) by Petrobras and the Research Center in the Ilha do Fundão Technological Park in Rio de Janeiro run by the French company Vallourec, a specialist in piping solutions and a supplier of pipes and connections for offshore production and exploration wells.

Criatec II

Initiated in 2013, the CRIATEC II Fund has a 10-year time limit and aims at investing in innovative companies with a turnover of up to R\$ 10 million in Information Technology and Communication, Biotechnology, New Materials, Nanotechnology and/or Agribusiness sectors. The initiative aims to support the development of local innovation ecosystems, implementing better management and governance practices, and disseminating entrepreneurial and risk capital cultures. The total amount committed is R\$ 186 million, and BNDESPAR will complement 66.5%.

Call-to-submission

In the development strategy of a venture capital company that is a Bank partner in expanding resources for small-sized innovative companies, a call-to-submission was approved to select a Private Equity Investment Fund (FIP) for companies in the aeronautics, aerospace, defense and security sectors. FIP is a partner not only with EMBRAER, but also with São Paulo State Development Agency S.A. (Develop São Paulo) and FINEP, with an estimated committed amount of R\$ 130 million.

The BNDES' efforts are also fundamental when fostering innovative ecosystems that align with the generating production projects, engendering a complex network of agents, such as investment funds, incubators, entrepreneurs and universities.

Regional

The territorial dimension is a permanent challenge in a country with Brazil's economic, socio-cultural and environmental diversity. The BNDES has adopted several scales to address regional development.

The Bank maintains operations in all Brazilian states and several municipalities. As of 2012, the efforts with state entities were potentialized with two new programs, the Investment Support Program in States and the Federal District (PROINVESTE) and the Special Support Program for States (PROPAE). Such financing has helped improve local infrastructure and regional development, by improving the population's standard of living and implementing infrastructure to support economic activities.

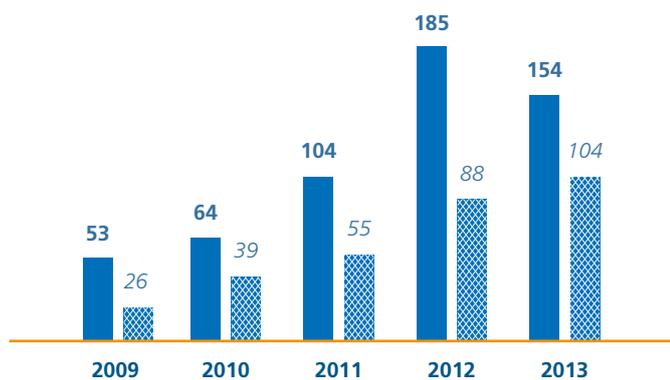
Another local and regional effort is that for surrounding areas of projects, which has different support instruments. This strategy integrates sustainable territorial development with financing economic activities. It aims at promoting development in areas influenced by projects financed by the BNDES, mobilizing efforts involving the anchor-entrepreneur, the government and other agents concerned. One of the tools is to foster a participative development agenda, discussed and designed not only by but also for the territory, encompassing the new social and economic dynamics, as well as opportunities offered by investment projects. Some projects are already using this approach, which also guides discussions on companies' social investments (chart on this page).

At a macro-regional scale, expanding investments, amounts disbursed to all regions increased in 2013; however, concerning relative participation, there was a reorganization among the five macro-regions, with an increase in the South Region, compared to the other areas.

to be continued



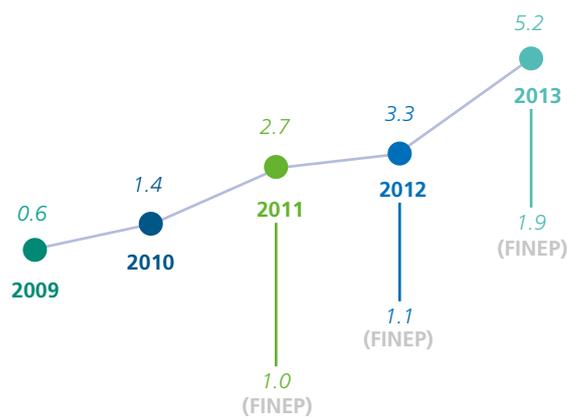
Corporate Social Investments (ISE)



Disbursements (in R\$ million) ●

N°. of operations ●

Disbursements to innovation* (in R\$ billion)



* FINEP amounts are part of the total amount shown on the chart.

Vegetable oils

Uniting innovation and environmental sustainability, the technology to transform low-cost vegetable sugars into high-value oils can replace or improve petroleum-derived or vegetable oils and animal fat. Financing to the tune of R\$ 246 million to implement the first mass production unit of these renewable oils in Brazil, through a joint venture between Solazyme and Bunge, was approved.

2G ethanol

Another advance in the green chemistry area is expected to increase the productivity of Brazilian renewable fuels. It is second generation ethanol (2G), also known as cellulosic ethanol. It not only uses juice from sugarcane, but also residual bagasse and straw from the production of common ethanol (1G). In 2013, the BNDES supported

two companies that are investing in this technology, namely Granbio and Raizen, which are responsible for Brazil's first 2G ethanol plants. Disseminating cellulosic ethanol in Brazil could foster the reduction in the current cost in the sector, helping stimulate new investments, generate more jobs and income, and reduce fuel imports.

continued

Socio-environmental

The BNDES finances projects whose objectives are primarily social or environmental, and also offers products and support instruments to other sectors, with special financial conditions depending on sustainability standards.

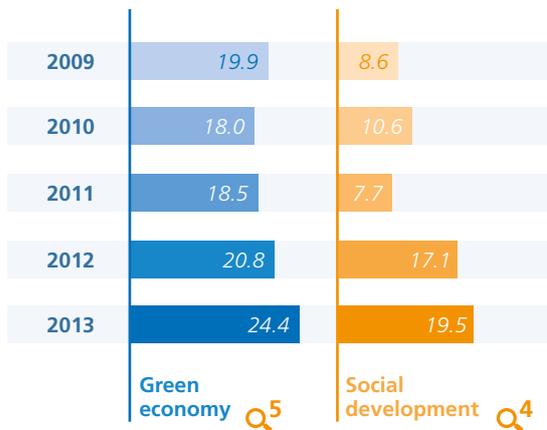
The support indicators for Social Development as well as the Green Economy and Climate Change, which were formed to assess the BNDES' efforts compared to other national and international financing institutions, presented advances in disbursement performance in 2013.

Among the specific environmental and social focuses, standing apart is the consistent expansion of support

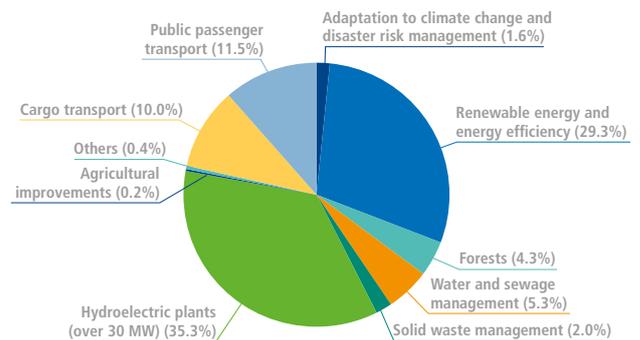
for initiatives aimed at preserving important natural regions on the planet and increasing the country's energy efficiency through the Amazon Fund, through the BNDES' Atlantic Forest Initiative and the Climate Fund.

Another highlight is the Corporate Social Investment Line (ISE), which has grown in terms of volume and improvement of projects (chart on the previous page). With special financial conditions, it is an important tool to induce companies receiving support from the Bank in the several economic sectors to employ socially-responsible business practices. Among investments, which are additional and optional by law, the most common are: training a specialized workforce in local communities, investments in local infrastructure as well as in education and health, stimulating new economic activities, aiming at improving the population's standard of living both in the areas influenced by projects and across the nation.

Disbursements to the green economy and social development
(in R\$ billion)



Breakdown of disbursements to the green economy in 2013



IN FOCUS

ISE Line

In 2013, some 104 projects received support, including the Wind-Turbine Project by the company Renova, with a budget of R\$ 9.4 million and efforts focused on the entire Alto Sertão region in the state of Bahia. There are more than 15 projects that focus on developing the territory, with four areas of impact: socioeconomics, culture and heritage, the environment and organizational development. Efforts aimed at generating income are highlighted: family agricultural production for the school meals program; community environmental education to ensure water quality; organization of the cassava and tomato production sectors; job opportunities for seamstresses and fruit farming in the region.

Aimed at social inclusion through access to bio-energy, it is worth mentioning the support for social investments being made by the company Rio Branco Energy Transmission to produce biofuels (vegetable diesel) in the Nova Cintra community, in the region of Juruá, in the state of Acre. A catalytic cracking unit for oils and fats will be implemented, using the sub-product from the primary extraction of murumuru and buriti oils, among others. The communities already commercialize oils for the cosmetic market, but there is a considerable surplus of oil that does not reach acceptable quality standards. This fuel will be used to generate energy and for river transport.

Forests

The BNDES currently provides supports to restore over 24,000 hectares of the Atlantic Rainforest through reimbursable financing (BNDES Forest Line) and non-reimbursable loans (BNDES Atlantic Rainforest Initiative). The Bank has advanced in implementing projects in its portfolio, of which one is considered the largest in Brazil, covering 21,000 hectares. Restoration was initiated in 2013, using the two financing modalities, across 2,676 hectares.

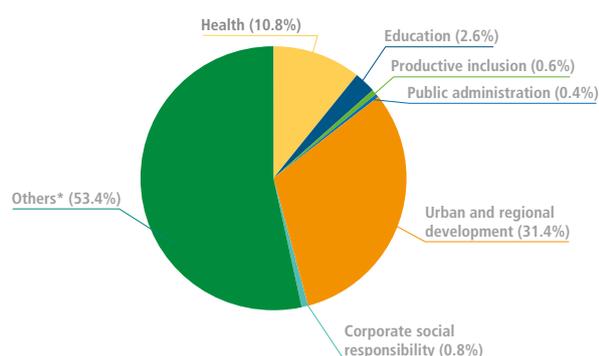
The Bank also addresses social and environmental issues when granting financial support to projects in different sectors. During the assessment, in both direct and indirect non-automatic modalities, the Bank adheres to socio-environmental norms – with companies strictly abiding by Brazilian legislation and environmental licensing; assesses any environmental risk the project presents; and induces opportunities to improve investments and company management of socio-environmental aspects. This approach aims not only at increasing the competitiveness of business, but also reinforcing the project's positive social and environmental impacts, with social inclusion, as well as respecting and adding value to environmental assets. In 2013, some 439 eligible requests were environmentally classified, and the following chart shows the profile of environmental risk presented in the eligibility portfolio.

The BNDES has calculated the amount of interaction with clients related to environmental

and social risks and opportunities, using criteria that include a set of direct operations in which exchanges concerning the socio-environmental aspects of a project are obligatory (category A is the highest potential environmental risk), as well as a set of direct operations in which support was provided to companies for social investments. In 2013, the BNDES maintained dialogue with 134 companies related to environmental and social risks and opportunities. **Q7**

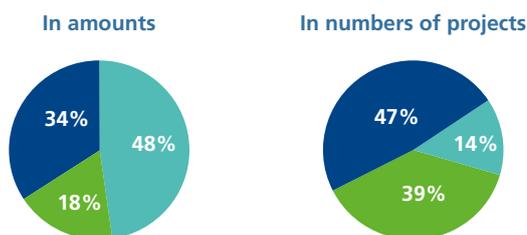
Within the scope of the Corporate Project to Manage Sustainability, the BNDES also assessed its policies, governance, products, practices and procedures concerning the integration of social and environmental issues in its efforts. The work sought to identify opportunities to improve, and its reference was the Central Bank's draft resolution, which was presented in a public hearing in September 2012. This will define the rules on socio-environmental responsibility for the entire national financial system.

Composition of disbursements to social development in 2013



* This item comprises operations from the PROINVESTE and PROPAAE programs. Since there are no sectorial openings in these programs, their values could not be distributed in each specific item.

Environmental risk profile of the classified portfolio **Q1**



- A** Activities related to significant or regional environmental impact risks.
- B** Activity associated with lesser or local environmental impact.
- C** Activities do not present any apparent environmental risk.

Regional

The BNDES supports states in the coordinated implementation of investments that contribute to regional development, such as in the state of Pará. These include structuring projects to develop and integrate several socioeconomic macro-regions within the state. In the logistics sector, it is worth mentioning the recovery of the PA-150, an important north-south highway that links the Greater Belém to the city of Marabá,

the doorway to mining in the southeastern region of the state. In the mobility sector, it is also worth mentioning the implementation of a new river transport system in the city of Belém, renovating and modernizing passenger terminals. In the health sector, the BNDES has provided support to build the Abelardo Santos Hospital, of high and medium complexity, located in the metropolitan region of the city.

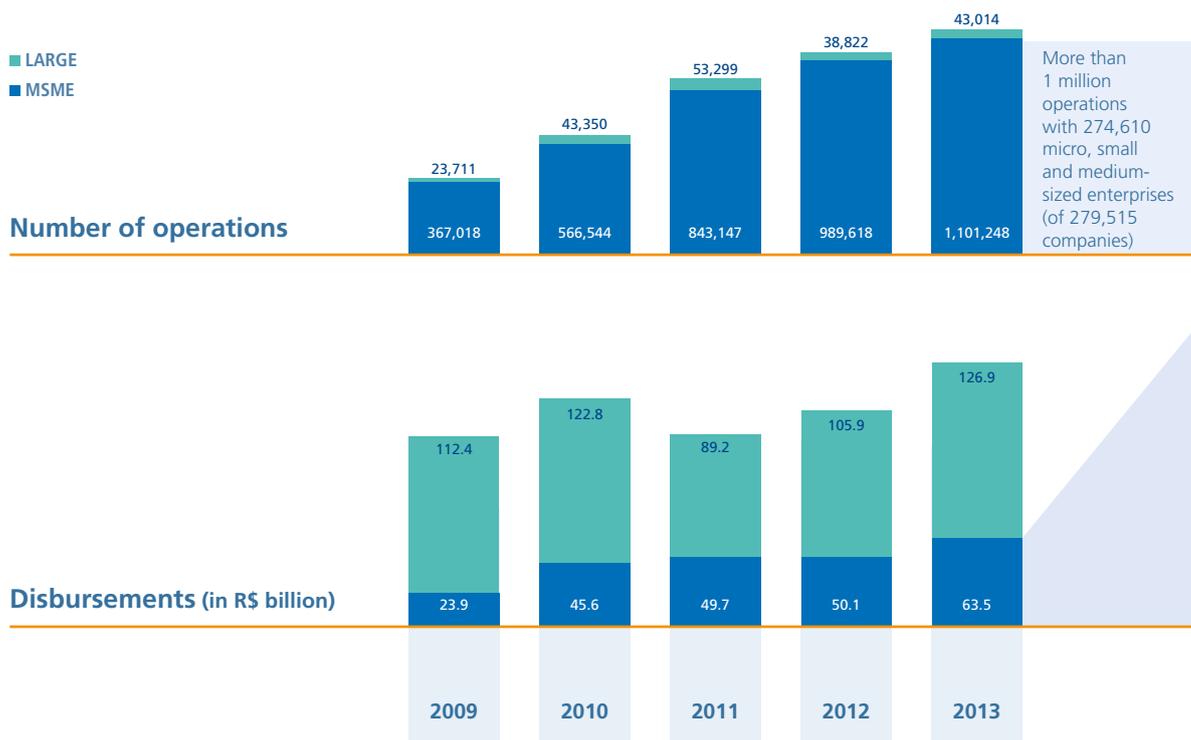
AHE Belo Monte

One of the greatest challenges in the country is the sustainable development of the AHE (Hydroelectric Use) Belo Monte. Continuing its efforts in the region, the BNDES contracted a project in September 2013, within the scope of the BNDES Project Structuring Fund (BNDES FEP), to support the local players in putting together a Territorial Development Agenda (ADT). The estimated completion date is the last quarter in 2014.

Support for micro, small and medium-sized enterprises (MSME) from several sectors and production segments and to generate jobs and income requires the BNDES to maintain a portfolio of financing products and instruments so as to ensure and expand access to credit.

The year of 2013 was marked by good results in support for MSMEs, the segment that most creates jobs in the country. Disbursements increased 27% in relation to 2012, which surpasses the Bank's own global disbursement growth rates. More than 270,000 companies were financed through the BNDES Card and other instruments that aim at producing and commercializing new machinery and equipment, investment projects and working capital.

Q3 Disbursements and number of operations per client size



IN FOCUS

Recycling

The municipality of Duque de Caxias in the state of Rio de Janeiro owns the first recycling center in Brazil. It took the place of the former Jardim Gramacho dump, which was deactivated in June 2012. The location now has two warehouses to receive, screen, compress, bale and stock waste to be sold. Such efforts will initially employ 140 waste pickers. The initiative is the result of a partnership between the BNDES, the Rio de Janeiro State Secretariat of the Environment (SEA), the Banco do Brasil Foundation (FBB) and Petrobras, which the Bank funded with R\$ 300,000, earmarked for feasibility studies to build the recycling center. The aim is to build eight warehouses with machinery, two waste processing units besides an administrative center that offers professional training and a nursery. The idea is to promote the socio-productive inclusion of over 400 former waste pickers.

BNDES Card

Homemade Alimentos, located in the city of Itupeva (SP), was the first BNDES Card client to request financing to hire packaging design services. After new packaging had been obtained, the company used the card once again to buy machinery and equipment to re-adapt the production process. They remodeled their jam and honey pots, and won four awards. Their earnings doubled, and the company achieved second place in jam sales in the Southeast Region.



BNDES Card website

Coverage

The Central-West is the new region in Brazil where the BNDES Card is present in all municipalities. This was achieved when the card was ordered by businessman Alton Marcos, owner of the Casa Marcos grocery, located in the city of Trombas (GO), a municipality with 3,500 inhabitants, located some 412 km from the city of Goiânia. The South Region was the first to achieve 100% coverage. In the Northeast, all municipalities in the state of Pernambuco now have the BNDES Card. The effort was celebrated when the product was delivered to microbusinessmen Sidinei Silva and Léia Miranda, owners of Kota Construções, a store that sells building materials located in the city of Carnaubeira da Penha, with 12,000 inhabitants located some 480 km from the capital of Recife. In its 11 years of existence, the BNDES Card has carried out more than 2.6 million operations and currently serves small-sized enterprises in 97.3% of the municipalities in Brazil.

The BNDES Card was launched in 2003 and offers revolving and pre-approved credit of up to R\$ 1 million to acquire products accredited on its website. In 2013, the card closed the year with 23,853 registered manufacturers, which represented a 13% increase related to the previous period, setting new disbursement records.

Dedicated to complementing the guarantees required for financing and, therefore, expanding

access to credit, the Investment Guarantee Fund (FGI) registered growth in the number of guaranteed operations and in the total amount financed by the Bank (more details on the next page). The Fund has the participation of the National Treasury, the BNDES and up to December 2013, 20 other financial institutions – including large commercial banks, manufacturer banks, development agencies and regional development banks.

to be continued

Main products and programs supporting MSMEs

Instruments	2013 (R\$ billion)	% total	Variation % in relation to 2012
BNDES FINAME/PSI	43.7	68.8	75.0
BNDES Card	10.0	15.8	5.0
PROGEREN	3.7	5.9	-30.4
Agricultural programs	2.7	4.2	19.1
Others	3.4	5.3	-57.6
Total	63.5	100.0	26.8

The Investment Maintenance Program (PSI) was launched as part of the government's measures to mitigate the effects of the international financial crisis on the Brazilian economy, and it allows Brazilian companies to maintain their investment plans.

The product achieved new records with R\$ 10 billion in disbursements in 760,000 operations, up 5% and 7%, respectively, compared to 2012.

Disbursements from the BNDES Program to Strengthen Employment and Income Generation Capacity (BNDES PROGEREN), another instrument that responded in times of crisis by addressing the demand for working capital for MSMEs, posted an expected decline. This fall is expected to continue through the upcoming years, when more participation from other financial institutions is expected in this type of credit operation.

Living with the drought

In support for the Federal Government's Water for All Program, the BNDES, by means of partnerships with the Banco do Brasil Foundation (FBB) and the Association One Million Cisterns Program (AP1MC), initiated the implementation of 20,000 non-potable rainwater tanks (aimed at production) in the Semi-arid Region. Besides the construction of tanks, the BNDES will provide support to implement community seed banks to preserve, select and store native seeds adapted to Brazil's Semi-arid region.

Agroecology

In 2013, the BNDES, the General Secretariat of the Presidency, the Ministry of Agrarian Development, the Ministry of Agriculture, Cattle-raising and Feed, the Ministry of the Environment, the Ministry of Social Development and the Fight against Hunger, the National Bureau of Economic Partnership of the Ministry of Labor and Employment, the National Supply Company (CONAB), the Brazilian Agricultural Research Corporation (EMBRAPA), and the Banco do Brasil Foundation entered into a Technical Cooperation Agreement aimed at coordinating efforts to implement the Program to Strengthen and Expand Agroecology, Extractionism and Organic Production Networks

(ECOFORTE). This program is part of the National Agroecology and Organic Production Plan (PLANAPO – Brazil Agroecologic) and aims to motivate the channeling of existing government funds and efforts towards civil society initiatives to promote agroecology and organic production, so as to help expand and strengthen the production, handling and processing of organic products and agroecological-based products, targeting women and young familiar farmers, agrarian reform settlers, traditional communities and people as well as their economic organizations, such as rural businesses, cooperatives and associations, and urban and peri-urban agriculture.

continued

Support for family farming projects is another highlight in efforts to democratize access to credit. In partnership with development banks, cooperative banks, credit unions and other institutions, the BNDES has been operating in projects aimed at combating rural poverty and promoting the socio-productive inclusion of family farmers, medium-sized rural farmers and agrarian reform settlers. Among the initiatives, it is worth mentioning the collective investments such as

civil works, facilities in the agriculture and cattle-raising industry, as well as acquisition of agricultural machinery and equipment. Besides this, there is also encouraging cooperative production through resources from the Federal Government's Agricultural Programs, the National Program to Strengthen Family Farming (PRONAF), the National Support Program for Medium-sized Farmers (PRONAMP) and also with non-reimbursable funds from the Social Fund, partially comprising the BNDES' earnings.

Using federal public policies as a reference, the BNDES moved ahead by establishing public and

Results from the Investment Guarantee Fund – 2012-2013 comparison

A **20%** INCREASE A **35%** INCREASE

in the number of supported **OPERATIONS** that are guaranteed by the **FUND**

in the total financed amount that the **FUND** guaranteed. The Fund has already guaranteed operations in **ALL STATES** throughout Brazil since 2011 and has registered accelerated **EXPANSION** in the **NORTH AND NORTHEAST** regions.

INCREASE IN THE AVERAGE AMOUNT FOR GUARANTEED OPERATIONS, especially programs such as BNDES PROGEREN and BNDES PSI Buses/Trucks

More than **50%** of beneficiaries obtained credit from the **BNDES** for **THE FIRST TIME**

These regions have presented a **57%** and **101%** growth in financed amounts, respectively.



IN FOCUS

Rice cooperative

With 1,387 associates, the Settled Workers Cooperative of the Porto Alegre Region operates in 23 settlements, distributed across 15 municipalities in Greater Porto Alegre. The main product is agroecological rice, producing around 17,000 tons in the last crop, in an area of 3,411 hectares. The cooperative also produces milk (140,000 liters per month), vegetables, fruits and medicinal herbs. The projects supported by the Bank include, among other items, acquisition of bulldozers to clean and de-sand irrigation and drainage channels, soil recovery, assembly of dryers, implementation of an enhancement mill and water pumps for irrigation. The cooperative plans to double the capacity of its silos and is studying the implantation of a rice parboiling plant.



Rice Cooperative in the state of Rio Grande do Sul
Photo: Marcos Matias Cavalcante, BNDES employee

private partnerships, expanding the scale of operations in rural and urban areas, especially in disseminating social technologies in projects dealing with droughts in the semi-arid climate and launching the Terraforte Program, which aims at promoting agroindustrialization of agrarian reform settlements. In addition to these efforts, standing apart is the complementary support for investments towards productive inclusion of states and the joint effort with the CONAB to stimulate small family farming enterprises that provide food for governmental programs.

Finally, it is important to mention that the Amazon Fund has also produced important results for socio-productive inclusion with environmental sustainability.

Among the Fund's 14 approved projects in 2013, half of them aim at supporting sustainable production activities by strengthening several production segments, such as fishing, forest seeds, rubber and Brazil nuts, besides support for family farming. Initiatives aim at proposing solutions that are aligned with environmental production and conservation, representing an alternative for sustainable development in the Amazon Region and its populations.

Combating rural poverty in 2013

Through PRONAF alone, the amount of

R\$ 1.7 BILLION

**WAS DISBURSED IN
IN 60,000
OPERATIONS**

**REPRESENTING AN
11%
INCREASE**



In relation to amounts disbursed in 2012

Investment Guarantee Fund

The Extreme South Regional Development Bank (BRDE) is an important financing agent for the BNDES, placed among the top ten resource on-lenders in 2013. The BRDE is also an authorized agent for the Investment Guarantee Fund (FGI), and its experience is a concrete example of the Fund's potential to expand access to credit in Brazil, and the numbers are evidence of that. In 2013, in the on-lending operations carried out by the BRDE using FGI guarantees, it is possible to see that the level of new beneficiaries was almost twice more than that recorded in operations that were not backed by this fund. This is a representative case of how financial institutions can use this instrument to expand their operation portfolio and, consequently, the volume of investments in the MSME segment.

Expanding cooperativism in Citizenship Territories

The BNDES, the cooperatives Crédito Cresol Baser and Cresol Central signed non-reimbursable contracts for financial support. The project aims at fostering productive inclusion by expanding credit and cooperativism as well as making collective investments to combat rural poverty, notably in Citizenship Territories. Implementation and/or restructuring 50 singular cooperatives or advanced service outposts is planned, aimed at expanding access to production microcredit and other PRONAF credit lines for the rural population concentrated in Citizenship Territories located in the North, Southeast and South regions

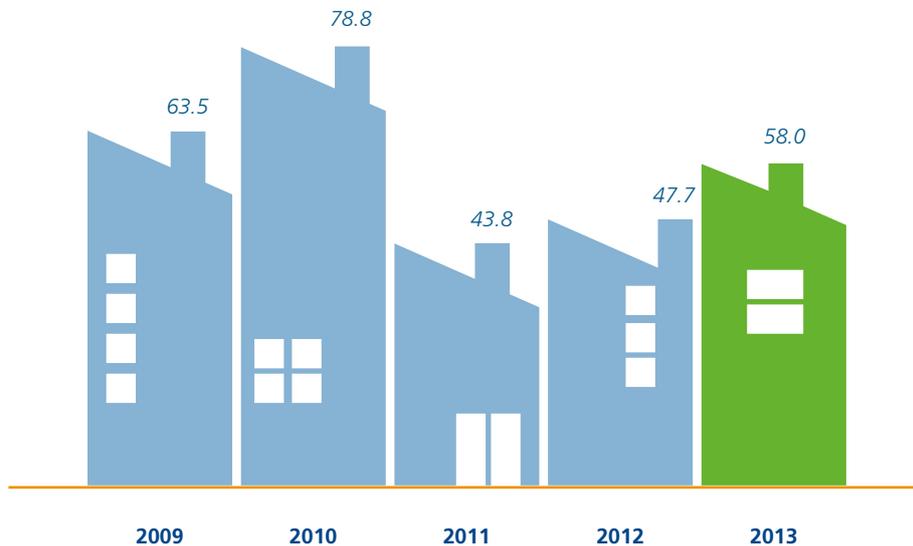
throughout the country, promoting social inclusion as well as financial education. In addition to expanding the service network, the project includes collective investments, such as civil works, facilities in agricultural and cattle-raising infrastructure, as well as acquisition of agricultural machinery and equipment, aimed at assisting farmers in production, storage and transport. As a social counterpart, Cresol Baser and Cresol Central should operate the PRONAF financing lines (preferably the "B" Group, focused on families of socially vulnerable farmers), with funds transferred by the BNDES.

It is essential to foster investments that allow Brazilian companies to explore opportunities and overcome challenges in their specific markets. These investments, along with those earmarked to expand infrastructure, innovation, environmental sustainability, regional development as well as social and productive inclusion (issues from the previous pages) are fundamental to the competitive development of the national economy.

The systemic approach to competitiveness adds to a sectorial view of the BNDES' support for Brazilian companies, especially strengthening production segments in industry and foreign trade.

The recent and accelerated industrialization of many developing countries brought new challenges to national industry, whose competitiveness was affected, especially in traditional segments. At this moment, understanding the new dynamics for each sector, identifying the strategic subsectors and making efforts to formulate instruments that meet the new reality is essential so the BNDES can enhance federal efforts in favor of competitiveness

Disbursements to industry (in R\$ billion)



IN FOCUS

Basic industry

The BNDES disbursed approximately R\$ 17 billion to the oil and gas, chemistry, mining and metallurgy and forest sectors, which contributed to strengthening companies' strategic positioning in order to reduce the pressure on Brazil's trade balance. This has also brought opportunities for operating in the surrounding areas of supported projects. Financing to forest-related companies, both in research and development as well as modernizing and expanding the production capacity, has increased the global competitiveness of Brazilian pulp.

Cinema

The BNDES intensified its support for movie theaters in 2013. Since 2010, support through the BNDES' Program for Economic and Cultural Development (BNDES PROCULT) has partnered up with the Cinema Close to You Program, which uses resources from the Audiovisual Sectorial Fund (FSA), financed by the BNDES. In a partnership with the Brazilian National Film Agency (ANCINE), the aim is to stimulate the decentralization of movie theaters by opening cinemas in average-sized cities and low-income neighborhoods in large cities. In 2013, some 130 cinemas received support, of which 78 were 3D. The movie theaters have benefited nine states in the North, Northeast, South and Southeast regions. Expanding movie theaters helps strengthen the cinematographic industry in Brazil by facilitating the population's access to cinema and boosting the internal market.



Cinema in Imperatriz (MA)

Photo: Adriano de Almeida, Clara Communication

of Brazilian industry. Creating the BNDES' PRODESIGN Program, aimed at differentiating consumer goods, is an example of the Bank's initiative. This is added to its portfolio of products and financial support instruments, including those related to the national capitals market, such as stimulation to hold initial public share offerings and to list companies on a segment of the Brazilian stock market (known as Bovespa Mais) to make the stock market accessible to

emerging companies. It is also worth mentioning the Climate Fund Program, which has some of the BNDES' most attractive financial conditions and aims to motivate diffusion of more efficient climate-related technologies, which have not yet been used on a commercial scale in Brazil, helping the Brazilian economy prepare to compete in a low-carbon economy.

To foster the capital goods sector, the Bank finances industrial parks and supports the acquisition of national machinery and equipment, registered in the Computerized Manufacturers Accreditation system (CFI). In 2013, the Federal Government's Investment Maintenance Program (PSI) stood out once again for supporting this industry both in the number of operations and disbursements.

to be continued

Highlights in industry support in 2013 (in R\$ billion)

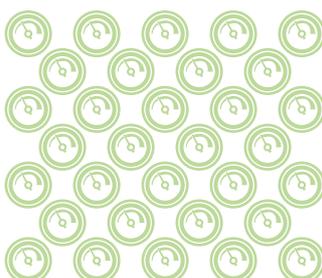
11.2

CHEMISTRY AND PETROCHEMISTRY



10.3

TRANSPORT MATERIAL



7.9

FOODSTUFFS AND BEVERAGES



Aquaculture

Despite large potential in the sector, aquaculture in Brazil is still underdeveloped and has low productivity. Considering the synergy between the activity and public policies to reduce poverty, the BNDES provided support to implement an innovative mechanization process in the cultivation and enhancement of mussels in the city of Palhoça, in the state of Santa Catarina, run by the company Cavalo Marinho. This is a new technology on the national market, capable of increasing productivity and reducing production costs. The project, together with the Federal University of Santa Catarina, plans to develop controlled production of mussel larvae and use artificial collectors to gather larva seeds, replacing the detrimental method of removing seeds from rocky areas.

Automotive engineering

Investing in engineering is essential to building a competitive automotive industry since it is one of the main sectors that disseminate new technologies. The BNDES has put great effort into creating programs and lines with favorable conditions for engineering and innovation, financing several projects to research and develop the automotive sector. It is estimated that at least 36.6% of the light vehicles sold in Brazil in 2013 have at least some component whose engineering was financed by the BNDES.

Semiconductors

For more than 10 years, the BNDES has maintained the construction of the microelectronic industry in Brazil a priority. In 2013, the Bank awarded four projects to develop integrated circuits (R\$ 61 million) and two projects to manufacture chips (R\$ 64 million). The organic electronics area is also promising and received support to the tune of R\$ 37 million at the time. The production densification in these two areas is fundamental to help the country revert a deficit of over US\$ 22 billion in the electronic sector.

continued

The BNDES CFI, which adopts criteria for national content, closed 2013 with 455 new accredited companies totaling 10,752 manufacturers, up 4,4% compared to 2012.

An important aspect in improving companies' operational conditions is international insertion, which expands the market for its products and motivates the constant update of

technologies, processes and management practices. With gains in efficiency and productivity in the supply of the internal market as well, companies' international operations offer the country many benefits, generating jobs for Brazilians and contributing to positive numbers in the trade balance.

The BNDES provides support to export goods and services, as well as operations abroad, seeking to offer Brazilian companies conditions equal to that of their competitors in the international market.

Disbursements for exports (in US\$ billion)



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New instruments

In 2013, a product to acquire corporate bonds in the international market was created, along with a support line for exports through partner banks. The BNDES Exim Automatic focuses on exports of capital goods and can be operated by over 30 banks in Latin America and Africa, which take on the credit risk. The possibility for the BNDES to assume direct risk from the importer or exporter in some operations has contributed to expanding its efforts in other countries, such as South Africa, Colombia and Portugal.

National content

Encouraging Brazilian manufacturing of components with greater technological content fosters the creation of more skilled jobs and attracts new investments. In this sense, it is worth mentioning the methodology adopted in 2013 to accredit and assess local wind turbine content for the wind industry. The increased presence of manufacturers in the sector brought greater competitiveness to the wind generation industry, which gave rise to a significant upsurge of wind farms in the electricity grid, allied with an ongoing decline in the cost of commercialized energy.

Pharmaceutical industry

Modern biotechnology is breaking new ground in the pharmaceutical industry, expanding the possibilities of treatment in several areas. Internalizing competences in this sector is the BNDES' priority in the industrial health sector. The Bank provided support to Biom S.A. to implement an industrial plant to produce recombinant human insulin in 2013, which involves a process that uses Brazilian technology patented in several countries and which will allow the population more access to better treatment for diabetes.

To accompany Brazilian companies in getting ahead in international markets and to boost opportunities, the BNDES has adopted a strategy which involves establishing international offices. In 2013, as a result of another corporate project, a representative office was inaugurated in Johannesburg, South Africa, the main industrial and financial center in Africa.

The new facilities will serve as a reference point to Brazilian companies that seek opportunities on that continent and aim to increase foreign trade and business between African countries and Brazil.

The role of the Bank's subsidiary in London, in the United Kingdom, was reinforced in 2013 to enable operational financial activities. In Latin America, from its office in Montevideo, Uruguay, emphasis has been on identifying new markets and redefining the relationship network with development banks and agencies, local commercial banks, Brazilian companies, multilateral organizations, corporate entities and governments.

Highlights in support for exports in 2013 (in US\$ billion)



2.0

VEHICLES, TRAILERS
AND CHASSIS



1.3

CONSTRUCTION



1.2

OTHER TRANSPORT
EQUIPMENT



1.1

MACHINERY AND
EQUIPMENT

Internationalization and exports

It is important to mention the completion of the operation with Braskem Idesa earmarked to establish a petrochemical park to produce ethylene and polyethylene in Mexico, in a joint effort with the multilateral agencies Inter-American Development Bank (IDB) and International Finance Corporation (IFC), Mexico's development bank – Nacional Financiera –, and the export credit agencies Export Development Canada (EDC), Intesa Sanpaolo (SACE) and commercial banks.

Compared to 2012, the BNDES doubled its participation in financing for Embraer to export its commercial jets in the number of aircraft. In the main operation, the importer was a North-American airline, Republic Airline, financing 19 aircrafts. The second most relevant operation was for a Venezuelan importer, Conviasa, with 10 aircraft. In both cases, the operations relied on Export Credit Insurance (SCE), backed by resources from the Export Guarantee Fund (FGE) from the National Treasury. Moreover, it is worth mentioning that the portfolio of aircraft financing contributed to diversifying the markets by supporting exports of a commercial jet to the Kazakhstan airline, AirAstana.

The BNDES, the Inter-American Development Bank (IDB) and La Corporación Financiera de Desarrollo (COFIDE) signed a contract with the Generación Huallaga Company (EGH) to finance the construction of the Chaglla Hydroelectric Plant in Peru. The EGH is controlled by Odebrecht Energy of the Odebrecht group, and this is the first participation of a Brazilian company in the energy concession sector abroad. The BNDES' financing is earmarked to support exports of national high added-value goods and services to build the plant.



Performance in export support

The BNDES is concerned with discovering, debating and also proposing solutions to the challenges in economic, social and environmental development in Brazil. The Bank presents several ways to work in this field.

Analyses and projections elaborated by the BNDES are available to society in studies and publications, participation in seminars, sponsoring events to discuss the direction the country is taking, organizing activities open to the public in the Bank's facilities, as well as helping researchers and individuals interested in its analyses of the economy.

Standing apart are the efforts within the scope of the committee for Production, Innovation, Local, Regional and Socio-environmental Development Systems (CAR-IMA), dedicated to discussing and boosting regional and territorial studies on the BNDES' performance. When calling the attention of the Bank's executives and technicians as well as external partners, efforts sought to identify

the Bank's different actions that had impact on the development of the country's five macro-regions and their territories. Also, efforts were also made to uncover opportunities to improve actions and operational instruments in favor of more balanced, coordinated and sustainable development.

Committee meetings featured renowned external specialists, representing the academic and business sectors, government agencies and other partner institutions in each region. The North Region initiated the series of debates, while the Southeast Region ended its meetings in the beginning of 2014. Five books were organized, one for each macro-region, in a collection entitled: Um Olhar Territorial para o Desenvolvimento (A Territorial Look at Development).

In another effort to foster knowledge, since 1977, the annual BNDES Economy Award has stimulated research in the field of pure and applied economic science according to the national, regional or sectorial perspectives. Yet-unpublished Master's degree dissertations and Doctoral theses approved by graduate centers in Economics in the country compete for publication.

The BNDES also invests towards generating knowledge, offering support with non-

IN FOCUS

Perspectivas do Investimento

The publication *Perspectivas do Investimento* approaches the production structure of the Brazilian economy with sectorial projections of investments for the next four years, and it is the result of sharing and integrating knowledge in the BNDES. This work contributes to knowledge on investment trends and determining factors and, thus, to formulating policies to foster Brazilian development.



Perspectivas do Investimento

The role of development banks

So that society better understands the role played by public financial institutions, the BNDES initiated research on development banks. The generated products were a data bank on selected institutions, the article "Bancos de desenvolvimento, além dos países emergentes" (Development banks, beyond emerging countries), published in *Valor Econômico* on 6.25.2013, and the work "A contribuição dos bancos de desenvolvimento para o financiamento de longo prazo" (The contribution of development banks for long-term financing), published in *Revista do BNDES* #40.



Article: The contribution of development banks for long-term financing

Revista do BNDES and BNDES Setorial

These periodic reports constitute important spaces for Bank employees to reveal their reflections. The *Revista do BNDES* publishes articles on the Brazilian economy and economic development, while the *BNDES Setorial* contains texts on the production structure of the country's economy, aimed at disseminating part of the BNDES' technical knowledge applied to project analysis.



Revista do BNDES



BNDES Setorial

Result of the 33rd BNDES Economy Award

The latest edition of the Award presented 28 Doctoral theses submitted by 13 graduate centers in Economics from Brazilian universities. The winning thesis was *Causas e consequências do crime no Brasil* (Causes and consequences of crime in Brazil), by Daniel Ricardo de Castro Cerqueira, of the Pontifical Catholic University of Rio de Janeiro. In the Master's category, some 55 dissertations were presented, submitted by 18 graduate centers in Economics from Brazilian universities. The winning dissertation was *O setor de internet no Brasil: uma análise da competição do mercado de acesso* (The internet sector in Brazil: an analysis on the competition in the access market), by Marcelo de Carvalho Pereira, of the State University of Campinas.



BNDES Economy Award

reimbursable funds from the BNDES Project Structuring Fund (BNDES FEP), as well as production of technical studies or research related to economic and social development that can guide the formulation of public policies that directly or indirectly engender the generation of high social return projects that may imply significant public or private investments. In the year of 2013, it is important to mention the awarded studies on the diversification of the Brazilian chemical industry and the feasibility of bio-fuel production in the member countries of the Economic and Monetary Union of West Africa (UEMOA) – the potential market for internationalizing Brazilian companies. Internationally, the BNDES participated in events to exchange knowledge and discuss relevant issues, as well as disclosure to promote investment opportunities, emphasizing its role in the economy and the institutional stability of Brazil. The BNDES has been present in important international economic forums in Washington, Boston, Los Angeles, New York (US), Davos (Switzerland), London (United Kingdom), Madrid (Spain), Moscow (Russia) and Paris (France); in road shows (business rounds) to promote opportunities in Brazilian infrastructure; in environmental sustainability

forums in Copenhagen (Denmark), Washington (USA), Venice (Italy) and Vienna (Austria), as well as in the annual meetings held by international entities such as the African Union, the African Development Bank, the World Bank and the Inter-American Development Bank (IDB).

The BNDES has also sought to render accounts to society for its efforts towards fostering investment. When comparing information on the BNDES' support, knowledge on investment performance is also important to assess its impacts on the economy. It has been possible to show the important contribution the Bank has made to increasing investment and the anti-cyclic importance of its support. Indeed, the very analysis of the Bank's disbursements and their importance contribute to anticipating the behavior of the Gross Fixed Capital Formation* and shows that increases in credit operations are related to increases in investment in the future.

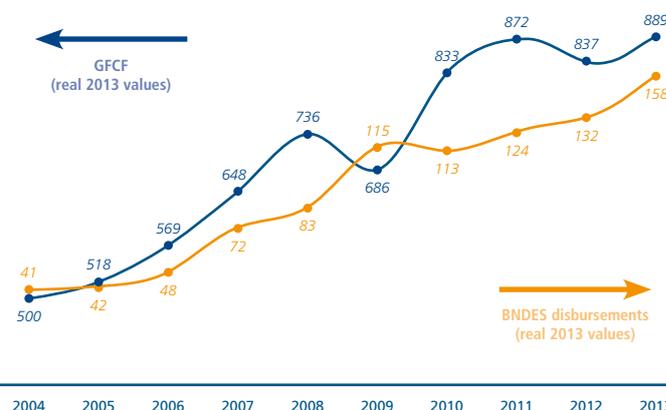
** This indicator measures how much companies increased their capital goods – those used to produce other goods such as machinery, equipment and building materials. This control is fundamental to verify if the country's production capacity is growing and if businessmen are optimistic for the future.*

Relation between the Bank's disbursements and the increase in businessmen's investments

An analysis on the BNDES' impacts on the economy was carried out in this study, showing the relation between the Bank's disbursements and the increase in businessmen's investment (measured by the Brazilian Institute of Geography and Statistics, through the Gross Fixed Capital Formation indicator). Thus, it was possible to demonstrate the Bank's contribution to increasing investment and the importance of its support as an anti-cyclical force – easing crisis cycles or recessions and contributing to the recovery of investment.

The BNDES' operational data were also used to foresee the Gross Fixed Capital Formation behavior in Brazil. In scenarios of investment deceleration – such as the 2008 crisis and the crisis in the Euro Zone, more recently –, the BNDES worked vigorously, contributing to the recovery of investments, as is shown in the following chart. On the other hand, when investment picks up again, the BNDES can moderate its efforts.

Gross Fixed Capital Formation (GFCF) and BNDES disbursements (in R\$ billion, 2013 prices)*



** This excludes Pre and Post-shipment BNDES Exim disbursements; working capital, tax adjustment, mergers/acquisition; internationalization and the capitals market.*

To fulfill its commitments to the country, the BNDES constantly reviews, improves, sophisticates and innovates its internal processes, especially its management practices and corporate integration.

In this sense, the Bank is reformulating its processes and technological solutions to implement integrated management of its numerous resources aiming at a business model guided by processes. This challenging long-term internal initiative that is part of the Corporate Project portfolio is known as the AGIR Project. In 2013, the project implemented 35 SAP software modules and complementary applications, besides initiating the development of new systems that will become operational in the beginning of 2014 to assist in activities such as

granting financial support, as well as development and management.

The business model guided by processes presumes that there is already a management and governance locus for processes. The BNDES had already created its Process Office and, in 2013, the Managing Committee for Granting Financial Support, an internal collegiate comprising senior executives and technicians.

Aimed at reaching better results for its efforts, above all in the all-encompassing initiatives that stimulate and foster integration between different organizational units, the BNDES established its very own Corporate Project Office, which is responsible for centralizing activities related to managing projects, especially those in the Corporate Projects portfolio linked to its Strategic Planning. Another important achievement was when Bank employees adopted a new internal collaboration platform,

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Eco-efficiency

The BNDES' fixed asset management, carried out by the Rio de Janeiro headquarters (CEDSERJ), complies with good environmental responsibility practices, developing efforts in energy efficiency, water consumption, waste management, among other activities focused on improving eco-efficiency aspects.

Evidence of the work carried out by the CEDSERJ was the receipt of the environmental certificate Building Research Establishment Environmental Assessment Method (BREEAM) in 2013.

Electric energy consumption (in MWh) and water consumption in 2013 fell significantly, especially due to improvements to the automation system, which resulted in optimization in lighting and air conditioning systems. The latter is most responsible for water usage in the building. Energy consumption dropped from 18,144 MWh in 2012 to 16,475 MWh in 2013. ^{Q⁹}

All waste produced at the headquarters are earmarked for waste-picker cooperatives, fully complying with Decree N°. 5,940/06. The list below specifies the main materials earmarked for recycling in 2013.

Materials earmarked for recycling

Material	Kilos
Office paper	63,450
Scrap iron	42,182
Newspapers	26,861
Paper towel bales	22,313
Plastic cups	8,838
Cardboard	7,499
Hard wire	2,757
Plastic bottles	1,613
Milk cartons	995
Glass bottles	676
Ink cartridges	669
Aluminum cans	388

known as Colabore. This was the first step towards the upcoming Corporate Website, which will expand possibilities for communication, interactivity and sharing information.

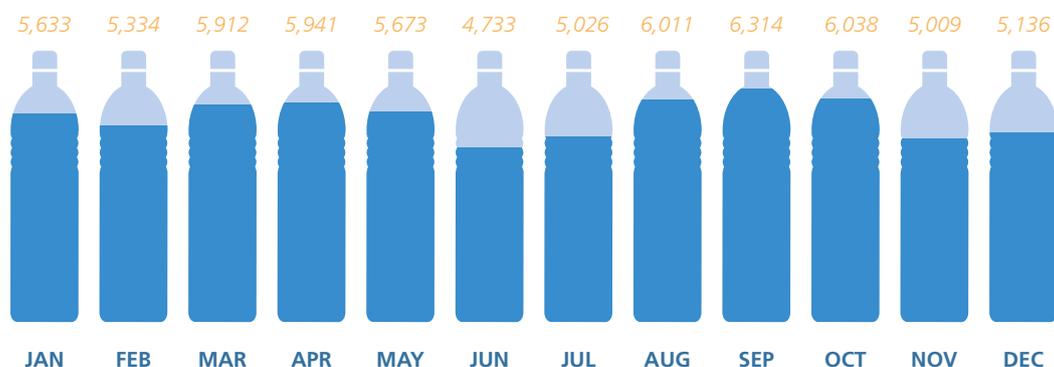
Other highlights throughout the year included meeting new regulatory requirements, improving managerial information and implementing new tools to support risk management. Risk management and internal controls at the BNDES contribute to improving processes and to the institution's financial sustainability by assessing internal controls, measuring and monitoring varied risk such as credit, market, liquidity and operational to which it is exposed (more details on page 42).

Furthermore, the Bank implemented an internal control management tool; initiated systematic dissemination of the level internal norms are being met, within the scope of continuous monitoring; and consolidated the work methodology of Conformity

Agents, contact information in the different divisions throughout the Bank pertinent to the issue. It also implemented a support tool to manage credit risk; advanced in the implantation of applications aimed at operational risk management, through which it would be possible to produce and monitor a vast amount of fundamental information to improve the BNDES' risk management; additionally, it further implemented the Business Continuity Management System, which aims at training the institution to prevent and respond to interruptions. To improve procedures related to establishing guarantees, the BNDES has managed to refine its internal norms, thoroughly regulating divestitures, establishing criteria to define the forced liquidity price and studying improvements when hiring transport, protection and storage services of seized goods. Establishing guarantees contributes to financial sustainability, because, notwithstanding the reduced default rates in the Bank's operations, it is part of managing return on investments.

Concerning mineral water, changes made in the second half of 2012 included replacing 20-liter bottled-water drinking fountains with electric purifiers on floors and replacing bottled mineral water, used in meetings, with water from the purifier system, which significantly impact 2013's performance.

Q¹⁰ Consumption of 500 ml and 20 l bottled water (in liters)



Q¹¹ Within the scope of administrative hiring, concerns over sustainability criteria that are applicable to goods and service suppliers has resulted in the Sustainable Shopping Planner, which didactically presents the guidelines that govern procurement procedures, ranging from the design of the basic project to completion.

The BNDES successfully carried out four procurement processes guided by environmental sustainability parameters in 2013, highlighting that which included engineering works in its main auditorium to the acquisition of eco-bags.

When managing outsourced service providers, companies tasked with rendering services enforce the compliance of labor and social security requirements with their workers, guaranteeing the rights of the Bank's outsourced collaborators.

Efforts to expand dialogue and strengthen the BNDES' image and presence with its interlocutors contribute to consolidating the institution's relations. The BNDES constantly strengthens its relations by implementing improvements in channels and vehicles for interaction with its assorted audiences and by managing its own trademark. Among the highlights, it is worth mentioning the first steps taken towards structuring the corporate project for external relations, improvements to communication channels to adapt to the guidelines of the Information Access Law, and the start of the project that will restructure the BNDES' website.

The corporate project for external relations will propose guidelines, models and corporate principles for such practices in accordance with each type of audience. In light of good practices in the market, the project will also contribute to aligning how the Bank's several areas interact with external parties. An important initiative was the proposal to create a Corporate Committee for Institutional Relations.

The day-to-day of communicating

The Bank maintains contact with the public, aiming at meeting the different information needs of its clients, society, control organizations

IN FOCUS

Call Center

Some 736,000 contacts made by external audience were attended, of which 90% was by telephone and the rest through the Contact Us channel on the website.

Corporate assistance

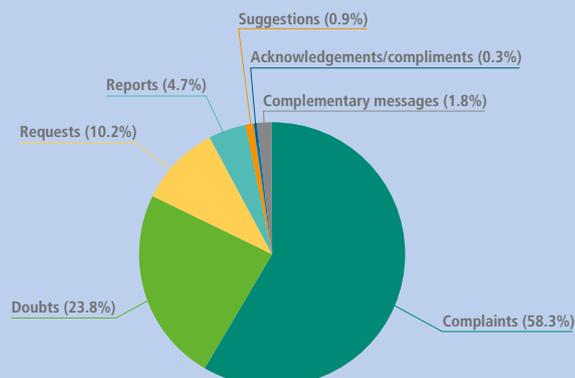
Corporate assistance was offered to more than 700 contacts made in the Rio de Janeiro, Recife, São Paulo and Federal District offices, most of which were micro and small businessmen. The international offices are located where Brazilian exporters work and seek to establish partnerships with companies and governments in other countries (more details in the sections "Infrastructure" and "Competitiveness of Brazilian Companies").

BNDES Closer to You

Reaching an audience of 2,426 people, the cycle of lectures aimed at disclosing the Bank's forms of financing and traveled through 20 cities in five regions, among them Aracaju (state of Sergipe), Santa Maria (state of Rio Grande do Sul), Guarapuava (state of Paraná), Campo Grande (state of Mato Grosso) and Itu (state of São Paulo).

Ombudsperson's office

A total of 2,308 contacts were received, distributed as follows:



and partners so as to formulate policies and improve its efforts.

The Call Center, the Corporate Assistance counter, the online tool known as More BNDES, the Citizen Information Service (SIC), the BNDES' website and the Ombudsperson's Office are some of the instruments used in external public relations. Together with such efforts are the institutional lectures and presentations, such as the BNDES Closer to You program, besides press conferences, updated profiles on social networks and presence at business fairs.

The Citizen Information Service, regulated by the Information Access Law N°. 12,527/2011, guarantees citizens' rights to access public information, thus establishing itself as an important instrument for society to control Public Administration.

In its regular activities, the Bank works with the government to establish and implement policies; with financial agents and other partners to improve interaction with clients; and with public and private clients to improve products and discuss results, besides negotiating to enable financing operations.

to be continued

Institutional lectures

Some 46 presentations in Portuguese, English and Spanish were made to a total audience of 1,128 visitors from education institutions, as well as Brazilian and foreign delegations.

Website

The website www.bndes.gov.br received an average monthly audience of 260,000 visitors.

Technical projects

Sponsorship was given to more than 60 technical projects, such as seminars, congresses and fairs, amounting to R\$ 10 million in investments.

Citizen Information Service (SIC)

Some 720 requests were made for information, as well as 50 first-instance appeals and seven second-instance appeals, all of which were answered within the deadlines established by the Information Access Law.

Press conferences

A total of 201 press releases were sent and 8,552 articles citing the BNDES were published. The year was also marked by the first live press conference transmission through the Bank's channel on YouTube.

Social networks

At the end of 2012, some 37 videos were released on the YouTube channel. The Bank also has profiles on Twitter (@bndes_imprensa) and Slideshare.

More BNDES

There were 12,962 hits via this online tool designed to help clients – especially micro, small and medium-sized companies – identify the best modality to finance their projects.

continued

The BNDES' Internal Auditing division, which is linked directly to the Advisory Board, coordinates all the BNDES System's communication with external control and supervision organizations, such as the Federal Court of Accounts, the Office of the Comptroller General, and Brazilian Central Bank.

It is worth noting that support for scientific events and dissemination

of know-how also play an important role in communicating with several of the BNDES' audiences, through sharing space to hold seminars, lectures and meetings in the Bank's facilities or via sponsorship.

Within the scope of culture, the Bank opens its facilities to performing artists, specifically the event known as Thursdays at the BNDES. It also sponsors external events to promote music, dance, cinema and literature, besides publications related to Brazilian culture.

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Cultural projects

Support for more than 50 cultural projects (events and publications), within or outside the Bank's facilities. Sponsorship for external projects alone corresponded to R\$ 22 million in investments.



Photo: André Telles



Publicity

On the release date of the BNDES Card, some 95,000 accesses to the product's hot site were registered, a historic record.



Photo: Brazilian Canoeing Confederation

Sports sponsorship

The Canoa Training Center, a project run by the Brazilian Canoeing Academy (ABRACAN) which is supported by the Bank, is located at the Paulista Yacht Club, in the Guarapiranga reservoir in the state of São Paulo and is home to the best 16 canoeing athletes in the country, including the 19-year old world champion Isaquias Queiroz (photo), the Brazilian favorite for the 2016 Olympic Games.

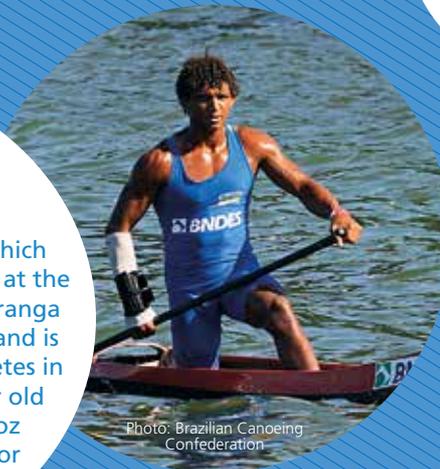


Photo: Brazilian Canoeing Confederation

The year of 2013 consolidated support for sports, more specifically canoeing, focusing on the two Olympic modalities, slalom and speed. The BNDES not only sponsored the implementation of two new canoeing training centers (CT Canoa and CT Pinheiros), but also renewed support for the permanent slalom team in Foz do Iguaçu, and made it possible to hold the Brazilian canoeing championships for slalom (Foz do Iguaçu) and speed (São Paulo).

As for the advertising campaigns, fundamental for communicating with clients and society, humor,

real stories and solid data on the BNDES' efforts set the tone in 2013. Three campaigns marked the year. The first, "BNDES Card numbers work in favor of your company," revealed the advantages of the card for micro, small and medium-sized businessmen throughout the country. The second, "You can count on the BNDES," aimed at bringing together the Bank and the population while encouraging businessmen to invest. The third, "Facts," disclosed data on the Bank's efforts, rendering accounts to the population.

Communication and transparent information in financial and global markets

The BNDES has implemented a series of initiatives aimed at developing Brazil's capitals market and contributing to consolidating the corporate fixed-rate segment in the country. With this goal, a channel that is frequently used is communication with market agents, such as the Brazilian Association of Financial and Capitals Market Entities (ANBIMA), the Central for the Custody and Financial Settlement of Securities (CETIP), as well as financial institutions.

It is worth highlighting the initiative for the BNDES to access the REUNE ANBIMA System, where it will be able to register its debenture negotiations in the secondary market and offer better price transparency.

The Bank understands the importance of accurate, timely, transparent and reliable information for an efficient, dynamic and comprehensive market, in which investors do not need to take inadequately measured risks. For this reason, much like the other development banks, the BNDES actively participates in the worldwide effort to adopt international accounting standards.

The BNDES also takes part in a set of initiatives together with several institutions that contribute to national and worldwide capitals markets that are more solid, transparent and less subject to crisis, among which are

the Brazilian Association of Development Banks (ABDE), the National Treasury, government entities, the Securities and Exchange Commission (CVM), Contabilidad y Responsabilidad para el Crecimiento Económico Regional (CRECER Group), IFRS for small and medium-sized enterprises, the International Federation of Accountants (IFAC), Group of Latin-America Accounting Standard Setters (GLASS), International Accounting Standards Board (IASB), International Specialists in Accounting Reporting (ISAR).

Engagement with the International Integrated Reporting Council (IIRC) continued in 2013, through the Integrated Global Report initiative. As a member of the pilot project, the Bank, besides perfecting its reports by introducing proposed concepts, works as a coordinator in the Brazilian Monitoring Commission of the IIRC's initiative and actively participated in the public consultation to gather considerations on the basic framework for possible regulation. For 2014, with the launch of the first version of the framework, the BNDES will strengthen its efforts in the Brazilian Monitoring Commission, which will participate actively in diffusing and stimulating other institutions to engage, acting as facilitator in initiatives in which companies it supports will apply this tool, besides maintaining efforts to improve its own reports.

The BNDES needs to be a financially healthy and robust institution committed to carrying out its mission with society.

Integrating financial products

The BNDES today is the main long-term funding instrument in Brazil. One of its strategic priorities is to contribute to the creation of other support mechanisms for investments with prolonged maturing periods, involving other agents and sources of resources.

The combined use of fixed-rate instruments (such as financing and debentures) and variable-rate instruments (such as shares and quotas in investment funds) expands possibilities to finance investments, while paving the way to develop a long-term financing industry in the country.

Besides this, integrating fixed and variable-income instruments adds potential to the BNDES' support, contributing to expanding its financial sustainability.

The BNDES has presented some clients – usually companies listed at BM&FBovespa – with a financing

IN FOCUS

Public share offerings

Senior Solution, a firm specialized in software and services for the financial sector, became the first small-sized technology company to hold a public share offering on Bovespa Mais, a segment of BM&FBovespa for small and medium-sized enterprises to access the stock market. It is a story that began in 2002 with the BNDES granting its first financing. It was followed by two direct investments by BNDESPAR in 2005. Additionally, Linx, a business management technology company for the retail sector that has received financing since 2008, made a public offering in 2013 on BM&FBovespa – in the New Market segment. Similar to Bovespa Mais, this segment presents the highest standards of governance in the national market. In the last two years, five companies from BNDESPAR's portfolio joined the capitals market, three of which were listed at Bovespa Mais.

The BNDES, via BNDESPAR, also participated in the Initial Public Offering (IPO) by Tupy on BM&FBovespa's New Market. The automotive sector company had been a member of the Bank's share portfolio since 1991, when the BNDESPAR helped financially restructure and strengthen Tupy's corporate governance through a partnership with the Banco do Brasil Employee Pension Fund (PREVI). Management made it possible to restructure the company's capital, which was an essential in preparing for growth in the coming years, with the expansion of the world economy, culminating in important purchases of industrial assets abroad.

Listing

Altus Systems, an industrial automation company from the south of Brazil focusing on the electric and oil and gas segments, was listed in the Bovespa Mais segment in 2013, in a stage prior to opening its capital. Part of the BNDESPAR portfolio since 2010, this is similar to another three companies in which the Bank has a stake and which were encouraged to become publicly-listed throughout the year: CAB Ambiental, Biom S.A. and Quality Software.

The Bank also participated in Nortec Chemistry S.A.'s listing on Bovespa Mais. Located in the city of Duque de Caxias, in the state of Rio de Janeiro, Nortec specializes in producing active ingredients for medicine. It is the first health company listed on Bovespa Mais and its path is directly linked to the Bank's financing. Nortec is one of the main input suppliers for antiretroviral medicine provided by the Brazilian Unified Health System (SUS), and it has received over R\$ 10 million in financing through the BNDES' PROFARMA program. Support for Nortec reinforces the Bank's commitment to the integration between companies operating in technology-intensive sectors and the capitals market.

option that merges fixed and variable-income: the mixed operation. One part of the support package requested is carried out under instruments convertible into shares, complementing BNDES FINEM, the Bank's fixed-income product.

These operations, together with the Bank's other efforts, help strengthen and modernize Brazil's capitals market by adding the offer of securities,

developing new products for investors, and democratizing the ownership of corporate capital.

Another important effort is stimulus for Initial Public Offerings (IPO) of shares from its portfolio of corporate stakes. Additionally, the BNDES has sought to help develop Bovespa Mais, which is currently the stock market's segment designed to make the share market accessible to emerging enterprises with high-growth potential.

to be continued

Equity structure

The BNDES financial sustainability for the long term requires efforts to build an equity structure that is suitable to its investment budget.

Aiming to diversify its sources or resources, the Bank raised US\$ 2.5 billion through bonds on the international market in 2013, by issuing two equally-sized series, with maturing in 2016 and 2023. Carrying out the operation in two stages allowed access to a larger number of investors, including parties demanding shorter deadlines. The operation not only established a new interest rate reference for the BNDES' external debts, but also now matures in 2016, 2017, 2018, 2019, 2020 and 2023. Additionally, it has scheduled its return to the North-American market.

High demand made it possible to distribute bonds to buyers from several countries, with one of the lowest premiums for a new issuance of its papers negotiated on the secondary market. This resulted in interest paid to the investor: 3.375% per year for the operation maturing in 2016 and 5.75% per year for the operation maturing in 2023, representing the lowest average cost (4.56%) ever paid by the Bank in a dollar issuance.

Additionally, it is worth mentioning the implementation of the Basil III rules, which brought a series of changes to Brazil's financial market, especially in terms of setting up regulating capital and to the minimum required for a financial institution to function.

Aimed at increasing its operational capacity and strengthening its equity structure, the BNDES, together with the Federal Government, established an eligible instrument for principal capital, valued at R\$ 15 billion. An instrument of this type is a debt contract that has characteristics defined by the National Monetary Council and is authorized by Brazilian Central Bank to comprise the principal capital of an institution, which is highest quality portion of its capital. The cited contract was one of the first authorized to comprise the principal capital of a Brazilian financial institution.

continued

Concerning fixed-income, the BNDES has acquired simple debentures in public offerings aimed at supporting growth strategies for issuing companies and development of Brazil's own corporate fixed-income market. In 2013, the Bank created the product BNDES Infrastructure Debentures, which aims at stimulating debenture issuances for sector projects (more

details on page 19). Aimed at meeting market demand, programs to acquire debentures in public offerings started using innovative mechanisms such as the guarantee sharing and cross-acceleration maturity. The latter mechanism establishes that, if debenture issuers fail to honor their financial obligations, this will be classified as a default in the financing operations it has established with the BNDES, and the reverse situation also applies.

IN FOCUS

Risk management and return

The BNDES has to consciously take on risks that are compatible with institutional goals, with the support of solid methodology and quality information.

Managing these risks contributes to the institution's financial sustainability by measuring and monitoring risks to which it is exposed, including credit, the market, liquidity and operational. Managing internal controls guarantees the Bank's activities are carried out with efficiency and efficacy, as well as in accordance with norms.

The first report on the Internal Capital Adequacy Assessment Process (ICAAP) was released in 2013, which basically aims at assessing whether the capital maintained by a financial institution is enough to carry out its activities well, considering the risk it is subject to and the intended objectives. According to Brazilian Central Bank, the ICAAP is annual, and the first was published with a database in June 2013.

Other highlights were adjustments to meet new requirements established by Brazilian Central Bank for risk management, in keeping with the implementation in Brazil of the new Basil III rules, and the completed set-up of new indicators to facilitate Senior Administration's decision-making. These indicators include the calculation of effective profitability of BNDES' credit operations and the use of metrics for extreme losses, referred to as Conditional Value at Risk (CVaR), to measure market risk.

The BNDES carries out operations with financial derivative instruments aiming to protect its financial assets and liabilities from risks associated with the mismatch of fees and currencies. For such, operations in the organized over-the-counter market and at BM&FBovespa are carried out. Traditionally, the operations run on this stock market are carried out through an administered portfolio, with operations guided by the BNDES and run by its manager.

In an effort to perfect its financial management, and with the imminent entry into the Brazilian Payment System (SPB), the BNDES System started carrying out operations on BM&FBovespa directly, without the use of funds or portfolios specifically for this purpose. This innovation ensures the BNDES agility and control when carrying out operations.

In addition to its stake in the primary market, the BNDES carries out debenture negotiations in the secondary market, which were intensified in 2013 through daily offers to buy and sell debentures from several sectors in the economy, using an electronic platform at all negotiation stages. The goal is to foster liquidity and stimulate price transparency within this market.

Glossary

Debentures – medium and long-term debt bonds issued by companies in which the debenture holder is the company's creditor.

Primary Market – where newly-issued securities are negotiated between companies and investors.

Secondary Market – where company-issued securities are negotiated and transferred between investors. In this market, only ownership and resources are transferred between investors. The company has no stake in it.

How does the BNDES treat operations in default?

Most resources used in financing carried out in 2013 came from the return on the Bank's operations. Thanks to thorough analyses of requests for support, the Bank posted its lowest default rate ever. It is worth noting that, each fiscal year, the default rate was significantly below the National Financial System's average, which means that repayment of such financing has become one of the main sources of resources for new support throughout the years.

Some operations, however, go into default. When this occurs, the first effort is to try to renegotiate the debt out of court, seeking an agreement between parties. This is fundamental, considering that reaffirming its commitment to the development is just as important as recovering credit. Thus, the economic feasibility of the company is assessed, seeking an alternative that preserve jobs and maintains the company alive whenever possible. Renegotiations for 47 credit operations in default were concluded and approved in 2013, totaling R\$ 1.6 billion. At the same time, some R\$ 636 million was received.

If negotiations are unsuccessful, collection procedures are implemented by means of legal action, calling in guarantees (machinery, equipment, vehicles etc.). In these cases, principles and norms published by regulatory organizations are adopted – especially those from Brazilian Central Bank – aimed at mitigating risks, quickly and thoroughly organizing the sale of goods offered by debtors, through auctions or competition procedures. These are widely advertised, highlighting that the amount bid by the winner of the auction is fully employed to pay off the outstanding debt. Aimed at improving these procedures even more, the BNDES has improved its internal norms, thoroughly regulating divestitures, establishing criteria to define prices for forced liquidations and studying improvements when hiring transport, protection and storage services of seized property.

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Risk Management
Report



Financial
information

Developing and adding value to technical and behavioral competences needed to foster sustainable development are a constant concern of the Bank when treating its employees. Following are the BNDES' internal efforts that favored a more innovative organizational environment; that fostered personal and professional development of its employees; and that add value to personnel management aiming at results and performance assessment.

Innovative environment

An innovative environment is fundamental to the constant improvement of its products, operational instruments and processes, in a continuous effort to improve quality and efficiency of the Bank's operations and its results for society.

The BNDES maintains the Process Office, which coordinates efforts and focuses on the benefits from process-based management, acting as technical support to identify organizational impacts in corporate initiatives as well as when innovating and integrating processes. Additionally, the role of the Corporate Project Office, which fosters project

IN FOCUS

Personnel 12;13;14

The BNDES ended 2013 with 2,859 employees, all covered by a Collective Labor Agreement, considering a legal readmission of staff in 2014, retroactive to 2013. It is worth noting that the number of employees includes individuals admitted through recruitment exams, as well as temporary and amnestied staff. Throughout the year, some 153 staff members left the BNDES, of which 126 were encouraged resignations in the Scheduled Resignation Program. Finally, some 22 resignations were requested by employees. Besides remuneration compatible with the market, the BNDES offers employees medical and dental assistance, a complementary pension plan, life insurance, as well as allowances for transport, educational assistance and meals.

Staff per gender and region in 2013*

	On loan to other institutions		Federal District (Brazil)		London (United Kingdom)		Montevideo (Uruguay)		Recife (state of Pernambuco)		Rio de Janeiro (state of Rio de Janeiro)		São Paulo (state of São Paulo)		
Total	43		38		4		2		29		2,709		34		2,859
	1	7	-	5	-	-	-	-	-	1	5	26	-	1	46
	6	2	5	3	-	-	-	-	2	2	205	283	4	2	514
	5	22	11	14	-	4	1	1	6	18	756	1,434	11	16	2,299
															

 General services  Technical level  Superior level

* The BNDES' office in Africa was inaugurated in December 2013. However, the expatriation of employees for this branch occurred only at the beginning of 2014.

Ethics

In 2013, the BNDES' Ethics Commission analyzed 56 claims, of which 45 were consultations, and 11 were reports. All consultations were answered, and reports analyzed. Of these reports, four are still undergoing further analysis and seven were concluded, resulting in one Personal and Professional Conduct Agreement, two orientations and four adjournments – due to abandonment or matters that did not concern ethics. There was also the conclusion of two processes opened in previous years, which resulted in one recommendation and one written warning. Among the matters, there were some that warrant a mention, such as conflicts of interests, the exercise of parallel activities, interpersonal conflicts, receiving presents, gifts and securities transactions.

management practices, is to help achieve better results, acting in across-the-board initiatives that stimulate and promote integration among different organizational units.

Personal and professional development

This year, the average amount of training per employee was 58 hours, of which most was dedicated to short-term courses. In addition, some 68 participants received support to take graduate courses.

Internal instruction (courses taught by employees to employees) was expanded, which enabled the Bank to meet the specific development needs

for competences the BNDES requires as well as disseminating know-how among employees. Also standing apart are the meetings in which employees that adhered to the Scheduled Resignation Plan shared know-how, taking place in the first half in 2013. The initiative involved customized efforts including lectures, debates, workshops and technical support, aimed at helping disseminate knowledge, experience and values in BNDES. **Q¹⁵**

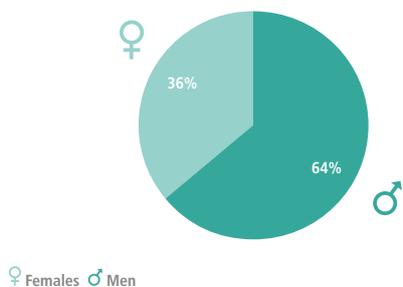
In 2013, one of the focuses was training aimed at expanding know-how on innovation, providing employees theoretic bases that enable the Bank to excel in supporting innovation.

to be continued

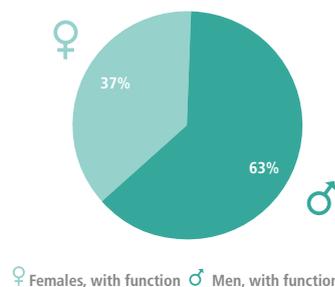
Diversity **Q¹⁶**

The BNDES adhered to the fifth edition of the Gender and Race Pro-Equity Program, put together by the Secretariat of Policies for Women, of the President's Office of the Presidency of the Republic. The Bank has taken part in the program since the second edition. It has received, since then, the Gender and Race Pro-Equity Seal, which is to be renewed on a regular basis.

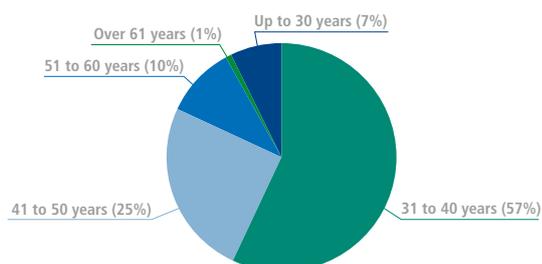
Breakdown of all staff per gender



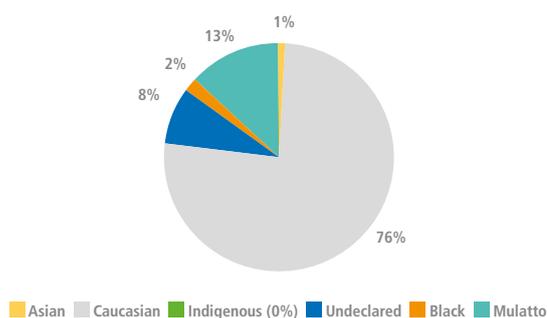
Executive and appointed staff per gender



Executive and appointed staff per age group



Breakdown of all staff per race



continued

Strategic staff management

Modernizing personnel management practices and policies is part of the strategic corporate portfolio. Based on the 2009-2014 Corporate Planning, a long-term program that contemplates corporate education projects, career and performance management was structured. Its conception was based on managing competences in technical and behavioral areas. The most important

deliveries in 2013 are related to performance management and creation of a proposal for a new career plan that will be widely negotiated with employees throughout 2014.

To help achieve results, a second cycle for the Employee Agenda was held. This was created to help managers' and employees' reflection so as to adjust expectations in professionals' efforts, stimulating forethought and feedback.

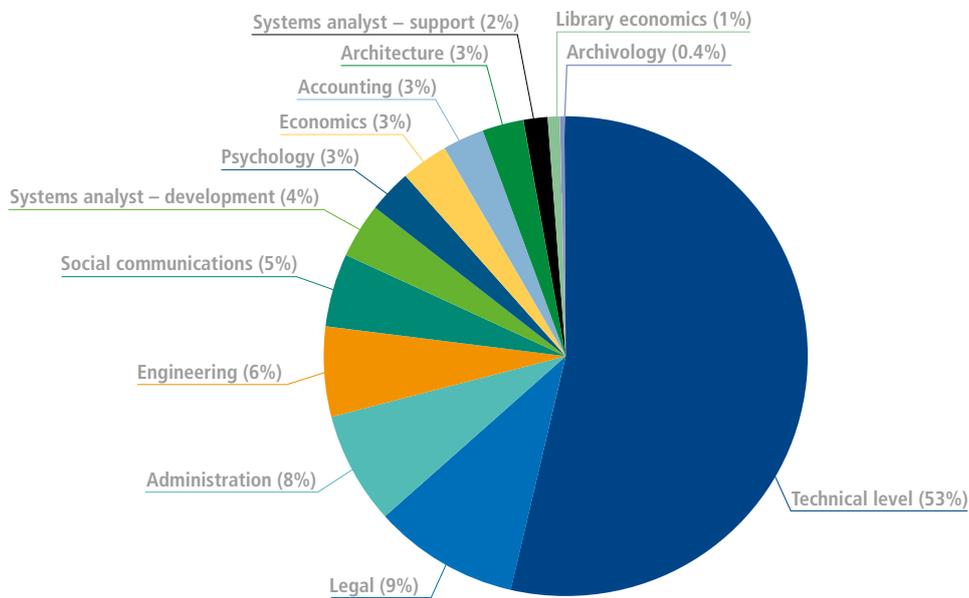
When setting up the Agenda, employees and managers prioritize competences that should be developed throughout the year, leaving development

IN FOCUS

Admission by public recruitment exam

The last BNDES public recruitment exam took place in March 2013, and 137,989 candidates throughout the country applied. Considering the 2001-2013 period, this was the largest number of applicants to the Bank's tests. It also was the first selection process to include all careers.

Applications per job in the 2013 civil servant test



efforts and more important deliveries planned for the following period. These deliveries are associated with strategic corporate goals.

Employees' performance is measured by following up the Agenda and using the script for promotion. The latter instrument enables managers to measure employees' efforts on three levels: Attitude (poise and expected behavior), Professional Development (capacity to deal with complex situations), and Contribution towards Results (contributions to help achieve goals). Reflecting on these aspects is important to

develop a long-term and more comprehensive vision of employees' efforts.

Furthermore, within the scope of personnel management, the BNDES maintains the Program for Medical Control and Occupational Health in all its facilities in Brazil, in accordance with labor law. The main risks identified refer to ergonomic issues and are controlled by periodic assessments. In a Collective Agreement, additional commitments related to employee security and health are established, such as life insurance and collective insurance for personal accidents while traveling on BNDES business.

Average of training hours per employee Q¹⁷

TECHNICAL LEVEL

18 HOURS

SUPERIOR LEVEL

79 HOURS

Absenteeism | Work safety and health rates in 2013 Q¹⁸

INJURY RATE

5.61 (Southeast Region)

Frequency of accidents with injuries, resulting in lost hours. There are 4,988,330 annual work hours, counting all employees together. There were 61 accidents (14 typical accidents and 47 transit accidents) with injuries and time off in Rio de Janeiro and São Paulo alone (Southeast Region).

OCCUPATIONAL DISEASE RATE

ZERO

LOST DAYS

3.87 (Southeast Region)

Work days, counting from the day after the injury up to one day before returning to work. A total of 242 work days were lost due to work accidents (typical and transit accidents). The total of days programmed is 5 days/week x 48 weeks/year (considering vacations) for each employee involved. $TDP = \text{Days lost} / \text{Days programmed} \times 100$.

ABSENTEEISM RATES

0.59 (Southeast Region)

0.29 (Central-West Region)

0.27 (Northeast Region)

Medical absences. Holidays, leave for study, maternity/paternity, extensions, bereavement, marriage/honeymoon and monitored time-off are excluded. The total number of days programmed is five days/week x 48 weeks/year (considering vacations) x N° of employees per region, with an employee base dating from December 31, 2013. $TA = \text{Days absent} / \text{Days programmed} \times 100$.

DEATHS CAUSED BY ACCIDENTS AT WORK OR OCCUPATIONAL SICKNESS

ZERO

Global Reporting Initiative indicators chart

Occurrence in the report	Page	GRI indicator	Description
1	8 and 23	FS02	Procedures to assess and categorize social and environmental risks in business lines
2	9	FS01	Policies with specific social and environmental components applied to business lines
3	12, 20 and 24	FS06	Percentage of the business lines portfolio per specific region, per size (i.e. micro/small and medium/large) and per sector
4	12 and 22	FS07	Monetary value of products and services created to provide specific social benefits for each business line, shown per purpose
5	12 and 22	FS08	Monetary value of products and services created to provide a specific environmental benefit for each business line, shown per purpose
6	15	EC01	Direct economic value generated and distributed, including revenues, operational costs, employee remuneration, donations and other investments in the community, accumulated profit and payments for capital providers and governments
7	21 and 23	FS05	Interaction with clients, investors and commercial partners in relation to risks as well as social and environmental opportunities
8	34	EN22	Total weight of waste, per type and removal method
9	34	EN05	Energy saved due to improvements in conservation and efficiency
10	35	EN08	Total water withdrawn per source
11	35	EN02	Percentage of recycling-derived materials used
12	44	LA02	Total number and turnover rate per employee, age, gender and region
13	44	LA09	Topics related to health and safety covered by formal agreements with unions
14	44	LA04	Percentage of employees covered by collective bargaining agreements
15	45	LA11	Programs to manage competence and continuous learning that support the continuity of staff employability and to supervise the final days of careers
16	45	LA13	Breakdown of groups responsible for corporate governance and employees per category, in accordance with gender, age, minorities and other diversity indicators
17	47	LA10	Average of training hours per year, employee, per employee category
18	47	LA07	Rates per region for injury, occupational sicknesses, days lost, absenteeism and deaths related to work, per region

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Global Reporting Initiative

Online content	Page	Shortcut/Address
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Annual Technical Report	3	www.bndes.gov.br/ra13/1
Article: The contribution of development banks for long-term financing	7 and 32	www.bndes.gov.br/ra13/2
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* Some of the content above is not available in English.

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