



 **BNCDES** (ANNUAL REPORT)

# 2012



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# Message from the Minister

The BNDES' indicators in 2012 reflect the current positive expectations of Brazilian businesspeople. When taking into account the 60% increase in consultations forwarded to the Bank and the 58% rise in approvals of new projects – together with, among other indicators, the US\$ 6.8 billion tax break tied to the US\$ 45 billion in investments –, we can confirm a significant interest in investing in the country.

As in 2011, last year, the BNDES once again took a leading role in government policies, such as the Brazil Maior Plan and the Growth Acceleration Program (PAC). With disbursements reaching R\$ 156 billion, a figure some 12% above that posted the year before, the Bank surpassed its target and achieved its main objective, which was to help expand investments in the Brazilian economy.

There are numerous examples of the BNDES' positive efforts, but I would like to highlight the numbers in programs such as BNDES States, Proinveste and Propae, which are responsible for disbursements of R\$ 11 billion throughout the year. Also standing apart are industry and infrastructure, with disbursements of R\$ 100 billion, up 65% when compared with the previous year.

Over the last few years, we have made serious efforts towards improving the business environment in Brazil, which range from reducing red tape to opening new businesses, to investments in infrastructure and

support to strengthen national industry. The aim is to assure Brazil is a safe port for those that wish to invest and generate wealth.

Over this year and the next, we hope to maintain these positive expectations and, for such, we will rely on the measures outlined in the Brazil Maior Plan to increase the competitiveness of Brazilian industry. These measures aim to lower the cost of labor and capital, to boost the development of production sectors, as well as to advance exports and trade protection.

Simultaneously, the Federal Government has made other effective efforts: reducing basic interest rates to the lowest level in history, recovering the exchange rate, reducing power tariffs – which reached a third, in the case of electro-intensive industry –, investments in the PAC, concessions in logistics and transport, as well as efforts to train skilled labor. It is along these lines that we must continue over the coming years, seeking to put into practice the measures that constantly expand the systemic competitiveness of Brazilian industry.

**FERNANDO PIMENTEL**  
**Minister of Development, Industry and Foreign Trade**



# Message from the President

Despite the persistently disquieting international outlook, especially in Europe, coupled with low GDP growth in Brazil and the difficulties in our industry when it comes to facing international competition, the year 2012 left a very important legacy: the fall in interest rates. This legacy, tied not only to maintaining macroeconomic stability, but also to social and economic inclusion, and to the solid investment opportunities in infrastructure, allows room to successfully and systematically increase productivity and expand the horizons for long-term investment. With this, Brazil remains on the path towards sustained development.

The performance of the BNDES in 2012 is headed in this direction. Total disbursements reached R\$ 156 billion, almost 12% higher than the R\$ 139.7 billion posted in 2011. Increases in consultations (60%) and project approvals (58%), in all sectors the Bank finances, reinforced the economy's tendency to accelerate both in 2013 and 2014, which is expected to come from the emphasis on investments. Those investments leveraged by the BNDES' financing accounted for 23.4% of the Gross Formation of Fixed Capital in the country, in investments that created or maintained, directly and indirectly, more than five million jobs.

In 2012, disbursements to infrastructure totaled R\$ 52.9 billion. Sectors standing apart include: electric energy, which received R\$ 18.9 billion in disbursements, up 18% on 2011; telecommunications, with R\$ 4.8 billion, a high

of 56% over the previous year; and railway transport, to which R\$ 2.4 billion was disbursed, a whopping 70% higher than in 2011. In industry, which saw disbursements of R\$ 47.7 billion, the most prominent increase in amounts earmarked for: chemicals and petrochemicals (R\$ 8.5 billion, up 19% in relation to 2011); mechanics (R\$ 5.6 billion, an increase of 25% in comparison with the prior year); and pulp and paper (R\$ 4.2 billion, some 189% more than in 2011). Releases to these two sectors (R\$ 100 billion) account for 65% of 2012's total.

The BNDES has reinforced support for small and medium-sized companies (MSEs) and individuals, whose disbursements last year reached R\$ 36.4 billion, well above the figures posted in both 2011 and 2010. The BNDES Card once again posted vigorous growth, reaching disbursements of R\$ 9.5 billion (26% above 2011) last year, with a total of over 707,000 operations (31% higher than the previous year). In 2012, some 102,245 cards were issued, reaching a total of 569,220 cards.

The Bank's good performance in 2012 is largely due to the measures taken by the Federal Government to boost public and private investments.

In the public sector, highlights include the following programs: BNDES Proinveste, BNDES States and BNDES Propae, which finance federal projects and which last year disbursed close to R\$ 11 billion. Proinveste and

Propae were guaranteed by the Federal Government, which allowed the Bank to reduce interest rates and, thus, offset such losses in revenue resulting from the tax breaks offered by that sphere of government.

In the private sector, worthy of mention is the Investment Maintenance Program (BNDES PSI) – whose reduced interest rates in 2012 boosted disbursements at the end of the year –, which posted releases of R\$ 44 billion in a total of almost 150,000 finance operations to the production sector, especially in the machinery and equipment segment. Of the total disbursed, some 57% was earmarked for micro, small, and medium-sized companies (MSMEs).

Regional distribution of disbursements in 2012 showed a new, consolidated level of participation in the North and Northeast regions in the country, which totaled 22%. This figure is higher than the 21.3% posted in 2011 and the 17.2% in 2010, falling closer to that registered in 2009, which was 24.4%. This jump becomes more significant when compared with the numbers posted in 2008 and 2007, respectively, 13.8% and 13.5%.

Releases in 2012 to the “green economy,” that is, to sectors that help reduce the negative effects of climate change, totaled R\$ 20.8 billion, almost 13% up on the R\$ 18.5 billion posted in the previous year. Highlights include renewable energy and energy efficiency (R\$ 13.3 billion), cargo shipping on railways and waterways (R\$ 2.6 billion) and passenger public transport (R\$ 1.5 billion), both up 60% in relation to 2011.

Disbursements to innovation totaled R\$ 2.2 billion, almost 35% higher than in 2011. The most significant were Prosoft Empresa, with R\$ 484 million, up 71% compared to the previous year; the Innovation Production program, with R\$ 150 million, up 273%, and Funtec, with R\$ 100 million, a high of 144% over 2011.

The Investment Guarantee Fund (FGI) – which aims to expand access to credit for MSMEs by offering

guarantees –, in 2012, managed to handle more than five thousand operations, representing almost R\$ 900 million in financing. The list of accredited financial agents ready to operate with FGI guarantees was expanded, as was the list of products, credit lines and programs that can apply such guarantees. Programs and lines of credit, such as the BNDES Finame – Acquisition of Capital Goods, BNDES PER and PSI Bus and Trucks presented expressive growth, proving diversified use, which in turn reflects the increased interest of beneficiaries and financial agents in using the FGI as a guarantee mechanism.

The conclusion is that the BNDES’ credit helped maintain and reactivate companies’ plans to invest over the last few months of 2012. Support for states and infrastructure stand out. Good performance was also registered in MSMEs, innovation, environmental sustainability and regional development.

Institutionally, 2012 was an outstanding year. The BNDES celebrated its sixtieth anniversary as part of history in which it has become one of the most predominant institutions in Brazilian development. However, we are well aware that such history is far from drawing to a close. For this reason, commemorating the sixtieth anniversary, besides the celebrations, was an intense reflection of what the BNDES will be in the future: how the Bank should cooperate with the financial industry to expand private, long-term financing in local currency; which partnerships should be set up to strengthen initiatives towards local and regional development; how to make industrial policy and innovation policy effective; how to incorporate priority for environmental sustainability into the agenda of economic agents; how to help strengthen the competitiveness of Brazilian companies abroad.

On an international level, the BNDES was deeply involved in events associated with environmental sustainability. The BNDES has operated in cooperation with the Ministry

of the Environment (MMA) to exchange experiences concerning environmental policy and to differentiate its operational policies so as to boost innovation that fosters sustained development. On the agenda of the International Development Finance Club (IDFC), a group involving 19 multilateral and national development banks, the BNDES has pushed for priority towards sustainability for the coming years in each of the institutions. Also worthy of mention is the BNDES' participation in the Rio+20 Conference, which it sponsored, when it offered its premises to hold a part of the event, besides providing more than 60 representatives for the official program and parallel events.

At an internal level, the year saw significant progress with AGIR, which implemented the first phase of the Market Applications Program (PAM) and the beginning of the Developed Applications Program (PAD). Standing apart are efforts to strengthen initiatives aimed at providing information and rendering accounts to society on the BNDES' activities and performance, including the transparency portal, a permanent committee set up to meet demand for information, and a new assistance center. This report is not solely dedicated to financial and economic performance, but also to social and environmental performance, as well as the results of transversal policies, such as regional innovation and development. It also presents the institutional panorama, the policies concerning transparency and managing people, as well as the Bank's participation in public policies, among other aspects.

The agenda for 2013 has maintained priority on the BNDES' permanent focus: to provide support for investments deemed a priority for the Brazilian economy, continuously adding new aspects, such as support for innovation, socio-environmental sustainability and local development. This year's most prominent challenge is to strengthen the BNDES' relations with existing or potential sources of private, long-term financing.

Infrastructure will be key to recovering the Gross Formation of Fixed Capital, especially in energy and logistics concessions. Other important sectors will include oil & gas, automobiles, durable goods and telecommunications. Brazil's challenge and that of the BNDES will be to increase private investment decisions in a growing number of sectors.

The internal agenda will be focused on improving efficiency, strengthening competences and providing more quality to operations and outside relations. For such, the 2013-2015 Corporate Planning has established annual quantitative targets with a three-year deadline, aimed at better directing corporate efforts.

One of the BNDES' main qualities throughout its history has been to help Brazil by financing investment to overcome its development challenges, maintaining technical precision and the capacity to reflect on how best to adapt the institution at every moment along its path towards developing the country. The year 2013 will require these qualities even more. Prioritizing investments as the core leverage for growth is a consensus in Brazilian society. New investment frontiers have materialized, requiring more and more complex financial engineering. The Brazilian financial industry has matured to firmly engage in long-term financing. The BNDES, as it has shown over its sixty years, is ready to provide support and accompany the great effort against the obstacles that hinder Brazilian development.

**Luciano Coutinho**  
**President of the BNDES**



The BNDES' disbursements towards the green economy and climate change totaled R\$ 20.8 billion, especially for renewable energy.

PHOTOGRAPHY: RENOVA ENERGIA/MARISA VIANNA





# Concerning this report

This report aims to present, to those interested in the BNDES, the most important aspects of its operations throughout the year 2012. The period covered is from January to December 2012 and includes the operations of the BNDES as well as its subsidiaries, namely BNDES Participações S.A. (BNDESPAR) and the Special Agency for Financing (FINAME). Operations in the Uruguay Office and the London subsidiary (BNDES Limited) are also included in this publication.

The BNDES considers fostering sustainability and its social and environmental responsibility inherent to its role both as a financial institution and public development organization. These concepts are expressed in the Bank's mission, its vision, its values and code of ethics. The Bank has a selection of policies, procedures, lines of credit and instruments that it uses to guide its operations, envisaging development as an integrated concept, which includes economic, social and environmental aspects. Analysis and assessment of operations take these aspects into account.

In this report, the BNDES systematically continues to employ indicators that help gauge its alignment with sustainability. Five indicators of the Global Reporting Initiative (GRI) were inserted into a total of 18. These were verified and adjusted to the BNDES' indicators, which are used in its strategic management system

and its budget. With this, the goal of this report is to be an instrument that fosters the dissemination and verification of the BNDES' commitment to sustainability.

This report aims to show the alignment between the Bank's institutional practices and its strategy. For such, it makes use of the BNDES' Strategic Corporate Map as a benchmark to structure this document. The guidelines in the Corporate Policy on Social and Environmental Responsibility, and the commitments the Bank has taken on, have helped select the content for this publication, in an effort to reveal the progress made throughout 2012. The main efforts and some results are presented and illustrated in institutional initiatives, in projects receiving support, and in indicators.

With the objective of facilitating access for those interested, a hot site was created for this report and can be accessed via the BNDES' website, which also contains the BNDES' complete Financial Statements and those of its subsidiaries, FINAME and BNDESPAR, as well as more details on efforts and projects receiving support, which are also presented here in the chapter entitled "The BNDES' performance in 2012."

*As a result of rounding-up, the total sum of the numbers in the tables may not be exact. Likewise, the percentages in the charts may not total 100% exactly.*

# 01 (THE BNDES)

Assets



**R\$ 715.5**  
billion

Credit and on-lending portfolio  
Net amount of credit risk allowances



**R\$ 492.2**  
billion

Total number of employees in 2012  
hired via public recruitment exams



**2,853**

Disbursements earmarked for innovation in 2012 surpassed the set targets and reached R\$ 3.3 billion, including releases to FINEP.

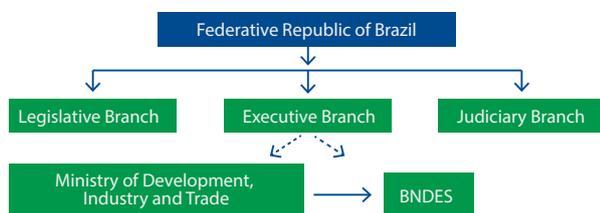
PHOTOGRAPHY: CRISTÁLIA PRODUTOS QUÍMICOS FARMACÊUTICOS/JOÃO PRUDENTE



The BNDES is a public, federally-owned company, governed by private law, with its own equity, and it is linked to the Ministry of Development, Industry and Foreign Trade (MDIC).

According to the BNDES' by-laws, established by Decree N°. 4,418, of October 11, 2002, the Bank is the main instrument for implementing the Federal Government's investment policy, and its main aim is to provide support to programs, projects, civil works and services that are related to the social and economic development of the country within a long-term vision.

#### FEDERATIVE REPUBLIC OF BRAZIL



The BNDES System comprises four companies: the BNDES, FINAME, BNDESPAR and BNDES Limited, besides currently running four facilities in Brazil (Rio de Janeiro, São Paulo, Brasília and Recife) and a further two abroad, in Montevideo (Uruguay) and London (United Kingdom).

Under the guiding light of its mission, vision and values, the BNDES offers long-term financing, subscription of securities, non-reimbursable financial support, as well as rendering guarantees. Present in all sectors of the economy, it finances companies, services, infrastructure, agribusiness, the environment, social and production inclusion, local and regional development, innovation and culture. The BNDES serves all institutions of all sizes, the private sector, the public sector and the third sector (NGOs). The Bank's support covers Brazil's entire territory, and its operational policy seeks to stimulate demand for financing in less-developed regions, boosting the economy and benefiting society as a whole.

The BNDES has assets totaling R\$ 715.5 billion and a credit and on-lending portfolio of R\$ 492.2 billion.<sup>1</sup>

<sup>1</sup> Net amount of provisions for credit risk.

#### 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

Ethics/Commitment to development/  
Public principles/Excellence

## Financial products and financing operations

The BNDES has a structured range of financial products (see table below), which, in turn, offer several lines, programs and funds. Lines of financing and programs have specific rules in accordance with the beneficiary, sector and/or undertaking receiving support. Whereas lines of financing focus on meeting permanent demand, programs seek to meet more specific demand and have an expiry date, as well as previously-established amounts.

Funds are sources of resources, statutory or legal, governed by their own resolutions, which outline the conditions and specific operational procedures. Statutory funds are earmarked for non-reimbursable investments.

The Bank's financing operations are divided into two main groups: direct and indirect. Direct operations are awarded directly by the BNDES. Meanwhile, indirect operations are mediated through accredited financial institutions, when the Bank forwards the resources to the institution, which then forwards it on to the final client in the operation.

## PRODUCTS AND SERVICES OFFERED

| TYPE OF OPERATION | PRODUCT                    | DESCRIPTION  |
|-------------------|----------------------------|--|
| Direct            | BNDES Finem                | Financing undertakings with a minimum amount of R\$ 10 million   |
|                   | BNDES Credit Limit         | Credit for clients in compliance with their obligations  |
|                   | Subscription of securities | Purchasing minority shares or convertible debentures of a temporary nature, or investments through closed funds  |
|                   | Project Finance            | Financing with the support of a project's cash flow  |
|                   | BNDES Guarantees           | Rendering guarantees to reduce the level of participation in the projects. Used in large-scale projects  |
|                   | BNDES Bridge Loan          | Financing a project, granted in special cases to speed up investments via resources at the structuring stage of a long-term operation                                |
|                   | BNDES Exim Post-Shipment   | Financing the commercialization of national goods and services abroad  |
| Indirect          | BNDES Automatic            | Financing undertakings of up to R\$ 20 million for micro, small, medium-sized, and medium-large companies, or up to R\$ 10 million, if the client is a large company |
|                   | BNDES Finame               | Financing production and commercialization of machinery and equipment  |
|                   | BNDES Finame Agriculture   | Financing production and commercialization of agricultural machinery and equipment   |
|                   | BNDES Finame Leasing       | Merchant leasing of machinery and equipment  |
|                   | BNDES Exim Pre-Shipment    | Financing national production of goods and services aimed at exports   |
|                   | BNDES Exim                 | Financing national production aimed at exporting and commercializing goods and services abroad   |
|                   | BNDES Card                 | Revolving pre-approved credit to acquire products, inputs and services   |

## Organization, processes and governance

As a publicly-owned company, the BNDES' financial operations, balance sheets and management policies are inspected by collegiate groups that comprise representatives from the government, outside entities and civil society. These collegiate groups include the Advisory Board, the Auditing Committee and the Fiscal Council.

[For further information on the respective attributions, visit the [hotsite](#).]

The BNDES' activities are organized into divisions that are then sub-divided into operational departments – which are responsible for granting financial support and follow-up – and support departments – which focus on corporate support activities.

The BNDES' Board of Directors comprises eight members: the president, the vice-president and six managing directors, all appointed by the President of the Republic.

The BNDES' Board of Directors makes the most important decisions concerning proposals put forth

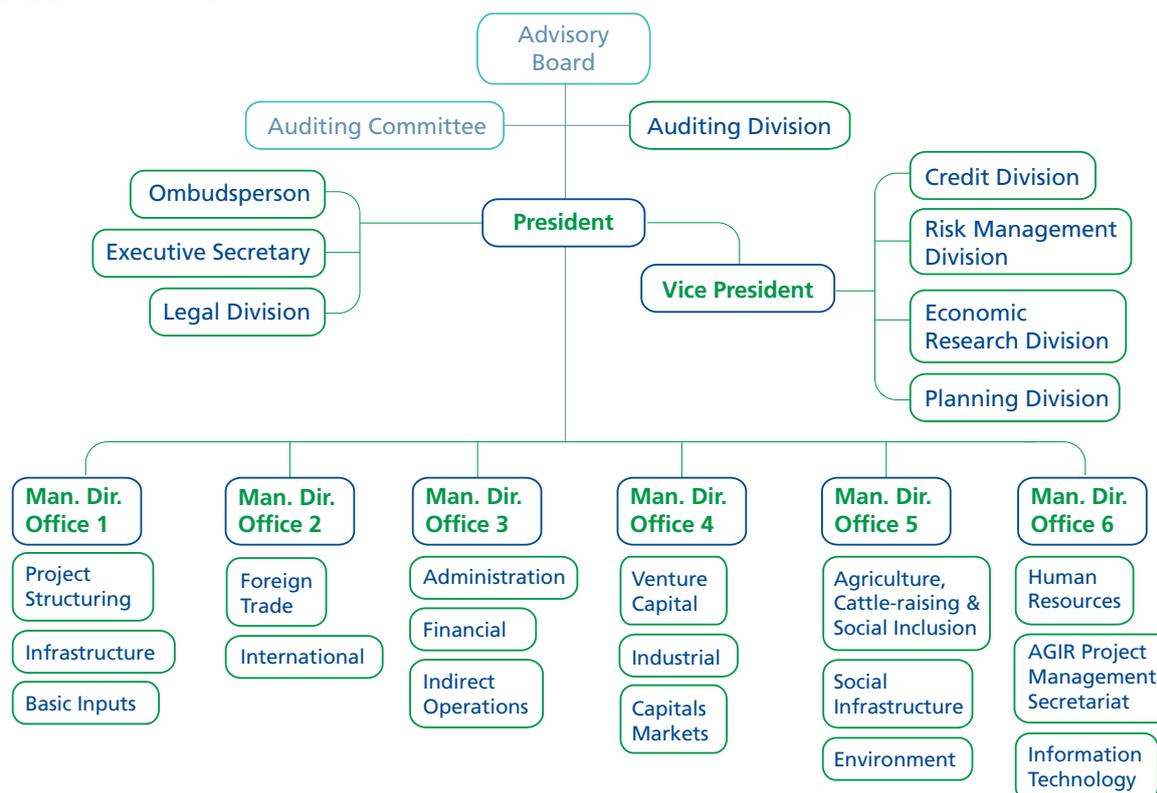
by divisions and their respective managing directors, in accordance with the purposes and objectives outlined in its by-laws, and under the guidance of the BNDES' Advisory Board, in regular weekly meetings (or extraordinarily when convened by the president), in the form of decisions (of a specific nature) or resolutions (of a general nature).

There are also other decision-making collegiate groups that involve deputy managing directors and managing directors.

[For further information, see the [chart with the BNDES' main executive committees on the hotsite](#).]

Within this context, the Internal Auditing Committee is directly linked to the Advisory Board and its main goals are: to mediate dialog between the BNDES System and the external entities for control and supervision (the Federal Court of Accounts, the Office of the Comptroller General, and Brazil's Central Bank); to accompany the independent auditor's activities; and to assess the efficiency and efficacy of, as well as the adherence to the internal and external regulations for corporate processes and information technology.

## THE BNDES' STRUCTURE



In operational areas, work is carried out by multidisciplinary teams. This procedure aims to assure broad and effective analyses of the projects, using the technical background of every professional. The multidisciplinary nature enables employees to gain know-how of the entire process that they are involved in and not just a part of it.

## BNDES' strategy management

The BNDES' Corporate Planning has the support of a Strategy Management process, which covers the implementation, monitoring and learning stages.

Implementation entails converting strategic objectives into specific indicators, goals and project, thus facilitating the understanding of the expected results and the efforts that need to be developed.

Monitoring strategies is carried out on a quarterly basis by the Planning Committee, with the participation of all managing directors and deputy managing directors. The BNDES' evolution is monitored as per its achievement of established goals.

Analyzing results helps clearly assess the need to adjust and improve strategies, based on the lessons learned during implementation and any new operating opportunities that have been identified.

## Process for granting financial support

Granting financial support is a vital process for the BNDES. Owing to the BNDES' main modalities for granting support, this process, as a rule of thumb, is subdivided into: (I) granting financial support in direct operations (those starting at R\$ 10 million, in which the BNDES assumes the credit risk) and indirect non-automatic operations (generally in operations above R\$ 10 million, in which the financial agents totally or partially assume the credit risk); and (II) granting financial support in indirect automatic operations (those worth less than or equal to R\$ 20 million, in which the financial agents assume the credit risk).

The main components in the former process include: (I) analyzing consultations and eligibility of operations;

(II) analyzing operation projects; (III) awarding operations; and (IV) following up on and releasing resources for the operation. The main components in the latter process include: (I) analyzing operation consultations; (II) receiving, analyzing and approving operations; (III) releasing resources for operations; and (IV) following up on operations.

Controlling this granting process for direct and indirect non-automatic operations entails several players and a range of levels within the organization. Requests for financial support are sent to the BNDES in the form of formal consultations, and then forwarded to the organizational department charged with the task of analyzing and submitting them to the Committee for Eligibility, Credit and Capitals Markets (CEC). This committee meets every week to examine consultations and consider other credit issues. Once the operation is deemed eligible, it is then forwarded to the operational department responsible for analyzing the project. The resulting report is then submitted to the BNDES' Board of Directors, which also meets every week. In the event the operation is approved, it is then awarded. The department in the operational division responsible for the operation releases the resources in accordance with the established schedule and periodically monitors the use of said funds. Payment of interest and amortization is accompanied until the debt is settled.

The follow-up process influences how the credit risk in the BNDES' financing operations is mitigated. It plays an important role in building relations between the Bank and its clients, while fostering further sectorial know-how on both the companies and the projects, making it possible to identify the need for new support mechanisms and processes. The figure below illustrates the main steps in granting financial support.

Indirect automatic operations are submitted to operational flows that involve fewer players and organizational levels than direct or indirect non-automatic operations.

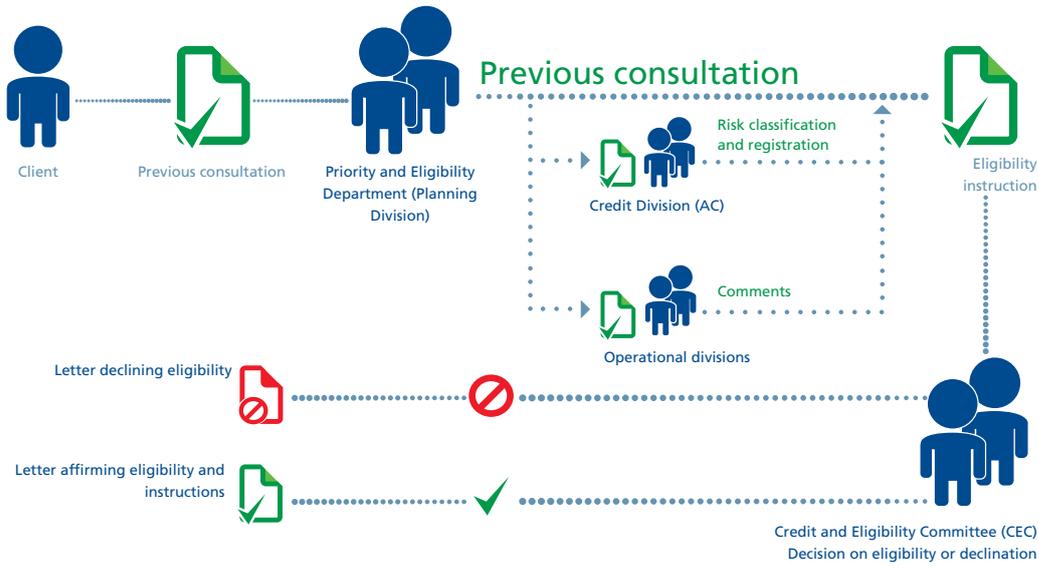
Corporate and individual requests for financial support are presented directly to financial on-lending agents<sup>2</sup> that analyze and adjust them to suit the chosen product. The resulting proposals for financial support are then forwarded by the financial agents directly to the operational departments of the Indirect Operations Division (AOI), which is responsible for the product and which will then analyze requests and approve or return the proposals. The higher instances – deputy managing directors and managing directors in the division – endorse the approvals or return proposals to the previous instance. Once approved, proposals for financial support are awarded and deemed “operations.” Requested resources are then released. Due to the enormous volume of indirect non-automatic operations and the specific characteristics of this type of operation, the operational department accompanies portfolio samples to verify the correct and effective use of resources. Just like what happens in direct and indirect non-automatic operations, payment of interest and amortization is accompanied until the debt is settled.

Besides the direct and indirect modalities, financial support granted through the BNDES System can be classified using the instruments employed: fixed or variable-income. In the latter case, the BNDES System, by means of its fully-integrated subsidiary BNDESPAR, uses tools common to the capitals markets with the aim of: helping companies in a wide array of sectors to grow and become stronger; disseminating the concept; encouraging corporate governance practices in businesses; and stimulating the Brazilian capitals market.

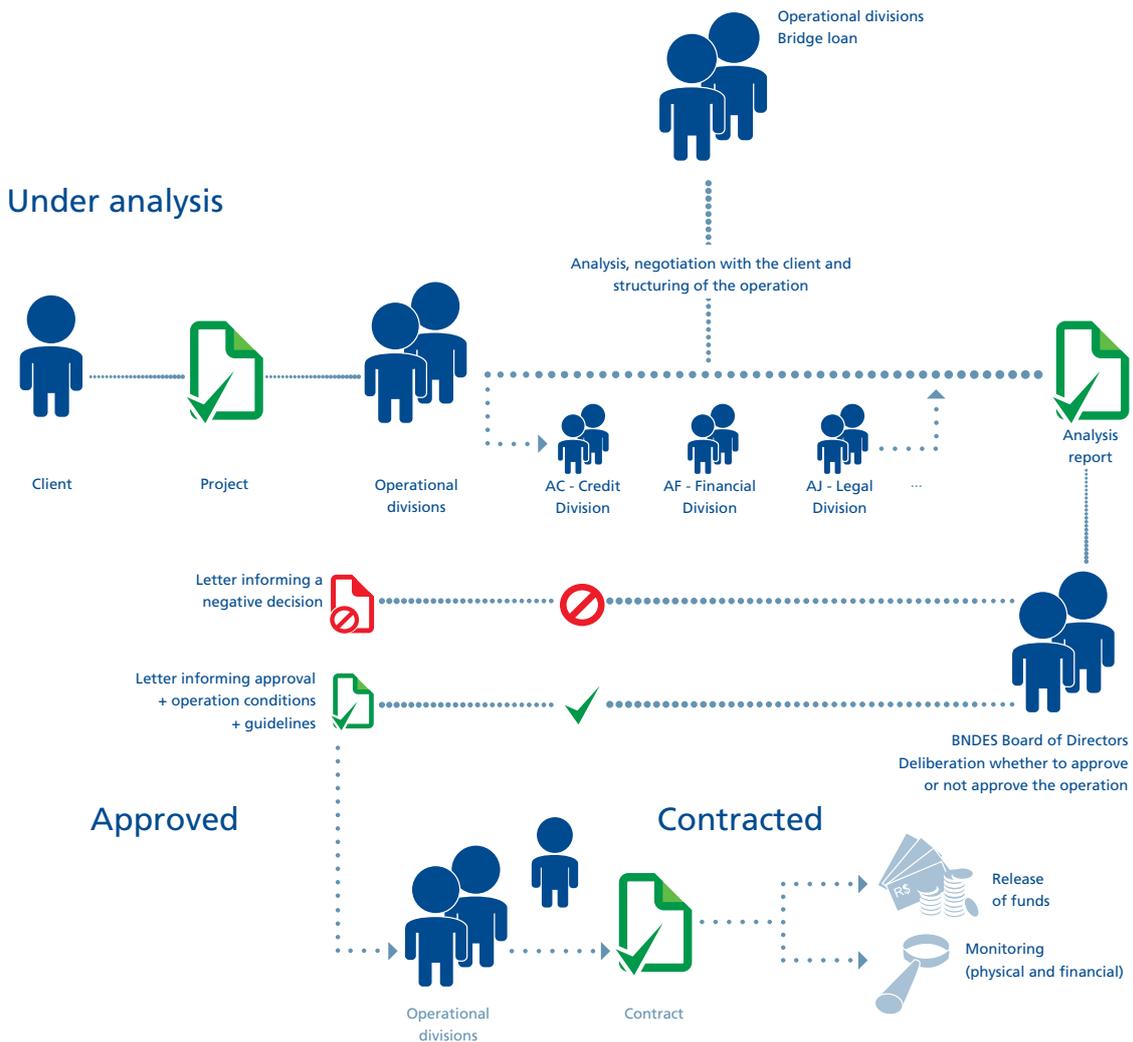
<sup>2</sup> Most Brazilian banks are part of this network of agents, and are, therefore, authorized to operate the BNDES' financing lines. In indirect operations, the Bank on-lends financial resources to commercial, public or private banks, development agencies and cooperatives accredited by the BNDES, and these agents are responsible for analyzing, approving credit and defining guarantees. The risk of the operation is assumed by the financial agents that analyze the project. Clients usually go to the institutions where they are already registered and/or where they have banking relations.

# FLOWCHART FOR GRANTING FINANCIAL SUPPORT

## Perspective



## Eligible



# Managing environmental and social risks in businesses

The social and environmental aspects of the projects financed as direct and indirect non-automatic operations by the BNDES are identified and handled throughout the different stages in which financial support is granted, in accordance with the guidelines set forth in the operational policies, especially in the BNDES' Socio-environmental Policy.

Projects are classified as per their risk of adverse environmental impact and according to the sector, type of activity, location, size and the specific attributes of the environmental impacts inherent to the undertaking. Based on all this information, the CEC discusses socio-environmental recommendations to be adhered to when it analyzes the request for financial support, aiming to achieve socio-environmental compliance and foster sustainability in supported projects.

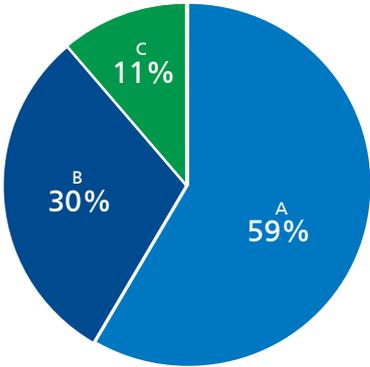
In 2012, the operations considered eligible and, therefore, can be environmentally classified, presented the following profile.

The Bank also has a list of sectorial guidelines, with specifications for analysis teams concerning socio-environmental issues linked to each sector. There are internal resolutions related to sectors, such as beef cattle, sugar and ethanol, as well as thermoelectric generation and fossil fuels.

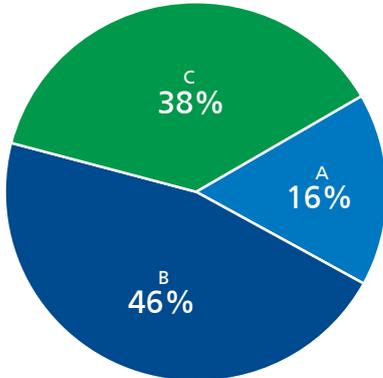
Another instrument that helps when analyzing operations is the Company Assessment Methodology (MAE), whose objective is to assess companies' intangible assets. Among the intangible capital, assessing socio-environmental capital helps gauge the level of commitment to Social and Environmental Responsibility (RSA) and any associated practices.

## ENVIRONMENTAL RISK PROFILE OF THE PORTFOLIO (2012)

Values



Number of operations



| ENVIRONMENTAL CATEGORY | IMPACT RISK  |
|------------------------|--|
| A                      | Activities present risks of significant environmental impact, or with regional scope. Licensing requires impact studies, preventative measures and mitigating efforts. |
| B                      | Activities present slight or local environmental impact. This requires assessment and specific measures.   |
| C                      | Activities present no environmental risk.  |

## Monitoring and assessing projects

Financial support for investment projects brings about effects or impacts at economic, social, environmental and institutional levels. Assessing effectiveness seeks to measure the Bank's level of contribution to sustainable development, aligned with the Federal Government's development policies. It consists of applying quantitative and qualitative techniques that help reveal the goals of the operations carried out, while measuring their reach.

The main pillar upon which analysis of effectiveness bases itself, and which the BNDES is adopting, is the Logical Framework – also known as the Logframes, Logical Model or Theory of Change. During 2012, there was significant progress made in applying this methodology to the programs operationalized by the BNDES. Some of the main sectorial programs already have a Logical Framework and are moving towards systematic monitoring via indicators.

It is also possible to carry out extensive assessment of effectiveness. There is a range of statistic tools that make it possible to isolate operations in a public policy concerning the generation of effects or impacts. In general, in the BNDES' case, these assessments would consist of comparing a group of companies or the target-audience for financial support with another group that has similar characteristics, but which did not receive support. The difference in the performance of each group would be due to the Bank's efforts.<sup>3</sup>

In August, the BNDES held the IV Seminar of the Brazilian Monitoring and Assessment Network, an organization whose aim is to foster the exchange of experiences and know-how, while disseminating information related to M&A in the country. The seminar's core theme was "National Capacities in M&A – the importance for Brazil," and the Bank's sponsorship denotes the acknowledged importance placed on the issue for a development bank and the need to strengthen the M&A culture in the country.

Carrying out assessment of effectiveness aims at helping processes that are crucial to the Bank: further organizational learning from operations carried out; feedback for corporate planning activities; redesign of programs and operational lines; and more transparency concerning the effects on the government, clients and society.

<sup>3</sup> The study "Assessing the Impact of the Use of the BNDES Card on Employment in Small Companies," in the *Revista do BNDES* 36, available in Portuguese on the Bank's website, presents this type of approach.

## Risk management and internal controls

One of the main goals in risk management at the BNDES is to contribute to the institution's financial sustainability, monitoring potential financial losses from credit risks, markets, liquidity and operational, from calculation of capital to take on risks, and assessment of adjustments in the institution's internal controls.

The Corporate Policies for Risk Management and Internal Controls establish responsibilities, principles, guidelines, processes and procedures required to identify, measure, monitor, control and reduce the risks to which the BNDES is exposed.

The structure for managing risk and internal controls at the BNDES includes: the Advisory Board; the Board of Directors; the Risk Management Committee; and the subcommittees for Credit Risk Management, Market Risk Management and Operational Risk and Internal Control Management; as well as the departments that work with risk management.

The chapter entitled "The BNDES' Performance in 2012" outlines the main progress in the institution's processes, especially in risk management processes and internal controls.

### CREDIT RISK MANAGEMENT

Credit risk management<sup>4</sup> at the BNDES permeates all processes involving granting credit, monitoring and charges on said credit, as well as credit recovery, encompassing operations in a wide range of areas.

Every month, the BNDES calculates the pondered exposure using the risk factors that comprise the part required by effective legislation to cover credit risk. In addition, the BNDES formulates its own estimates for

<sup>4</sup> Credit risk is not only the possibility of losses resulting from the borrower or the counter-investor failing to comply with respective financial obligations under the contractual terms agreed upon, but also the depreciation of the credit contract as a result of the borrowers declining credit rating, as well as the fall in gains and remuneration, and the advantages granted in the renegotiation and the recovery costs.

the varied risk components in the credit portfolio, so as to assess potential financial losses.

The Bank, via the Risk Management Committee, monitors the results using internal and external regulatory limits, among them, exposure limits for clients and the public sector, sectorial limits, as well as several indicators related to the BNDES' portfolio, such as default and credit losses, the quality of the portfolio and provisions, concentration in economic groups and per sector, among others.

## MANAGING MARKET RISK AND LIQUIDITY

The Risk Management Committee is regularly informed on the progress of the main indicators for market risk, liquidity and the limits of mismatch, to assist senior management in accompanying the BNDES' exposure to market risk.

The BNDES assesses and monitors any regulatory capital related to market risk<sup>5</sup> as required by the regulatory agency via an integrated system, which operates automatically and with lower risk of operational errors, which in turn complements the institution's control of market risk. The Bank also assesses the internal management limits, related to the mismatches concerning market risk, stemming from its operations.

The risk of liquidity<sup>6</sup> is managed using methodologies and models aimed at guaranteeing the institution's capacity to make payment, taking into account financial planning, risk limits and the optimization of available resources.

<sup>5</sup> Market risk is the possibility of financial loss stemming from changes to market values of assets and liabilities owned by the institution, including risk in operations subject to variations in not only the exchange rate of foreign currencies, but also in interest rates, share prices and commodity prices.

<sup>6</sup> The risk of liquidity is the possibility of imbalance between negotiable assets and receivables – mismatches between payables and receivables – that may affect the institution's capacity to make payment, taking into consideration the different currencies and liquidity deadlines of its payables and receivables.

## MANAGING OPERATIONAL RISK

Managing operational risk<sup>7</sup> at the BNDES entails identifying and assessing operational risks in processes as well as in new goods and services; identifying potential threats to the continuity of business and any impact, as well as preventing and resolving any interruptions; capturing and analyzing information on losses; and calculating the portion of regulatory capital related to the operational risk.

## INTERNAL CONTROLS

The BNDES fosters the continuous improvements of internal controls<sup>8</sup> through constant checks on compliance with internal and external norms, as well as assessing risks and internal controls for work processes. Assessment results are submitted to the Risk Management Committee, via the Subcommittee for Managing Operational Risk and Internal Controls, and to Senior Management.

## Managing ethics

Managing ethics within the BNDES System is carried out through the BNDES System's Ethics Committee (CET/BNDES) and the Executive Secretariat of the Ethics Committee, which is linked directly to the BNDES' president's office, as established in the terms of the Code of Ethics for the BNDES System and the applicable legislation, especially in Decree N<sup>o</sup>. 6,029/2007 and Resolution N<sup>o</sup>. 010/2008, of the Public Ethics Committee (CEP).

[For further information on managing ethics at the BNDES in 2012, visit the [hotsite](#).]

<sup>7</sup> Operational risk is the possibility of losses stemming from errors, shortcomings or inadequate internal processes, personnel and systems, or even external incidents. The concept includes legal risk, associated with inadequate or poorly-structured contracts signed by the institution, as well as the penalties resulting from non-compliance with legal requirements, and indemnification for third-party losses, arising from activities the institution carried out. Different from market risk and credit risk, this type of management and resolution involves all areas of the Bank.

<sup>8</sup> Internal controls are procedures used at all levels in the institution, which are designed to reduce risk and provide assurance that not only will activities be carried out in accordance with the internal and external norms, but processes will also be employed efficiently and effectively, and reliable information will also be made available to aid in making decisions.

# 02

## GENERATING VALUE FOR SOCIETY, STRATEGY AND A VISION FOR THE FUTURE

### Strategic Map Corporate

#### Competitive and Sustainable Development

*Expand investment in  
infrastructure*

*Help strengthen the  
competitiveness of  
Brazilian companies*

*Contribute to social and  
production inclusion*

*Foster innovation, socio-environmental sustainability and regional development*

#### Financial Sustainability

*Diversify and integrate  
financial products*

*Strengthen equity  
structure*

*Improve risk management  
and return*

#### Internal Processes

*Foster better management practices and  
corporate integration*

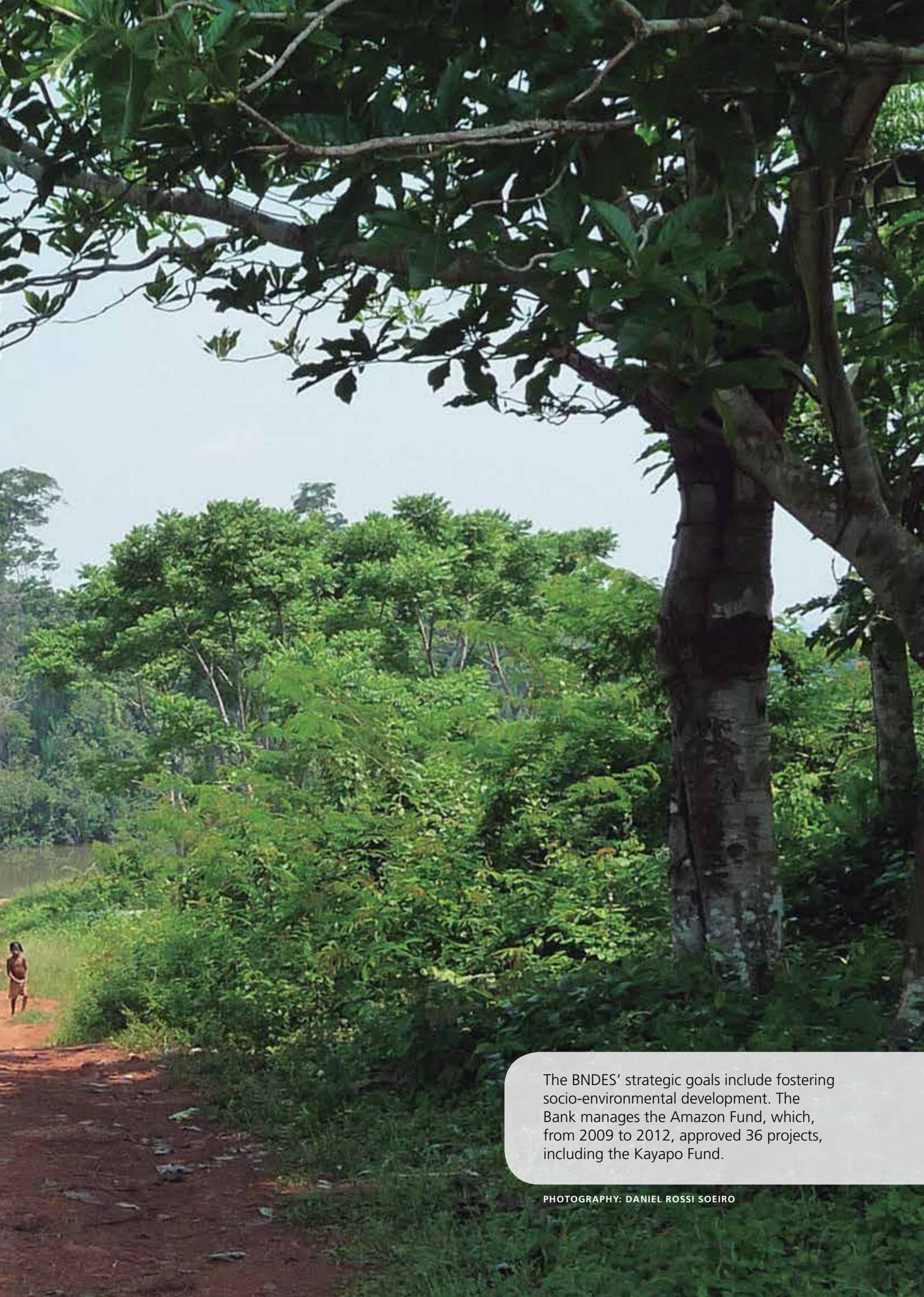
*Strengthen the BNDES' image and presence  
concerning its primary public and  
society as a whole*

#### Learning and Competences

*Foster an organizational  
environment that  
boosts innovation*

*Encourage professional and  
personal development  
for staff*

*Value personnel management  
aimed at results and  
performance assessment*



The BNDES' strategic goals include fostering socio-environmental development. The Bank manages the Amazon Fund, which, from 2009 to 2012, approved 36 projects, including the Kayapo Fund.

PHOTOGRAPHY: DANIEL ROSSI SOEIRO

## Generating value for society

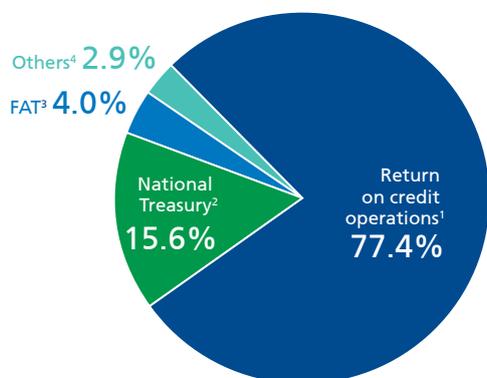
An institution generates value by transforming its inputs into benefits for society and, thus, before presenting the BNDES' results for 2012 (detailed in the chapter entitled "The BNDES' Performance in 2012"), we present the inputs used by the Bank.

To foster sustainable and competitive development in the Brazilian economy, creating jobs and reducing social and regional inequalities as well as guaranteeing financial stability as a public institution, the BNDES has the following fundamental inputs:

1. long-term financial resources;
2. highly-skilled staff that is committed to the institution's values;
3. institutional know-how and experience, obtained over its sixty years;
4. relations with the government, clients and partners.

## Long-term financial resources

The BNDES works with fundraising and management of financial resources that make long-term financing operations possible. The chart below illustrates the profile of the origin of net resources used by the BNDES in 2012, to the order of R\$ 160 billion:



<sup>1</sup> Return on Credit Operations is the receipt of credit services, with no distinction of the source of the original resources. Net contributions from other sources are equal to the inflow of resources after subtracting the cash outflows associated to each source.

<sup>2</sup> National Treasury = fundraising (inflow of resources) + equalization of interest - debt service - dividends - bonds/securities.

<sup>3</sup> FAT = inflows - outflows of the Constitutional and Special FAT.

<sup>4</sup> Others = net contribution from other sources.

## Highly-skilled staff that is committed to the institution's values

The BNDES ended 2012 with 2,853 employees selected through a public recruitment exam and officially hired under Brazilian labor law on a perpetual basis. Of this total, only 0.2% of its employees is ex-pats and represents the BNDES in Uruguay and the United Kingdom. Its staff also holds positions such as secretaries or advisors to Senior Management, hired on contracts linked to the mandate of some of the management team.

It is important to mention that, besides the maximum limit of its own staff in the companies that are part of the BNDES System, that is, 2,840 employees, as established in Order N<sup>o</sup>. 9, of April 1, 2010, from the Department for Coordination and Governance in State-Owned Companies (DEST), the BNDES also has 93 posts reserved to receive reinstated employees under the amnesty regime, as per DEST Order N<sup>o</sup>. 16, of April 19, 2011. Such positions are expected to be made extinct as soon as the employees admitted under this condition leave the company.

| SEGMENT           | N <sup>o</sup> . OF PERSONNEL |
|-------------------|-------------------------------|
| High school dipl. | 576                           |
| College degree    | 2,227                         |
| General services  | 50                            |
| Overall total     | 2,853                         |

In addition to remuneration that is compatible with the market, the BNDES offers its employees benefits, such as health and dental plans, a complementary retirement plan, life insurance, a travel allowance, an educational allowance (for employees and their dependents) and a food allowance (supermarket). Every year, these benefits are readjusted in accordance with the Collective Work Agreement, which covers 100% of the employees.

Owing to its remuneration policy and work environment, the BNDES historically presents low staff turnover. In 2012, only 3.6% of its employees

left the company, most of which retired. With this, the turnover rate is concentrated in the 55-year-old age group. Of the one hundred employees that left the company in 2012, some 59% of them were men and 96% were based in Rio de Janeiro.

The BNDES' Declaration of Values, approved on December 29, 2009, in Resolution N°. 1,874/2009, highlights the pillars for the institution's staff to follow:

**"Ethics** – Ethics is the terrain on which the BNDES has been built ever since it was created. With this, the BNDES requires its professionals to maintain impeccable ethical conduct while carrying out their duties. Such conduct should be translated into, above all, responsibility and honesty. We preserve respect and reliability in our relationships, and transparency permeates our efforts. We base our efforts on the principle that there can only be development when there is ethics."

**"Commitment to development** – The challenge in being Brazil's development bank requires a personal and professional commitment from all of us to develop and support growing production structure that is diversified, integrated, dynamic, inclusive, sustainable and competitive. We work to foster cooperation between the private and public sectors and to strengthen undertakings, regardless of their size. Innovation is the driving force behind such sustainable and competitive development. Promoting socio-environmental sustainability and reducing inequalities across the nation and throughout Brazilian society are the guiding lights of our project for the future."

**"Public principles** – Our efforts are driven by the public spirit, which is expressed in our unwavering commitment to the interest of Brazilian society, our focus on the collective and our care with public resources."

**"Excellence** – We seek excellence in all we do, in the efforts to fulfill

the Bank's mission. Excellence is the combined result of technical competence, applied know-how, a focus on relevance as well as innovative capacity, all driven by a persistent effort to succeed."

[To access the BNDES' Declaration of Values in its entirety, visit the [hotsite](#).]

## Institutional know-how and experience – sixty years of history

Having survived six decades in 2012, the BNDES celebrated its 60th anniversary, certain that it has fulfilled its role as a promoter of sustainable development in the Brazilian economy. Over this long period, the BNDES has financed investments in infrastructure, manufacturing industry, exports and several other sectors, consolidating significant changes in the country. Maybe for this reason, it is common to hear that the Bank's history often merges and blends with the history of Brazil itself.

And, in fact, some sixty years after it was created, on June 20, 1952, it is clearly evident that Brazil's development history is intertwined with the BNDES' history.

It was the efforts of the Mixed Committee Brazil-US (CMBEU), from 1951 to 1953, that resulted in the creation of the National Economic Development Bank (BNDE), through Law N°. 1,628, during the Getúlio Vargas government. The first target sector for investments was transport, when the BNDE worked on reformatting the main cargo and passenger lines between Rio de Janeiro-São Paulo-Belo Horizonte along Brazil's central railway. The aim of this line of thinking was to provide for the growing production of the National Steel Company (CSN), in the city of Volta Redonda, seeking to no longer rely solely on foreign resources to advance its project to renew highway infrastructure.

Also focusing on fostering competition in the international market, investments went towards expanding the Galeão International Airport, in Rio de Janeiro. Years later, in 1957, during Kubitschek's administration, the first phase of construction began for the Três Marias Plant, which belonged to CEMIG, besides creating the Federal Railway Network (RFFSA), comprising a total of 18 regional railways.

In the 1960s, it was through support from the BNDE that Centrais Elétricas Brasileiras S.A. was created in June 1962. With this, adhering to the strategy in the Tri-annual Plan put forth by the João Goulart government, the Bank began dedicating itself more and more to other sectors of the economy, mainly the capital goods industry. And it was in the 1960s that the Bank's subsidiary, the Special Agency for Industrial Financing (FINAME), was born, with operations primarily aimed at financing for the acquisition of capital goods produced in Brazil, with minimum requirements to aggregate local value. In this period, support for Usiminas, in the state of Minas Gerais, Cosipa, in the state of São Paulo, and the Vitória Steel and Railway Company, in the state of Espírito Santo, was significant. In the same year, in 1964, the Technical and Scientific Development Fund (Funtec) was founded, which sought, through non-reimbursable funds, to finance rare graduate courses in Brazil and invest in training operational technicians and engineers.

As of 1967, the BNDE began to provide support for investments in the paper and pulp production sector, which included Pan-Americana Têxtil, Papel Simão and Companhia Suzano de Papel e Celulose, and it is worth mentioning the development of technology in the country for short-fiber eucalyptus pulp.

In the 1970s, the Bank started to provide more support for private companies, especially for projects linked to the National Development Plan II (II PND). For this, the BNDE provided support to open Siderurgia Brasileira S.A. (Siderbrás) and to begin construction of the Tucuruí Plant in the state

of Pará, focused on meeting demand for electric energy in the North Region. Other highlights include financing to construct the Rio-Niterói Bridge and the São Paulo subway, inaugurated in 1974.

In the beginning of the 1980s, besides the projects in the electric energy sector, such as the Itaipu Bi-national hydroelectric plant, inaugurated in November 1982, the institution's acronym received another letter – "S" – representing the "social" division of the Bank. This addition to the name reflected how social concerns were integrated into development policy. Within this context, the initial support for sanitation, small rural producers and urbanization in low-income communities came about.

It was in this same decade, specifically in 1985, when the subsidiary BNDES Participações (BNDESPAR) launched its first public share offer (Petrobras), considered a milestone in the Bank's operations, so as to boost the development of the capitals market.

In the following decade, the Federal Government made the BNDES responsible for the National Privatization Program (PND), scoring the 1990s as a period focused on managing privatization programs, and, in 1991, the first privatization of that time took place, with the sale of the controlling part of the Usiminas steel company.

Moreover, the period was also characterized by its financing for infrastructure projects in the private initiative, to modernize production sectors, to give rise to micro, small and medium-sized companies, as well as efforts to strengthen the capitals market.

Financing exports of aircraft, buses and farming machinery also became priorities, especially the pioneering financing line for foreign acquisition of Embraer's ERJ-145 in 1997.

Another important issue for the BNDES in the 1990s was the concern for the environment. Meanwhile, in culture, the BNDES began offering support for



## THE BNDES' MAIN CLIENTS

| GROUP                 | CLIENTS  | SERVICE RENDERED  | REQUIREMENTS  |
|-----------------------|--|-------------------|---|
| Companies             | <ul style="list-style-type: none"> <li>» Agriculture and cattle-raising, industry, trade or services</li> <li>» Cooperatives or associations</li> <li>» NGOs, Oscips or foundations</li> </ul> |                   | <ul style="list-style-type: none"> <li>» Capacity to repay in reimbursable operations</li> <li>» Registration as per BNDES requirements</li> </ul>  |
| Individuals           | <ul style="list-style-type: none"> <li>» Rural producers</li> <li>» Self-employed cargo transporters</li> <li>» School commuter services</li> <li>» Micro-entrepreneurs</li> </ul>             | Financial support | <ul style="list-style-type: none"> <li>» No pending tax and social security issues</li> <li>» No previous default with the BNDES, not undergoing liquidation or bankruptcy</li> <li>» Guarantees to cover risk operation</li> </ul> |
| Public administration | <ul style="list-style-type: none"> <li>» Municipalities</li> <li>» States</li> <li>» Federal Government</li> </ul>   |                   | <ul style="list-style-type: none"> <li>» Compliance with environmental legislation</li> </ul>   |

## TRANSPARENCY IN RELATIONS AND GENERATING VALUE FOR SOCIETY

The BNDES has several channels for contact with the outside public so as to meet the varied needs of

society and its clients for information concerning its operations and how to obtain financial support.

## ASSISTANCE FOR THE GENERAL PUBLIC

### THE BNDES' CALL CENTER

The BNDES' new call center began operating on October 15, 2012. Contact is possible via telephone (0800 70 26337) or via the Contact Us icon available on the BNDES' website. The service is partially outsourced and has close to 120 employees trained and exclusively dedicated to keeping it running. A digital system, coupled with the new assistance processes, makes it possible to strategically focus on managing clients and relations with society.

In 2012, the new call center together with the previous assistance system managed to service almost 682,000 outside requests, of which 633,000 were via telephone and 49,000 were via the Internet (Contact Us).

### PERSON-TO-PERSON ASSISTANCE

Face-to-face assistance reinforces the BNDES' contact with potential clients, making personalized communication possible, in order to meet the needs of each entrepreneur who seeks out the BNDES. In 2012, close to 540 company requests were filed, of which 71% were about micro and small businesses.

Differently from what happened last year, seeking out information on support to acquire machinery and equipment (32%) surpassed the demand for investment projects (25%) and working capital (20%). The fall in interest rates in the BNDES PSI program was responsible for this change which represented 37% of the requests for information, while demand for the BNDES Card (48%) and the BNDES' Automatic (37%) remained popular items among the financing lines.

### THE BNDES CLOSER TO YOU

The cycle of lectures entitled The BNDES Closer to You is aimed at disseminating the forms of financing that are more appropriate to the profile of micro, small and medium-sized Brazilian companies. In 2012, some 18 lectures were presented to approximately 2,500 people, covering all regions of the country. The lectures given in the cities of São João del-Rei (MG), Imperatriz do Maranhão (MA) and Manaus (MA) warrant mention as each one surpassed all expectations, drawing in an average of 340 people.

### INSTITUTIONAL LECTURES

The Bank is called upon by many academic institutions, as well as Brazilian and foreign delegations to hold institutional lectures. In 2012, some 33 institutional presentations were given – in Portuguese, English and Spanish – to groups of businesspeople and students from the US, Finland, Mexico, Indonesia, Spain and Ireland, reaching a total audience of 958 people. The highest demand came from the US – 11 of the 33 lectures presented in that year. Seven groups of students from Brazilian universities were also received.

Besides these traditional channels for communication with the general public, the BNDES is constantly seeking to improve its interaction with society and its clients, and, thus, in 2012, it implemented the following new instruments.

## CITIZEN INFORMATION SERVICE

Law N°. 12,527/2011, more commonly known as the Information Access Act, regulated the constitutional right for citizens to have access to public information – another important step towards consolidating Brazilian democracy and strengthening public transparency policies.

In effect since May 16, 2012, the law establishes that access to public information is the rule, while secrecy is the exception. Nevertheless, the law also establishes different levels of protection for data that is deemed truly confidential.

The BNDES' website was altered to meet the legal requirements. A specific virtual environment was created with data that was considered fundamental to the current concepts of transparency (Active Transparency), such as: procurement (tenders), contracts, audits, agreements, human resources and expenditure.

Should the information required not be available on the BNDES' website, citizens can use the Citizen Information Service (SIC), which has been up and running since May, when the law came into effect. Whether it is in person, by telephone or via the e-SIC system (the Citizen Information Service's electronic system which was developed by the CGU), anyone can request any type of information concerning the Bank. To guarantee the use of this right to access, as established in the Federal Constitution, the law has outlined mechanisms, deadlines and procedures for delivering answers to requests made via SIC.

The law establishes the possibility for citizens to appeal if they disagree with the answer received.

To consider the appeals presented, the BNDES put together the Appeals Committee – Information Access Law, coordinated by the Head of the Executive Secretariat of the President's Office, comprising representatives from the president's office, the Vice President's Office, the six divisions in the Bank, as well as the Ombudsperson.

Since the service came online up to December 31, 2012, the BNDES received 472 requests and 37 appeals through SIC. All were answered within the legal timeframe. The most popular issues were related to "human resources" and "statistics on the BNDES' financial support."

## PRESENCE ON SOCIAL NETWORKS AND THE INTERNET

The BNDES launched a channel on YouTube, which can be accessed via [www.youtube.com/bndesgovbr](http://www.youtube.com/bndesgovbr). There, the Bank has made available institutional videos, publicity campaigns and small explanatory programs on products and services. The first material made available covers new tutorial videos on the BNDES Card. A total of 11 videos present the product and clarify the main doubts for those interested in becoming clients or suppliers. This is the Bank's third official channel on social networks. The other active profiles are Twitter ([twitter.com/bndes\\_imprensa](http://twitter.com/bndes_imprensa)), for news to the press, and Slideshare ([slideshare.net/bndes](http://slideshare.net/bndes)), with presentations and outlines on financial support and several sectors.

The BNDES, in 2012, registered 275,000 hits per month on its website, up 11% on the 2011 figures.

## MORE BNDES

A new on-line tool on the Bank's site is referred to as More BNDES, which has guidelines on financing lines. On the Bank's website, those interested in obtaining credit can identify the financing options that are more appropriate to their profile and needs.

More BNDES makes access easy to information on products, credit lines, programs and funds available, mainly, to micro, small and medium-sized businesspeople, and, by means of just a few clicks, allows those interested to obtain information on financing more suitable to their final objective. The first step is to declare whether the user is an individual, a company or public administration. Once identified, the interested party, in a few simple steps, is required to answer some questions<sup>9</sup> that will help outline the right profile. Finally, the user should indicate the purpose they are requesting financing. They are then directed to the most appropriate list of available options.

At the end of this consultation, with the most appropriate modality chosen, a step-by-step script of basic information is made available on the line of credit or program in question, containing the interest rates, loan terms and the documentation required to carry out the operation.

## OMBUDSPERSON'S OFFICE

The Ombudsperson is another channel of communication between citizens, employees in the BNDES System and its management, providing explanations and carrying out formal correspondence in response to the messages sent. This position was launched in July 2003 and is linked to the President's Office. Based on other ombudsperson's profiles at financial institutions, it is an independent office and regulated by Brazil's Central Bank (BACEN).

In keeping with the other communication channels to the public – the Assistance Center and the SIC –, the aim of the Ombudsperson's Office is not only to handle messages sent, but also to analyze requests it receives and identify opportunities for improvement, and, when applicable, propose changes to Senior Management.

<sup>9</sup> Information collected to define the profile of the interested party varies from individual, to company, to public administration, and can be exemplified via gross revenues, geographic region, CNAE classification for activities (when applicable).

In 2012, the Ombudsperson's Office received 2,240 requests, of which 1,973 were related to the BNDES' operations. Analysis of these requests revealed the following breakdown: complaints (50%); doubts (28%); requests (11%); reports on wrongdoing (6%); suggestions (2%); acknowledgement (1%); as well as messages complementing those already accounted for, which amounted to 2% of the total received.

[For further information on the BNDES' Ombudsperson's Office, visit the [hotsite](#).]

## Strategy and a vision for the future

The year 2012 was marked by a structured process to reflect on the BNDES' corporate strategy, using its mission, vision and values as a core benchmark.

Analysis and discussion were inspired on long-term future scenarios<sup>10</sup> and the priorities expressed in the government's policies supported by the Bank.

As a result, the strategic goals outlined in 2009 were revised, updating definitions that should guide the Bank's operations over the ensuing years.

The new goals gave rise to a new Corporate Strategic Map, illustrating, directly and simply, what the strategy should aim for and what the criteria should be for success.

The perspectives of the BNDES' Corporate Strategic Map were guidelines for the chapter entitled "The BNDES' Performance in 2012" in this report.

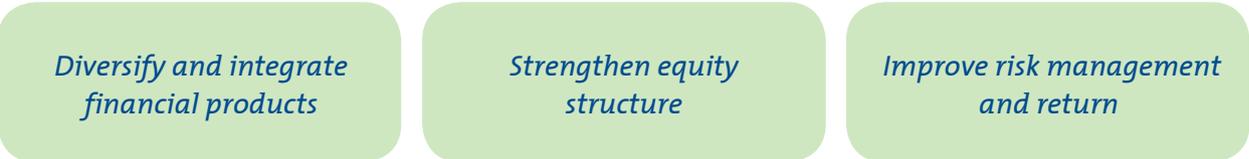
<sup>10</sup> The seminar "Brazil and the World in 2022," held in conjunction with the 60<sup>th</sup> anniversary of the BNDES and described here in the chapter entitled The BNDES' performance in 2012 > Operational performance > Institutional efforts, was the guiding force for building and analyzing future scenarios.

# Strategic Map Corporate

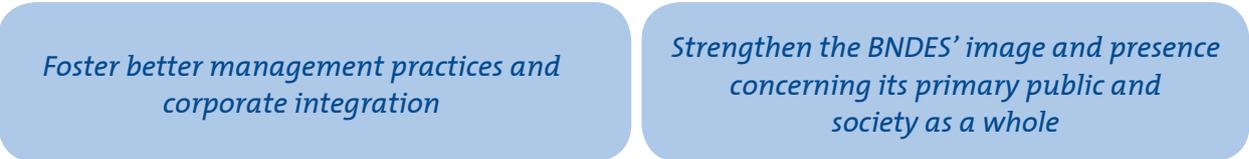
## Competitive and Sustainable Development



## Financial Sustainability



## Internal Processes



## Learning and Competences

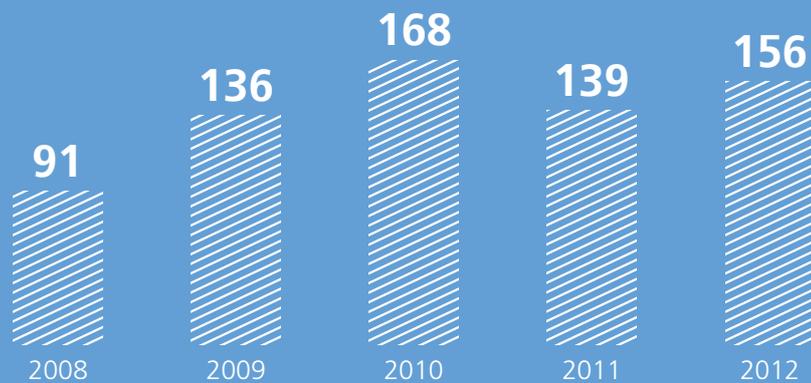


Source: BNDES.

# 03

## THE BNDES' PERFORMANCE IN 2012

Disbursements  
in R\$ billion



Disbursements  
to the Northeast  
Region in 2012

**R\$ 21**  
billion

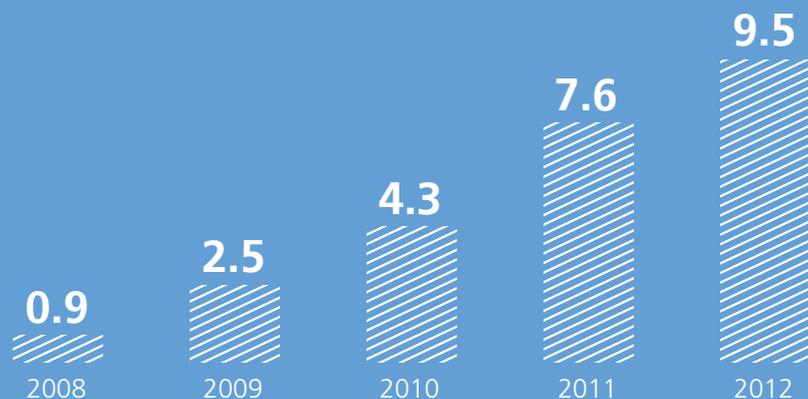


Disbursements to  
the North Region  
in 2012

**R\$ 13**  
billion



Disbursements via  
the BNDES Card  
in R\$ billion



Aligned with the governmental policy to support urban mobility, the BNDES is financing sustainable projects, including implementing railway systems, as well as optimizing road transport, such as the Bus Rapid Transit (BRT) system in the city of Rio de Janeiro.

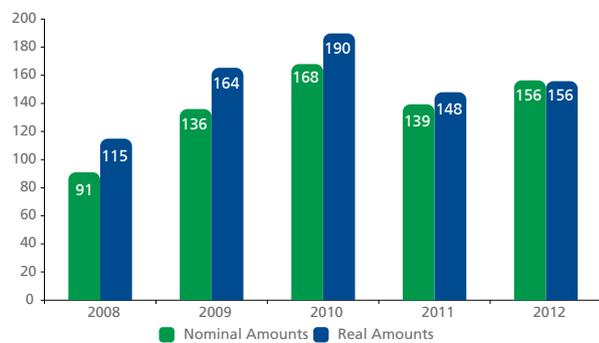
PHOTOGRAPHY: BNDES/SANDRA MORAES



Two main factors influenced the BNDES' performance in 2012: (I) the set of measures adopted by the Federal Government to boost growth in investments in the country in the private and public sectors; and (II) the continuity of the Investment Maintenance Program (BNDES PSI), with further reduction to interest rates.

The BNDES' disbursements reached R\$ 156 billion in 2012. This represents a nominal increase of 12.0% in relation to 2011, when disbursements totaled R\$ 139 billion.

#### BNDES' DISBURSEMENTS – 2008-2012 (IN R\$ BILLION)



Source: BNDES.  
Note: Excludes operations on the secondary market.

The BNDES PSI was responsible for disbursing R\$ 44 billion (28% of the total released), with close

to 150,000 financing operations to the private sector, especially the machinery and equipment segments. Of the total released by the BNDES PSI, some 57% was earmarked for micro, small and medium-sized companies (MSMEs).

The following numbers for disbursements and operations carried out in 2012 are presented in a variety of ways to illustrate how the BNDES has financed sustainable and competitive development – providing support for several sectors of the economy and helping expand economic, social and environmental investment in all regions throughout the country, as well as access to credit, especially for micro, small and medium-sized companies.

The section “Financial-Economic Results” presents the main information, as well as the financial results and the economic value created by the BNDES in 2012.

The main highlights of the BNDES efforts, both in sustainable and competitive development as well as in financial sustainability for the institution, are further detailed in chapter “Operational Performance” of this report.

[\[For further information, visit the hotspot.\]](#)

# 03.1

## (THE BNDES IN NUMBERS)

Disbursements per sector:



Infrastructure

**R\$ 52.9**  
billion



Trade and  
services

**R\$ 44**  
billion



Industry

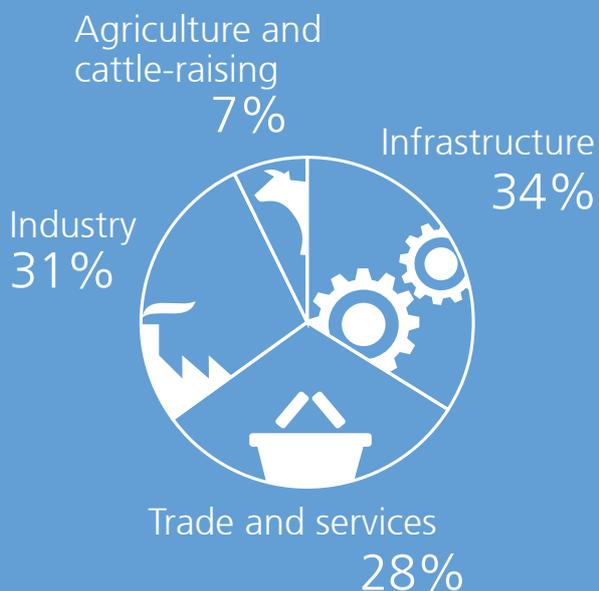
**R\$ 47.7**  
billion



Agriculture and  
cattle-raising

**R\$ 11.4**  
billion

Disbursements to each sector:



In 2012, the BNDES' disbursements to the North Region increased, reflecting efforts to decrease the regional concentration of credit. Of the total resources earmarked for the region, some 58% went to infrastructure projects, especially hydroelectric plants.

PHOTOGRAPHY: NORTE ENERGIA/REGINA SANTOS

## DISBURSEMENTS PER ACTIVITY (IN R\$ BILLION)

| ACTIVITY       | 2008        | 2009         | 2010         | 2011         | 2012         | GROWTH RATE (%) |             |               |             |
|----------------|-------------|--------------|--------------|--------------|--------------|-----------------|-------------|---------------|-------------|
|                |             |              |              |              |              | 2009-2008       | 2010-2009   | 2011-2010     | 2012-2011   |
| Industry       | 39.0        | 63.5         | 78.8*        | 43.8         | 47.7         | 62.8            | 24.0        | (44.3)        | 8.8         |
| Infrastructure | 35.1        | 48.7         | 52.4         | 56.1         | 52.9         | 38.6            | 7.8         | 7.0           | (5.7)       |
| Trade/services | 11.2        | 17.3         | 27.1         | 29.2         | 44.0         | 55.2            | 56.4        | 7.7           | 51.0        |
| Agriculture    | 5.6         | 6.9          | 10.1         | 9.8          | 11.4         | 22.5            | 47.7        | (3.2)         | 16.4        |
| <b>Total</b>   | <b>90.9</b> | <b>136.4</b> | <b>168.4</b> | <b>138.9</b> | <b>156.0</b> | <b>50.0</b>     | <b>23.5</b> | <b>(17.5)</b> | <b>12.3</b> |

\* Includes market operations with Petrobras.

## Financing sustainable and competitive development

### The BNDES' disbursements per activity

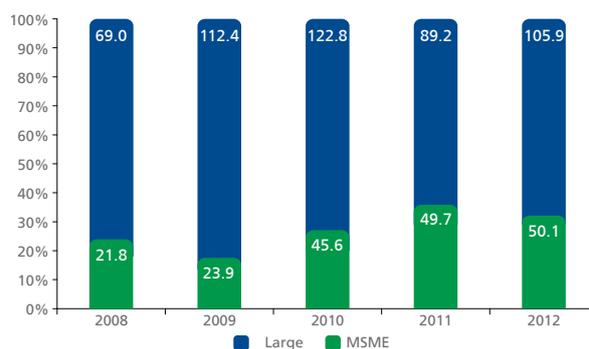
The main highlight of 2012 was the support for large-scale structuring projects. The infrastructure sector led disbursements, with R\$ 52.9 billion, or 34% of the total released. The most significant amounts went to highway transport, with R\$ 15.5 billion, and electric energy, with R\$ 18.9 billion.

For industry, some R\$ 47.7 billion was released (31%), with an emphasis on transport machinery (R\$ 7 billion), chemicals and petrochemicals (R\$ 8.5 billion), foodstuff and beverages (R\$ 6.1 billion) and industrial mechanics (R\$ 5.6 billion). For trade and services, the BNDES earmarked R\$ 44 billion (28% of the total), and for agriculture and cattle-raising, R\$ 11.4 billion (7%).

### Disbursements per company size

Disbursements to MSMEs and individuals rose 1% in 2012, totaling R\$ 50.1 billion. This amount corresponds to 32.1% of the BNDES' total releases in the year. Of the more than one million and twenty-eight thousand financing operations carried out by the Bank in 2012, some 96% was earmarked for MSMEs. This bears out the continued efforts to expand access to credit.

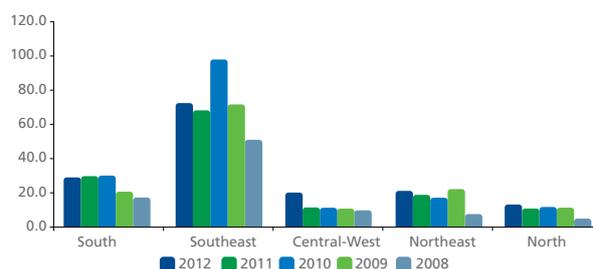
### DISBURSEMENTS PER COMPANY SIZE 2008-2012 (IN R\$ BILLION)



### Disbursements per region

Taking into consideration the macro-regional numbers, it is fitting to say that, in 2012, the total amount of disbursements and the number of operations held in the North, Northeast and Central-West regions were expressively higher than those in 2011, as can be seen in the following chart and tables.

### DISBURSEMENTS PER REGION (IN R\$ BILLION)



The Northeast Region presented a 12% increase in disbursements and a 15% hike in the number of operations. The North Region showed highs of 23% and 19%, respectively. After three consecutive years of steady growth, the Central-West Region, in 2012, boasted a significant increase in comparison with 2011 – up 77% in disbursements and 21% more operations.

## DISBURSEMENTS PER REGION (IN R\$ BILLION)

|              | 2008        | VAR. 2008-2009 (%) | 2009         | VAR. 2009-2010 (%) | 2010         | VAR. 2010-2011 (%) | 2011         | VAR. 2011-2012 (%) | 2012         |
|--------------|-------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| North        | 5.0         | 126                | 11.2         | 5                  | 11.7         | (8)                | 10.9         | 23                 | 13.3         |
| Northeast    | 7.6         | 189                | 22.1         | (22)               | 17.2         | 9                  | 18.8         | 12                 | 21.0         |
| Central-West | 9.9         | 9                  | 10.7         | 6                  | 11.4         | (0)                | 11.3         | 77                 | 20.1         |
| Southeast    | 51.0        | 40                 | 71.7         | 37                 | 98.0         | (30)               | 68.2         | 6                  | 72.4         |
| South        | 17.4        | 19                 | 20.7         | 46                 | 30.1         | (2)                | 29.7         | (2)                | 29.1         |
| <b>Total</b> | <b>90.9</b> | <b>50</b>          | <b>136.4</b> | <b>24</b>          | <b>168.4</b> | <b>(18)</b>        | <b>138.9</b> | <b>12</b>          | <b>156.0</b> |

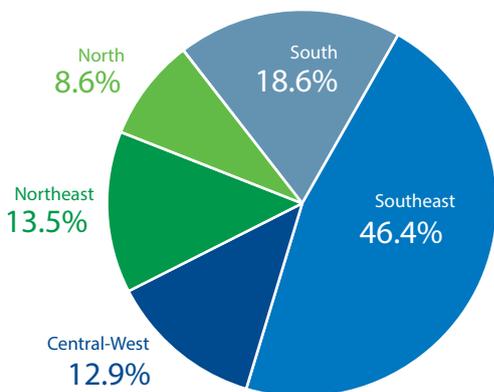
## NUMBER OF OPERATIONS PER REGION

|              | 2008           | VAR. 2008-2009 (%) | 2009           | VAR. 2009-2010 (%) | 2010           | VAR. 2010-2011 (%) | 2011           | VAR. 2011-2012 (%) | 2012             |
|--------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|------------------|
| North        | 6,570          | 83                 | 12,038         | 102                | 24,322         | 78                 | 43,375         | 19                 | 51,486           |
| Northeast    | 18,602         | 106                | 38,372         | 93                 | 74,062         | 63                 | 120,793        | 15                 | 138,451          |
| Central-West | 16,695         | 83                 | 30,520         | 77                 | 54,015         | 53                 | 82,479         | 21                 | 100,104          |
| Southeast    | 86,417         | 94                 | 167,588        | 57                 | 263,404        | 49                 | 393,589        | 9                  | 427,210          |
| South        | 75,757         | 88                 | 142,211        | 36                 | 194,091        | 32                 | 256,210        | 21                 | 311,189          |
| <b>Total</b> | <b>204,041</b> | <b>91</b>          | <b>390,729</b> | <b>56</b>          | <b>609,894</b> | <b>47</b>          | <b>896,446</b> | <b>15</b>          | <b>1,028,440</b> |

The participation in the BNDES' disbursements of all five regions has also increased, with the aim of drawing closer to the percentage for each to contribute to GDP.

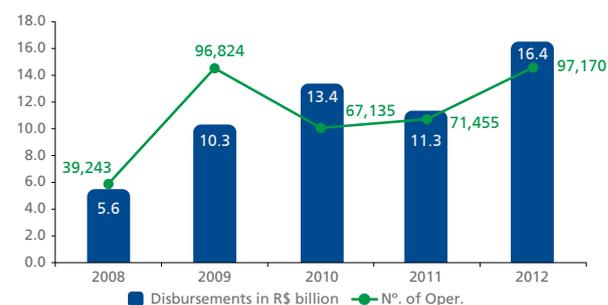
but also through the BNDES Automatic, which finances projects worth less than R\$ 20 million;<sup>11</sup> and the BNDES Card, pre-approved revolving credit for MSMEs to acquire goods and inputs.

## DISBURSEMENTS PER REGION



The following charts illustrate the BNDES' disbursements to these operations in 2012.

## DISBURSEMENTS PER PRODUCT – BNDES AUTOMATIC



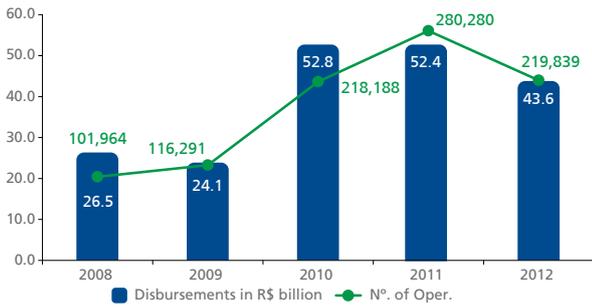
## Performance of automatic operations

The BNDES offers automatic lines of credit that operate with the help of financial agents due to the extensive reach of these institutions. This financing is made possible not only through the lines in BNDES Finame, with credit for production and commercialization of machinery and equipment,

Concerning BNDES Finame, there was a decline in both the level of disbursements (R\$ 43.6 billion) and the number of operations (219,839) compared to the previous year – the latter was closer to the 2010 figures –, owing to the expressive anti-cyclical efforts of the BNDES PSI throughout 2010 and 2011.

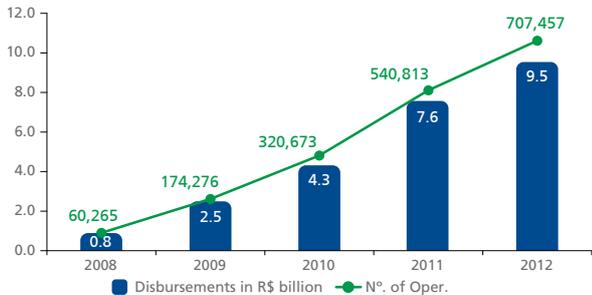
<sup>11</sup> In 2012, the BNDES Automatic, which before only accepted operations up to R\$ 10 million, began accepting operations up to R\$ 20 million, but, in general, operations over R\$ 10 million are dealt with in direct or indirect non-automatic modalities.

### DISBURSEMENTS PER PRODUCT – BNDES FINAME

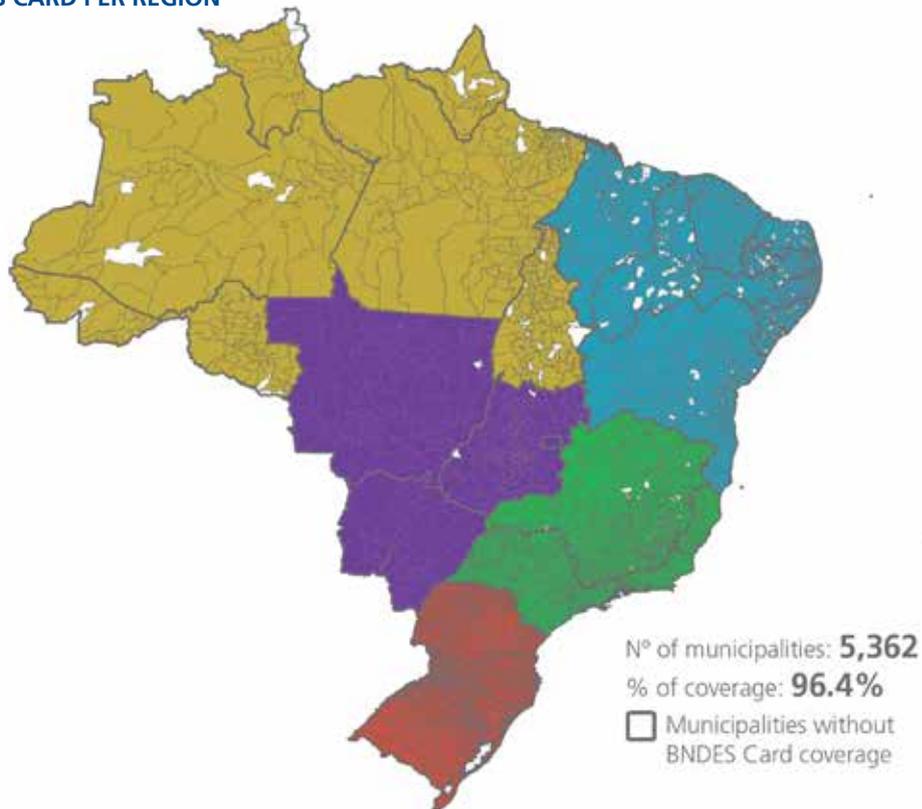


Attention is drawn to the increase in disbursements to the BNDES Card (26%), from R\$ 7.6 billion in 2011 to R\$ 9.5 billion in 2012, while the number of operations surpassed 700,000.

### DISBURSEMENTS PER PRODUCT – BNDES CARD



### REACH OF THE BNDES CARD PER REGION



## BNDES Card

The BNDES Card has become a key instrument in democratizing credit throughout all regions of the country, mainly to MSMEs. Since 2007, the municipal coverage rate has gone from 36.1% (that is, 2,011 municipalities concentrated in the South and Southeast regions at that time) to 88.3% in 2012, reaching 4,912 municipalities with disbursements to the BNDES Card.

Expanding access to this financial product was extremely successful in the North, Northeast and Central-West regions. At the end of 2012, municipal coverage with issued cards reached 96.4% – such distribution is illustrated on the following map.

## Socio-environmental performance

In 2012, the BNDES continued to systematically focus on financing related to fostering sustainability, which includes financial support for projects that generate

social and environmental benefits for Brazilian society. It is worth noting that such indicators were put together to measure the BNDES' efforts in relation to other national and international financial development institutions, with the aim of establishing partnerships and alignments that can enhance the Bank's contributions to sustainable development.

With this, there are two such indicators: (1) social development; and (2) green economy and climate

change. It is important to know that due to the scope of the indicators, some projects are considered in both because they generate both social and environmental benefits. Some examples of this are investments in sanitation, urban mobility, and waste pickers, among others.

The BNDES' disbursements to the green economy and climate change reached R\$ 20.8 billion, with highlights including renewable and hydroelectric energy.

#### DISBURSEMENTS – GREEN ECONOMY AND CLIMATE CHANGE (IN R\$ BILLION)

|  | 2008        | 2009        | 2010        | 2011        | 2012        |
|--|-------------|-------------|-------------|-------------|-------------|
| Renewable energy and energy efficiency                     | 5.7         | 5.7         | 6.0         | 7.1         | 6.1         |
| Hydroelectric energy (over 30 MW)                          | 3.7         | 8.4         | 6.2         | 5.2         | 7.1         |
| Public passenger transport                                 | 0.6         | 1.4         | 0.7         | 0.9         | 1.5         |
| Cargo transport  | 1.5         | 2.0         | 1.4         | 1.6         | 2.6         |
| Water and sewerage management                              | 0.8         | 1.6         | 1.9         | 1.5         | 1.5         |
| Solid waste management                                     | 0.2         | 0.2         | 0.5         | 0.5         | 0.4         |
| Forests  | 0.2         | 0.3         | 0.6         | 0.6         | 0.7         |
| Agricultural improvements                                  | 0.1         | 0.4         | 0.5         | 0.3         | 0.3         |
| Adapting to climate change and risk-of-disaster management | -           | -           | 0.1         | 0.6         | 0.6         |
| Others   | 0.1         | 0.1         | 0.1         | 0.2         | 0.1         |
| <b>Total</b>   | <b>12.9</b> | <b>19.9</b> | <b>18.0</b> | <b>18.5</b> | <b>20.8</b> |

#### DISBURSEMENTS – SOCIAL DEVELOPMENT (IN R\$ MILLION)

|                                    | 2008         | 2009         | 2010          | 2011         | 2012          |
|------------------------------------|--------------|--------------|---------------|--------------|---------------|
| Health                             | 652          | 818          | 2,016         | 1,146        | 1,321         |
| Education                          | 170          | 251          | 263           | 368          | 516           |
| Production inclusion               | 37           | 26           | 65            | 76           | 133           |
| Public management                  | 54           | 55           | 74            | 92           | 101           |
| Urban and regional development     | 1,781        | 7,291        | 7,181         | 5,180        | 5,476         |
| Social responsibility of companies | 32           | 53           | 64            | 104          | 185           |
| Others*                            | 192          | 92           | 931           | 724          | 9,367         |
| <b>Total</b>                       | <b>2,916</b> | <b>8,586</b> | <b>10,594</b> | <b>7,690</b> | <b>17,099</b> |

\* In 2012, investments in a new program, created at the end of the year, called Proinveste, were calculated in this item. As there is no sectorial opening, it cannot be distributed in each specific item.

## Financial-economic results

The consolidated financial results of the BNDES System (hereafter, the BNDES should be understood as the BNDES System) presented in this Annual Report were prepared in accordance with the Brazilian Accounting Norms (BRGAAP) which are applicable to financial institutions that Brazil's Central Bank (BACEN) has authorized to operate. The financial information prepared in accordance with the International Accounting Norms (IFRS) are summarized and presented as a complementary item on page 53.

The financial information and management's comments on creating economic value in 2012 should be read together with the Individual and Consolidated Financial Statements.

[Access the complete Individual and Consolidated Financial Statements at [www.bndes.gov.br/english](http://www.bndes.gov.br/english) > The BNDES in Numbers > Financial Information or download the QR code reader on your cell phone or tablet and photograph the code below.]



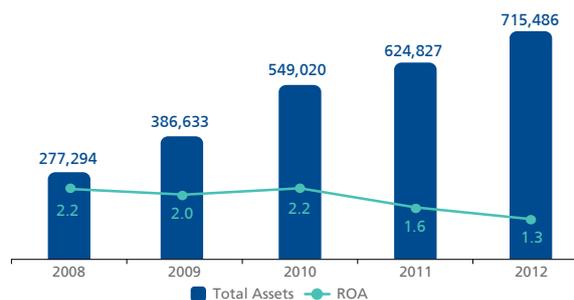
## The year 2012

Net profit in 2012 reached R\$ 8.2 billion, representing a drop of 9.6% compared to the previous year, due mainly to the 62.0% fall in corporate shares, which was slightly offset by the 60.7% growth in the results from financial intermediation.

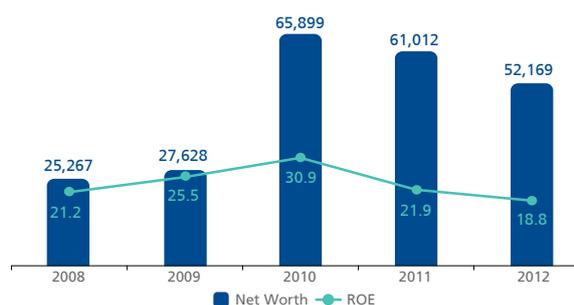
Total assets ended 2012 at R\$ 715.5 billion, up 14.5% in relation to 2011, brought about by the R\$ 55 billion in fundraising from the National Treasury. Most of these resources were applied in the BNDES budget for disbursements, resulting in a 15.7% increase in the credit and on-lending operations portfolio after credit risk allowances.

The Return on Assets (ROA) fell from 1.6% in 2011 to 1.3% in 2012 due to both the decline in net profits and the rise in total assets. Return on Net Equity (ROE) was affected by the fall in net profits, having ended 2012 at 18.8%, below the 21.9% posted in 2011.

### TOTAL ASSETS (R\$ MILLION) X ROA (%)\*



### NET WORTH (R\$ MILLION) X ROE (%)\*



\* Excludes adjustments to fair value of investments in non-affiliated companies after taxes.

### MAIN FINANCIAL-ECONOMIC INDICATORS

|  | R\$ MILLION |         |         |         |         |
|--|-------------|---------|---------|---------|---------|
| FINANCIAL POSITION   | 2008        | 2009    | 2010    | 2011    | 2012    |
| <b>Total assets</b>  | 277,294     | 386,633 | 549,020 | 624,827 | 715,486 |
| <b>Credit and on-lending portfolio, net after allowances</b> | 215,989     | 283,671 | 361,575 | 425,518 | 492,148 |
| <b>Company shares<sup>1</sup></b>                            | 25,293      | 34,012  | 107,476 | 99,601  | 94,391  |
| <b>Debenture portfolio, net after allowances</b>             | 8,078       | 12,176  | 17,839  | 18,127  | 18,021  |
| <b>Public bonds and securities</b>                           | 10,600      | 35,917  | 25,638  | 51,329  | 61,525  |
| <b>Other assets</b>  | 17,334      | 20,857  | 36,492  | 30,252  | 49,401  |
| <b>Total liabilities</b>                                     | 277,294     | 386,633 | 549,020 | 624,827 | 715,486 |
| <b>National Treasury</b>                                     | 43,207      | 144,213 | 253,058 | 310,774 | 376,042 |
| <b>FAT/PIS-PASEP</b>   | 146,088     | 152,540 | 163,091 | 177,947 | 194,655 |
| <b>Foreign fundraising</b>                                   | 17,486      | 16,463  | 19,778  | 22,449  | 23,275  |
| <b>Other obligations<sup>2</sup></b>                         | 45,246      | 45,789  | 47,194  | 52,645  | 69,345  |
| <b>Net equity</b>  | 25,267      | 27,628  | 65,899  | 61,012  | 52,169  |
| <b>EARNINGS</b>  |             |         |         |         |         |
| <b>Net profit</b>  | 5,313       | 6,735   | 9,913   | 9,048   | 8,183   |
| <b>Earnings from financial intermediation</b>                | 4,312       | 5,815   | 9,891   | 7,206   | 11,578  |
| <b>Earnings from company shares</b>                          | 6,024       | 3,990   | 6,159   | 6,962   | 2,644   |
| <b>Tax expenses</b>  | (2,425)     | (2,784) | (4,879) | (3,549) | (3,618) |
| <b>Other revenue/(expenses)</b>                              | (2,598)     | (286)   | (1,258) | (1,571) | (2,421) |

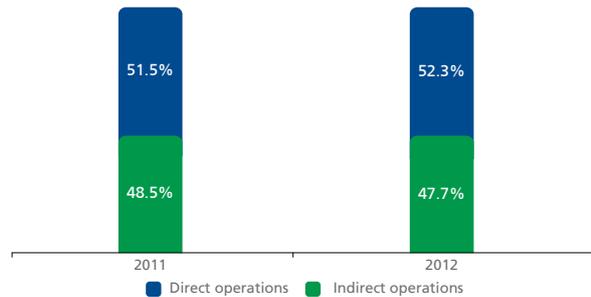
<sup>1</sup> Includes investments in non-affiliated companies, affiliated and other investments, after impairment allowance.

<sup>2</sup> Includes resources from the FGTS, FI-FGTS, Merchant Maritime Fund (FMM), the National Development Fund (FND) and other financial development funds.

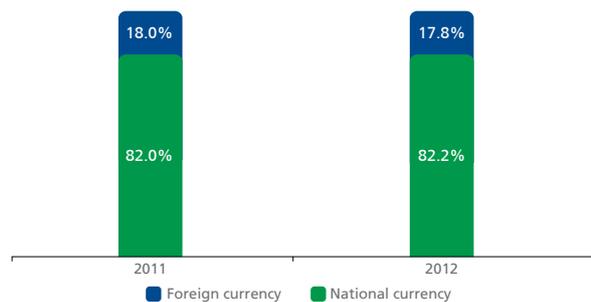
## Credit and on-lending portfolio

This includes direct financing from the BNDES, exemplified in the credit operations, or indirectly through accredited financial institutions, such as on-lending operations.

### PORTFOLIO PER TYPE OF OPERATION



### PORTFOLIO PER CURRENCY

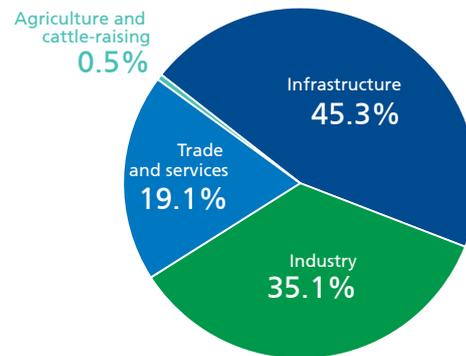


The credit and on-lending operations portfolio, after credit risk allowances, totaled R\$ 492.1 billion on December 31, 2012, representing 68.8% of the total assets on the same date. The 15.7% increase in 2012 reflects not only the growth in the national currency portfolio, propelled by releases within the scope of the BNDES PSI program, but also the rise in the foreign currency portfolio due to the 8.9% appreciation of the US dollar in 2012.

## Credit operation portfolio per sector

In the infrastructure sector, highlights include electricity and gas (42.6%) and transport (33.7%), while, in industry, good performers were coke,

oil and fuel (35.8%), extraction sector (10.9%), metallurgy (10.8%), as well as pulp and paper (9.7%). In trade and services, public administration (57.8%), as well as finances and insurance (12.9%) stood apart.



## Quality portfolio for credit and on-lending

The BNDES continuously monitors the quality of its credit portfolio to fulfill its strategic goal, which is to improve the management of risks and returns. Financing is persistently accompanied and requires guarantees that cover the debt position throughout the term of the contracts.

The classification of the BNDES' credit and on-lending portfolio in terms of risk adheres to the CMN Resolution N°. 2,682/99, which classifies such credit between "AA," lower risk, and "H," higher risk, and establishes the percentage for allowance which is to be set for each level.

| RISK CLASSIFICATION <sup>1</sup> | BNDES SYSTEM | SFN <sup>2,3</sup> | PRIVATE FINANCIAL INSTITUTIONS <sup>3</sup> | PUBLIC FINANCIAL INSTITUTIONS <sup>3</sup> |
|----------------------------------|--------------|--------------------|---|--|
| AA - C                           | 99.1%        | 92.4%              | 90.5%                                       | 94.5%                                      |
| D - G                            | 0.8%         | 4.5%               | 5.6%  | 3.2%                                       |
| H                                | 0.1%         | 3.1%               | 3.9%  | 2.3%                                       |

<sup>1</sup> According to the CMN Resolution N°. 2,682/99.

<sup>2</sup> National Financial System.

<sup>3</sup> Source: Brazil's Central Bank (preliminary information on 1.30.2013)

Growth registered in 2012 did not imply a deteriorating profile of the credit portfolio, given

that the participation of credit classified between AA and C (low risk) remained at 99.1% of the total portfolio on December 31, 2012, which was higher not only than the percentage registered on the same date (preliminary information) by the National Financial System (SFN), which includes private and public financial institutions, but also than that posted in 2011, which was 98.7%.

The default rate reached 0.06% in December 2012, against 0.14% on December 31, 2011. The fall in defaults, coupled with the rise in the balance of the credit portfolio and the stable quality, contributed to the decline in the relation between allowances and the outstanding balance, which reached 0.72% in 2012.

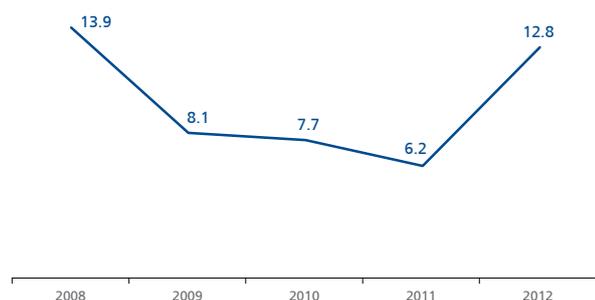
Between 2008 and 2012, the BNDES' default rates remained at levels lower than those registered by the SFN, despite the Bank having adopted more conservative criteria in classifying credit as default: while the SFN considers default a credit that is more than 90 days overdue, the BNDES' overdue date is only 30 days.

#### DEFAULT BNDES X SFN\*



\* National Financial System.

#### COVERAGE INDEX\*



\* Credit risk allowance / credit default more than 30 days overdue.

The low default rates illustrate the BNDES' commitment to applying public resources.

The coverage rate, which represents the number of times the credit risk allowance can cover credit defaults, reached 12.8 in 2012, the highest rate since 2008.

Lastly, in keeping with the strategic goal of strengthening the equity structure, the BNDES System completed and approved renegotiation of 39 credit operations that were facing default, resulting in the recovery of a total of R\$ 2.4 billion. In the same period, a financial volume of approximately R\$ 1.3 billion was received.

## Bond and securities portfolio (excluding corporate shares)

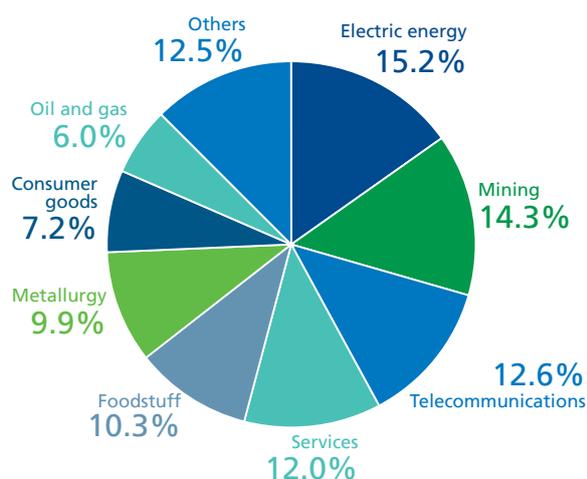
The BNDES' bond and securities portfolio (TVM) basically includes investments in debentures and bonds, which represented, respectively, 20.8% and 71.2% of the TVM portfolio on December 31, 2012.

Aimed at setting up funding that is capable of meeting the demand for disbursements, the BNDES raises funds, in the form of public bonds, from the National Treasury. In 2012, some R\$ 55 billion was brought in. After maturities and bond sales throughout the year, this figure contributed to the balance of R\$ 61.5 billion on December 31, 2012.

Debentures are a way the BNDES offers support to companies. The debenture portfolio, which holds both simple and convertible debentures, reached a total of R\$ 18 billion in 2012.

The following chart shows the main sectors receiving support through debenture purchases.

## SECTORIAL DISTRIBUTION



## Results of financial intermediation

The results from financial intermediation totaled R\$ 11.6 billion in 2012, up 60.7% against 2011.

Such growth is due, mainly, to the results from bonds and securities, which reached R\$ 11.3 billion in 2012 over the R\$ 6.9 billion posted in 2011, as a result of the yields on monetization of bonds to fulfill the BNDES System's plan for disbursements. On a smaller scale, one highlight was the highest revenue from credit and on-lending operations in 2012, which was in keeping with the 15.7% increase in that portfolio, and which was partially tempered by the reductions in interest rates in some programs in 2012.

The result from allowances for credit risk in 2012 was marked by the 80.8% fall in revenue from recovery of written-off credit.

Fundraising expenses were in tune with the 16.2% increase in loans and on-lending, especially the debt with the National Treasury.

## Portfolio of corporate shares

This basically includes minority and temporary corporate stakes that aim to offer support for

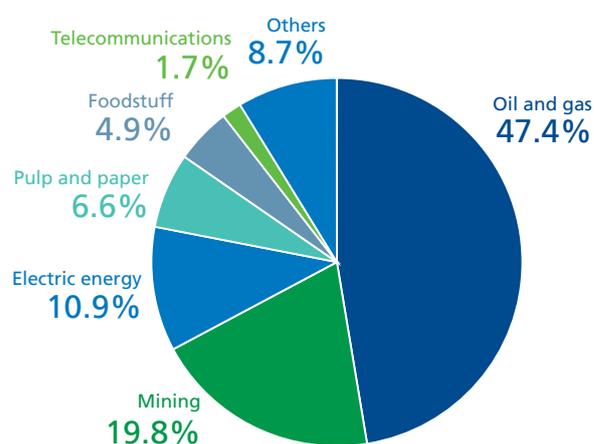
capitalization and development of Brazilian companies, as well as strengthening and modernizing the Brazilian capitals market.

The portfolio for corporate shares is mainly made up of investments in either affiliated companies, in which the BNDES can influence operational and financial decisions, or non-affiliated companies, in which there is no such influence. Affiliated companies are evaluated using the equity equivalence method, while non-affiliated companies are assessed using fair value. As a significant part of investments in non-affiliated companies are priced on the stock exchange, this price serves as a metric to measure the fair value. Thus, the share's rise and fall on the stock exchange generate impacts directly on the portfolio for corporate shares, reducing or increasing the balance in tune, respectively, with the negative or positive variation of its fair value. Nevertheless, such gains and losses generally only bring about financial impacts when the investment is sold.

The portfolio for corporate shares, after allowances for losses, reached R\$ 94.4 billion in 2012, down 5.2% for the period. This was caused by the adjustment to fair value, down R\$ 7.7 billion, of the portfolio for corporate shares in non-affiliated companies.

Of the total portfolio for corporate shares on December 31, 2012, some 84.6% represents investments in non-affiliated companies, and 15.4%, in affiliated companies.

## STAKES IN COMPANIES PER SECTOR



## Results from corporate shares

This basically includes the revenue from dividends and interest on own capital (IOC), as well as the results from equity equivalence, share sales and derivatives, coming mainly from the BNDESPAR portfolio.



The results from corporate shares ended 2012 at R\$ 2.6 billion, down 62.0% compared to 2011 and registered in every line included, especially revenue from dividends and IOC, the results of equity equivalence and impairment allowances. The reduction reflects the impact from the worldwide economic slowdown in the performance of the companies comprising BNDESPAR's portfolio.

Revenue from dividends and IOC, made up of return on investments in non-affiliated companies, presented a fall of 33.7% in 2012. The investments that most contributed to the result in 2012 were Petrobras, Vale, Valepar and Eletrobras, totaling 74.9% of the total revenue.

The results of equity equivalence, in keeping with the performance of BNDESPAR's portfolio of affiliated companies, were down R\$ 142 million in 2012, compared with the positive result of R\$ 1.2 billion in 2011. In 2012, investments in affiliated companies generated R\$ 640 million in remuneration from dividends and IOC, up 34.7% in comparison with 2011.

Of the total R\$ 1.1 billion in registered impairment allowances in 2012, some R\$ 608 million came from the portfolio of affiliated companies, while R\$ 485 million stemmed from the portfolio of non-affiliated companies.

The main share sales held in 2012 are related to structuring the ETF ICO2 Fund, which comprises shares of low-carbon emission companies, for which investments in the following companies were disposed of: AMBEV, Vale, CEMIG, Bradesco, JBS and Fibria. Disposals of shares in Claro, BRF Brasil Foods, CESP, Bradesco and Usiminas were also a highlight in 2012.

The decision to dispose of investments takes into account the market conditions and the maturity of the portfolio's investments. For this, the BNDES monitors the market in search for better opportunities in terms of price, volume and timing to sell since, in light of the good management of its cash flow, there is no need to incur losses when selling off investments to replenish its cash flow.

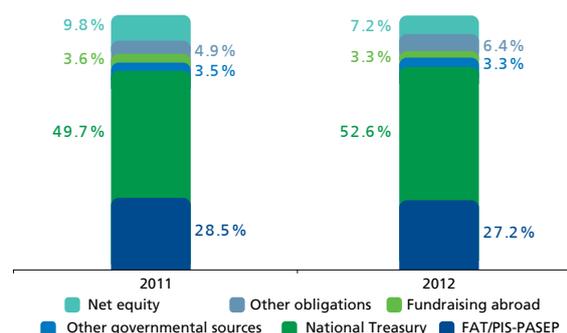
## Tax expenses

Tax expenses totaled R\$ 3.6 billion in 2012, a hike of 1.9% over the R\$ 3.5 billion registered in 2011. The amount earmarked for tax payments in 2012 includes, almost in its entirety, federal taxes such as the non-cumulative PIS/COFINS contributions, Income Tax and the Social Contribution on Net Income (CSLL).

## Sources of resources

Of the sources of resources that comprise the BNDES' capital structure, the importance of governmental sources stands apart as they represent a significant portion of the financing structure.

### CAPITAL STRUCTURE



## NATIONAL TREASURY

In 2012, within the scope of Law Nº. 12,453/2011, the National Treasury passed on R\$ 55 billion to the BNDES in the form of public bonds. Since 2010, the National Treasury has been the BNDES' main creditor, responsible for 52.6% of its total liabilities on December 31, 2012. The cost of these resources is mainly linked to the Long-term Interest Rate (TJLP).

## WORKERS' ASSISTANCE FUND (FAT)

On December 31, 2012, resources from the FAT at the BNDES totaled R\$ 161.9 billion. Of this total, some R\$ 141.2 billion was the balance of the Constitutional FAT, and R\$ 20.7 billion was the balance of the Special Deposits FAT. Throughout 2012, some R\$ 17 billion in new resources was sent to the BNDES from the FAT, of which R\$ 15 billion came from the Constitutional FAT and R\$ 2 billion from the Special Deposits (R\$ 1.3 billion was allocated to the FAT Development Program for Micro and Small Companies, and some R\$ 640 million to PRONAF Investimento).

## PIS-PASEP, MERCHANT MARITIME FUND, AUDIOVISUAL SECTORIAL FUND, AND NATIONAL FUND ON CLIMATE CHANGE

On December 31, 2012, the total assets of the PIS-PASEP Fund at the BNDES was R\$ 32.8 billion, earmarked for social and economic development programs.

On December 31, 2012, the resources in the Audiovisual Sectorial Fund (FSA) at the BNDES totaled R\$ 112.7 million. Throughout 2012, a total of R\$ 54.9 million in resources was sent to the BNDES from the FSA to invest in a program focused on the planned development of the entire audiovisual production sector.

On December 31, 2012, total resources in the National Fund on Climate Change (FNMC) reached R\$ 217.2 million to finance projects aimed at reducing and adapting to climate change. Over the course of 2012, some R\$ 4 million was sent to the BNDES in the form of commission.

On December 31, 2012, total assets of the Merchant Maritime Fund (FMM) at the BNDES reached R\$ 12.6 billion, earmarked for development of the shipping sector. In 2012, R\$ 2.6 billion was sent to the BNDES.

## FUNDRAISING BY ISSUING DEBENTURES

The BNDES constantly assesses fundraising efforts that may complement its traditional sources. This is not only to meet its investment and disbursement budget, but also to mark its presence in the securities market as a frequent issuer of commercial paper, as well as to operate as a development agent in the specific case of the local fixed-income market.

Since 2006, BNDESPAR has periodically issued debentures, whose characteristics include what is known as "better practices" in the corporate fixed-income market, seeking to open up new channels to finance the country's development. Among these characteristics, highlights include making efforts to broaden the scope with respect to individual investors, developing indexes that are more suitable for long-term financing to substitute the CDI as the main benchmark in the corporate securities market, besides contracting market-makers to encourage the liquidity of the commercial papers.

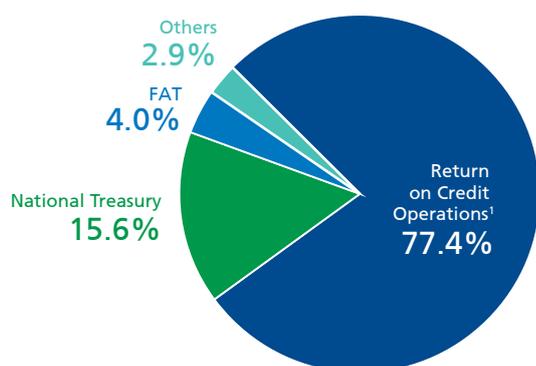
In 2012, a new offer was made, with the total volume reaching R\$ 2 billion. It is worth mentioning that, among the issuances carried out by the institution, this was the largest placed on the open market in terms of volume (R\$ 390 million).

On December 31, 2012, the balance of funds raised through debentures totaled R\$ 7.5 billion.

## Flow of resources

The net resources used by the BNDES in 2012 totaled R\$ 160 billion and came from the following sources:

### NET CONTRIBUTION FROM SOURCES OF FUNDING 2012



<sup>1</sup> The Return on Credit Operations is the credit services received, with no reference to the source of the original resources. New contributions from other sources are equal to the inflow of resources, after subtracting the outflows of cash related to each source.

The return on credit operations was the main source of resources in 2012, contributing 77.4% of the total, which reveals the importance of the volume and the quality of the Bank's credit portfolio to finance releases.

Fundraising from the National Treasury in 2012, deducting the respective debt and the payment of dividends and taxes, represents the second main net contribution for releases (15.6%), while fundraising

through the FAT, deducting debt servicing, was in third position, with 4% of the total.

## Information per segment

The following table presents the BNDES' results per business segment, classified in accordance with their activities: (I) financing (fixed-income); (II) capitals market (variable-income); and (III) Treasury.

I. The results in the "Financing" segment include revenue and the cost of fundraising that are linked to the credit and on-lending operations portfolio and debentures.

II. The results in the "Capitals markets" segment include revenue and the cost of fundraising that are linked to the variable-income portfolio, which comprises corporate shares and investment funds in corporate shares.

III. The results in the "Treasury" segment include revenue and the cost of fundraising that are linked to federal bonds and to inter-financial deposit investments (DI).

The allocation of fundraising costs to segments, shown as financial intermediation expenses, adheres to the following premises: (I) Treasury – sources of resources indexed to market costs, namely the Selic rate and IPCA; (II) Capitals markets – own capital,

| FISCAL YEAR 2012                              | R\$ MILLION, EXCEPT FOR % |       |                 |         |          |      |              |       |
|---|---------------------------|-------|-----------------|---------|----------|------|--------------|-------|
|   | FINANCING                 | %     | CAPITALS MARKET | %       | TREASURY | %    | TOTAL        | %     |
| <b>Earnings from financial intermediation</b> | 9,416                     | 81.3  | (1,841)         | (15.9)  | 4,003    | 34.6 | 11,578       | 100.0 |
| Revenue from financial intermediation         | 41,215                    | 78.6  | 164             | 0.3     | 11,041   | 21.1 | 52,420       | 100.0 |
| Expenses with financial intermediation        | (31,799)                  | 77.9  | (2,005)         | 4.9     | (7,038)  | 17.2 | (40,842)     | 100.0 |
| <b>Earnings from company shares</b>           | -                         | -     | 2,644           | 100.0   | -        | -    | 2,644        | 100.0 |
| <b>Other operational revenue and expenses</b> | (254)                     | 264.6 | 158             | (164.6) | -        | -    | (96)         | 100.0 |
| <b>Earnings per segment</b>                   | 9,162                     | 64.9  | 961             | 6.8     | 4,003    | 28.3 | 14,126       | 100.0 |
| <b>Other expenses<sup>1</sup></b>             | -                         | -     | -               | -       | -        | -    | (2,325)      |       |
| <b>Tax expenses<sup>2</sup></b>               | -                         | -     | -               | -       | -        | -    | (3,618)      |       |
| <b>Net profit</b>                             |                           |       |                 |         |          |      | <b>8,183</b> |       |

<sup>1</sup> Includes the following expenses: administrative, personnel, legal allowances (labor and civil) and other operational revenue and expenses.

<sup>2</sup> Basically includes tax on profit (IR/CSLL), PIS and COFINS.

interest-free sources, and, as a complementary source, resources indexed to the TJLP; and (III) Financing – difference between the total cost and the amount allocated to the other segments.

To obtain the total net profit, other expenses of R\$ 2.3 billion and tax expenses of R\$ 3.6 billion should also be deducted from the total result per segment. It is important to note that the different portfolios are subject to specific tax charges, and that for variable income is subjected to a lower relative charge.

In 2012, the results of the fixed-income portfolio contributed 64.9% to the total results per segment, which represents an increase in terms of the 56.2% participation registered in 2011, due to the 15.7% growth in the net credit and on-lending operations portfolio. The participation of variable-income in the results fell significantly, from 35.5% in 2011 to 6.8% in 2012, reflecting the poor performance of the Brazilian share market in the year, still suffering in the wake of the international financial crisis. In its turn, treasury results accounted for 28.3% of the results in 2012, a significant rise compared to the 8.3% participation registered in 2011. This was propelled by gains from monetizing bonds to meet the disbursement budget of the BNDES System.

## Added-value Statement

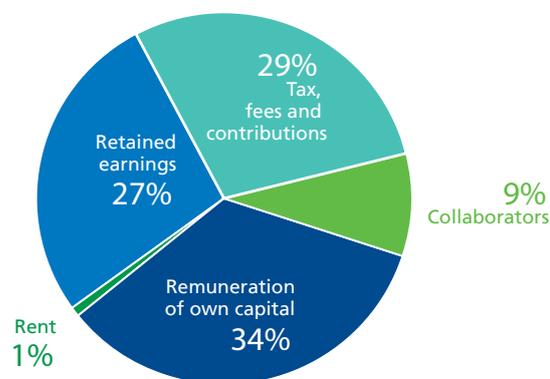
An important indicator when evaluating a social role, the Added-value Statement, from a global performance perspective, presents the company's contribution to generating wealth for the economy in which it takes part, as well as its effective distribution to employees, the government, financial agents and its shareholders.

Wealth generated and distributed by the BNDES in 2012, represented as the value-added for distribution, was R\$ 13.2 billion. This accounts for a 4.4% drop in performance compared to 2011 due to the fall in value-added that was passed on

as a consequence of the decline in results in equity equivalence, revenue from dividends and IOC.

The participation of the Federal Government, the BNDES' sole shareholder, in distributing generated wealth was 90.5%, taking into account the amounts for taxes, fees and contributions, remuneration on own capital, capital and retained earnings. In 2011, wealth distributed by the Federal Government was 92.2% of the total wealth generated.

### DISTRIBUTED ADDED-VALUE 2012



## Prudential limits

To assess the appropriateness of the capital of financial institutions with relation to measured risks, Brazil's Central Bank (BACEN) has established prudential limits, including the Basel Index and the Fixed Asset Ratio.

### THE BASEL INDEX

The Basel Index establishes a minimal link between the amounts of regulatory capital used to check operational limits are being followed – Reference Equity (RE) – and the working capital required as a result of exposure to inherent risks to the financial institution's operations – Required Reference Equity (RRE). The financial institution that has lower RE than RRE does not comply with the Basel Index, which, according to Brazilian rules, should be equal to 11%, at least.

In December 2012, the BNDES' consolidated RE was R\$ 89.6 billion, and the RRE, R\$ 64 billion, resulting in a Basel Index of 15.4%.

#### OWN RESOURCES AND BASEL (R\$ MILLION)

|  | 2011          | 2012          |
|--|---------------|---------------|
| <b>Reference Equity (RE)</b>           | <b>99,084</b> | <b>89,599</b> |
| = Level I Capital                      | 51,849        | 48,633        |
| (+) Level II Capital                   | 48,044        | 41,176        |
| (-) RE Deductions                      | 809           | 211           |
| <b>Required Reference Equity (RRE)</b> | <b>52,917</b> | <b>64,044</b> |
| = Credit Risk                          | 51,898        | 59,211        |
| (+) Market Risk                        | 72            | 2,978         |
| (+) Operational Risk                   | 947           | 1,855         |
| <b>Basel Index = (REx0.11)/RRE</b>     | <b>20.6%</b>  | <b>15.4%</b>  |

The fall in the index in 2012 is associated with the RE decline owing to the reversal of statutory reserves to pay dividends on net profit in previous periods. It is also connected to the adjustment of the negative fair value of bonds and securities, and to the increase in all RRE portions, which is mainly caused by the increase in that portion required to cover the credit risk due to the growth in the credit and on-lending portfolio in 2012. The growing market risk stems from the parameters BACEN established to calculate the interest-rate and exchange-rate risks, while the increasing operational risk reflects the increase in the results from financial intermediation and stakes in affiliated companies, which were evaluated using the equity equivalence method.

#### RATINGS

| Rating agencies | LONG TERM        |             |                |             |                  |             |
|-----------------|------------------|-------------|----------------|-------------|------------------|-------------|
|                 | GLOBAL RATINGS   |             |                |             | NATIONAL RATINGS |             |
|                 | FOREIGN CURRENCY |             | LOCAL CURRENCY |             | LOCAL CURRENCY   |             |
|                 | Rating           | Perspective | Rating         | Perspective | Rating           | Perspective |
| <b>Moody's</b>  | Baa1             | Positive    | A3             | Stable      | Aaa.br           | Stable      |
| <b>S&amp;P</b>  | BBB              | Stable      | A-             | Stable      | brAAA            | Stable      |

#### FIXED ASSET RATIO

This index shows the percentage of commitment of the RE in relation to fixed assets. The maximum allowed under the Brazilian rules for this index is 50%.

The Fixed Asset Ratio ended 2012 at 34.0%, higher than that registered in 2011, due to the alteration in the calculation which was introduced by the CMN Resolution N°. 4,089, of May 24, 2012.

Said resolution established that only those investments in the oil, electric and mining sectors can be excluded from the index calculation, which restricted the scope of the CMN Resolution N°. 3,761, of July 29, 2009, which used to allow all investments compatible with the institution's business purpose to be excluded. Such an alteration brought about a rise in the current fixed assets and, consequently, in the Fixed Asset Ratio.

#### Ratings

Risk ratings attributed to the BNDES by the international rating agents acknowledged the Bank's strategic role in the market, its solid capital and profit structure, as well as its adjusted risk position. They also took into account the fact that the BNDES, in the role of the main long-term financing instrument for investment in all sectors of the economy, has the support of the Federal Government in its operations.

**SUMMARIZED TABLE FINANCIAL INFORMATION IN IFRS**

R\$ MILLION, EXCEPT PERCENTAGE

| BALANCE SHEET                                   | 2010    | 2011    | 2012    |
|---|---------|---------|---------|
| <b>Total assets</b>                             | 553,768 | 628,186 | 718,756 |
| Credit & On-lending portfolio, after allowances | 363,918 | 427,236 | 494,464 |
| Company shares <sup>1</sup>                     | 109,633 | 101,801 | 96,590  |
| Debenture portfolio, after allowances           | 18,124  | 17,745  | 17,349  |
| Bonds/securities                                | 25,639  | 51,329  | 61,523  |
| Other assets                                    | 36,454  | 30,075  | 48,830  |
| <b>Total liabilities</b>                        | 553,768 | 628,186 | 718,756 |
| National Treasury                               | 253,058 | 310,774 | 376,042 |
| FAT/PIS-PASEP                                   | 162,698 | 177,351 | 193,934 |
| Fundraising abroad                              | 19,778  | 22,449  | 23,275  |
| Other obligations <sup>2</sup>                  | 48,443  | 53,224  | 69,883  |
| Net worth                                       | 69,791  | 64,388  | 55,622  |
| <b>INCOME STATEMENT</b>                         |         |         |         |
| <b>Net profit</b>                               | 8,857   | 8,531   | 5,880   |
| Earnings from financial intermediation          | 8,610   | 5,997   | 11,830  |
| Earnings from company shares                    | 6,266   | 7,659   | (852)   |
| Tax expenses                                    | (4,761) | (3,555) | (2,678) |
| Other revenue (expenses)                        | (1,258) | (1,570) | (2,420) |
| <b>Performance – annualized (in %)</b>          |         |         |         |
| Return on Equity (ROE) <sup>3</sup>             | 10.1%   | 19.0%   | 12.5%   |
| Return on Assets (ROA) <sup>3</sup>             | 1.8%    | 1.4%    | 0.9%    |

<sup>1</sup> Includes investments in non-affiliated, affiliated companies as well as other investments, after impairment allowance.

<sup>2</sup> Includes resources from the FGTS, FI-FGTS, FMM, FND and other financial development funds.

<sup>3</sup> Excludes the adjustment to fair value of investments in non-affiliated companies after tax.

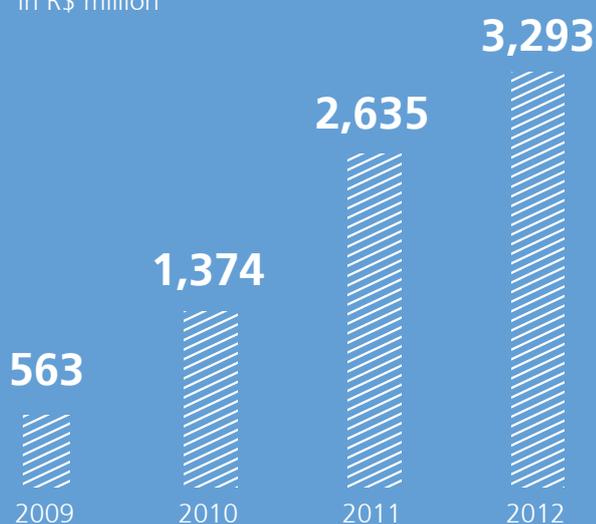
[Access the complete Financial Statements in IFRS, with alignment between results and net equity for BRGAAP, in [www.bndes.gov.br/english](http://www.bndes.gov.br/english) > The BNDES in Numbers > Financial Information or download the QR code reader on your cell phone or tablet and photograph the code below.]



# 03.2

## OPERATIONAL PERFORMANCE

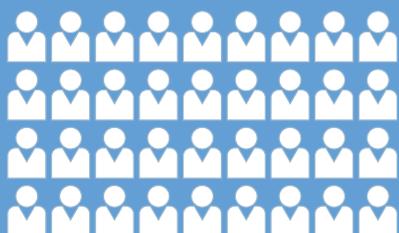
Disbursements to innovation  
in R\$ million



\* In 2011 and 2012, amounts include disbursements to FINEP.

### Criatec Funds

Capitalization of micro and small innovation companies



**36**  
supported companies



Operations with several companies in the automotive sector were approved in 2012, helping expand the installed capacity by almost 16%, consolidating Brazil's position as the fifth largest global market.

PHOTOGRAPHY: PUBLICITY FIAT AUTOMÓVEIS

The BNDES' performance is presented in its five main areas, which include the main highlights in 2012 in its financing operations and international efforts, both internal and external. Said efforts strive not only for excellence in all its activities, but also to complement financial support with other private and public policies and initiatives, as well as the correct use of public resources.

The five areas covered here are:

- Competitive and sustainable development
- Institutional efforts and generating know-how
- Guaranteeing financial sustainability
- Constant improvement of internal processes
- Learning and competences

## Competitive and sustainable development

This part presents the BNDES' operations and its contribution to competitive and sustainable development, considering the focus of sectors in the economy, segments of society, and the broad

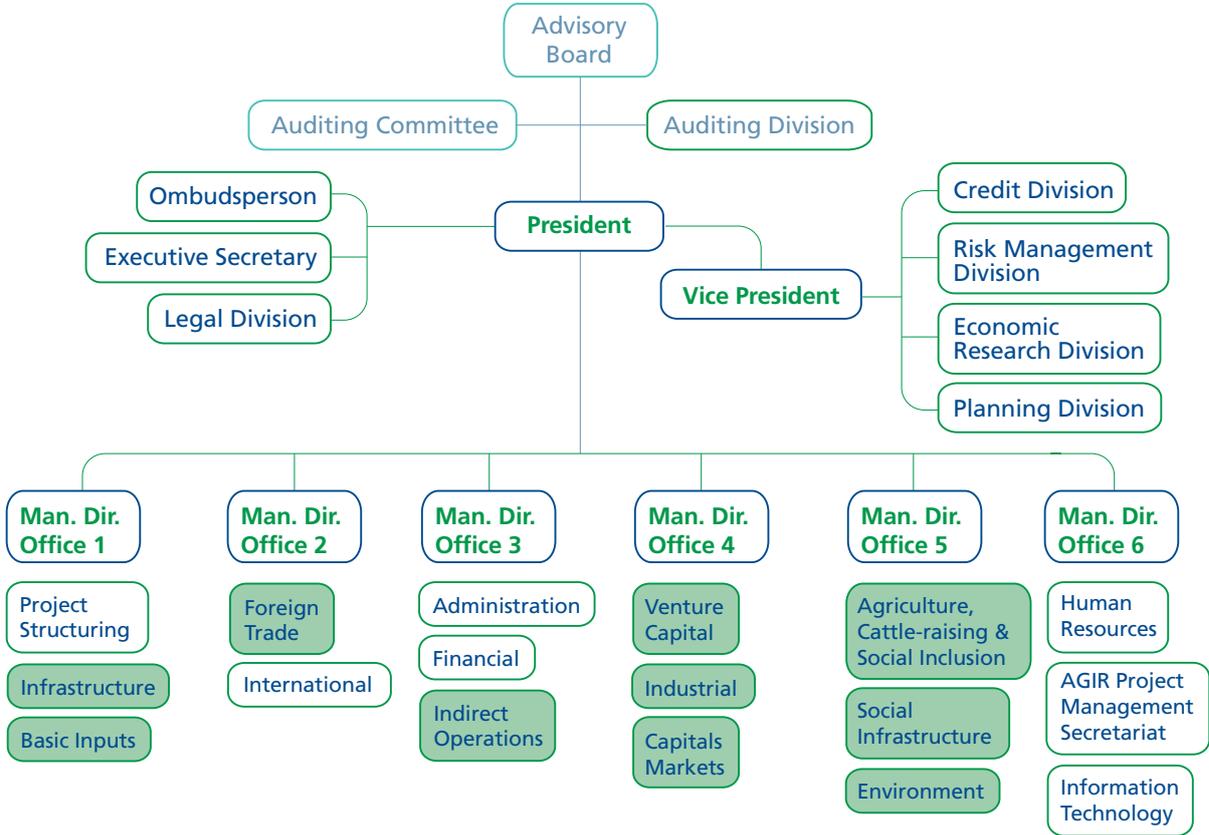
spectrum of the social, environmental, regional and innovation approaches in its financing operations.

The BNDES provides support to programs, projects, works and services, throughout the private and public sectors, which are related to the development of the country with a long-term perspective. Given the collaborative nature in carrying out the Federal Government's policies, the BNDES is aligned with public policies and other governmental initiatives that contribute to the sustainable development of the country.

Support for development is carried out via specialized divisions, shown in the organizational chart that follows.

In 2012, concerning the amounts in the financing operations, one highlight was the alignment with the Growth Acceleration Program (PAC) and the Brazil Maior Plan, as well as with the measures the government took to boost investments.

In conjunction with the sectorial focus of financial support, the BNDES has two transversal policies – in



the social, environmental and regional areas, as well as innovation –, driven by the Bank’s efforts in issues it values, which are part of fulfilling the institutional mission and comprise the engine for development.

The BNDES has specific units and committees for transversal issues, such as the Committee for Production Systems, Innovation, Local, Regional and Socio-environmental Development (CAR-IMA). One of the CAR-IMA’s objectives is to foster synergy in the BNDES’ efforts in terms of Production Systems and Innovation (APLs), local, regional, socio-environmental development and innovation, and between the BNDES’ efforts together with specific partners who are specialists in said areas. Initiatives aim to contribute to formulating, coordinating and refining the BNDES’ policies and those of public and private partner institutions that operate at different levels, statewide, regional, national and international, learning of experiences with policies and moving such partnerships forward, in keeping with the Federal Government’s policies, especially the Brazil Without Extreme Poverty program, the National Policy for Regional Development, National Policy on APLs, the Brazil Maior Plan and the National Strategy for Science, Technology and Innovation.

## Transversal issues: socio-environmental, regional and innovation

The main operational highlights in 2012 for socio-environmental, regional and innovation issues, presented transversely here, are not limited to this analysis and are also present in the sectorial aspects throughout the following items.

### SOCIO-ENVIRONMENTAL

The social and environmental issues, besides support for projects with specific goals, are taken into consideration during the assessment of impacts and the investment decisions involved in projects. This spans across a variety of sectors

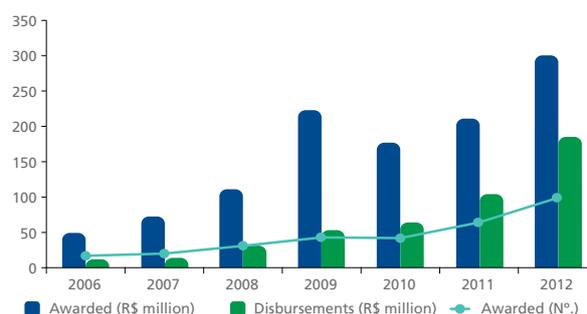
so as to increase company competitiveness and heighten the potential of social inclusion, as well as acknowledging and valuing environmental assets.

In the direct operations portfolio, in addition to companies strictly complying with Brazilian legislation and environmental licensing, discussions focus on possible improvements to environmental management and social investments that are not bound by law.

In 2012, development activities associated with new projects presented to the BNDES and the social and environmental opportunities for companies, communities and territories where said projects are located, were mainly aimed at operations with considerably high financing, or sectors with a high potential to reduce greenhouse gas emissions (see chapter “Operational Performance > Environment”).

Over the years, the BNDES has made great efforts to guarantee that credit lines for Company Social Investment (ISE), with special financing conditions, are an effective tool in inducing socially-responsible practices in the business world.

In 2012, the guidelines for using the ISE credit line have been intensified. With this, amounts contracted and awarded in this year rose and disbursements broke the 2011 records, reaching R\$ 185 million.



Besides progress in high value direct operations, it also became possible to contract ISE credit lines in non-automatic indirect operations through partnerships with financial institutions accredited by the BNDES.

The BNDES seeks to guarantee that ISE resources are applied in such a way that social investments

make effective contributions to society and raise the level of responsibility of companies. Operational teams are trained to foster the best practices in social investments, such as: aligning initiatives with local needs and priorities in the three levels of government; establishing goals and indicators to monitor and assess; and joining forces with other interested parties to promote better governance and management of social projects. Teams are also made aware as to the importance of assessing the continuity of these projects, after support for the company has ended, taking into account the relevant financial-economic, social, environmental and institutional aspects.

In 2012, to structure an indicator selected within the GRI methodology, internal criteria were established for a report on the BNDES' operations involving commercial interactions in relation to social and environmental risks. Direct operations were chosen, specifically those providing support to companies for social investments and the direct operations deemed to have the highest potential for environmental risk (classification A), in which dialog is necessarily maintained concerning the socio-environmental aspects of the project.

Within this realm, some 56 companies sought out social investment, and some 43 were the result of opportunities identified concerning environmental risk. There are 33 companies that were part of the two groups, that is, seeking social investments and opportunities regarding environmental risk. With this, the total number of companies with which the BNDES had contact considering social and environmental opportunities was 132, as shown in the following table.

**NUMBER OF COMPANIES THE BNDES HAD CONTACT WITH CONCERNING SOCIAL AND ENVIRONMENTAL RISKS AND OPPORTUNITIES**

|                               | Nº. COMPANIES |
|-------------------------------|---------------|
| ISE credit line               | 56            |
| Classification A              | 43            |
| ISE line and classification A | 33            |
| <b>Total</b>                  | <b>132</b>    |

**REGIONAL DEVELOPMENT**

The magnitude of the territory is an ongoing challenge in a country with such economic, socio-cultural and environmental diversity as Brazil. And the BNDES has adopted several scales so as to address regional development.

On a macro-regional scale, it is important to highlight the presence of the Bank in and the growth of disbursements to the North, Northeast and Central-West regions.

**North**

The BNDES' disbursements to the North rose 23% compared to 2011, reaching R\$ 13.3 billion. The region's increasing participation in the Bank's total disbursements in 2012 reflects the efforts made to avoid regional concentration of credit. In 2011, the North accounted for 7.8% of all disbursements, while, in 2012, this participation rose to 8.5%.

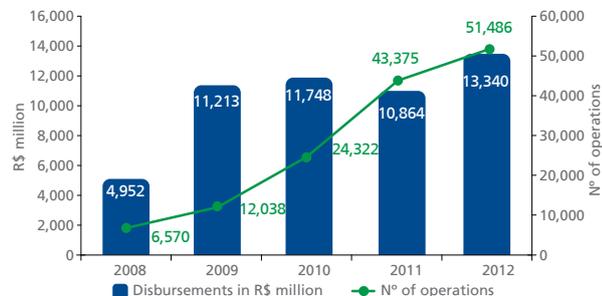
In 2012, in the North alone, some 51,486 credit operations were carried out, representing a 19% increase over the previous year. It is worth mentioning that, of all these operations, some 92% involved micro, small companies and individuals, contributing to expanding democratic access to the BNDES' credit.

Of the total disbursements made to the region, some 58% went to infrastructure projects, especially the hydroelectric plants in Belo Monte, Santo Antônio, Jirau, Teles Pires and Estreito, as well as the Carajás Railway and the electric energy transmission lines.

Among the states in the region, it was Acre that presented the highest increase in disbursements. Releases rose a whopping 370% in comparison with 2011, with disbursements to the state reaching R\$ 984.8 million in 2012. This is mainly due to the importance of the operations in the public sector, which were aimed at expanding environmental sanitation and

urban infrastructure, besides improving public administration in the state.

### NORTH REGION: DISBURSEMENTS AND NUMBER OF OPERATIONS

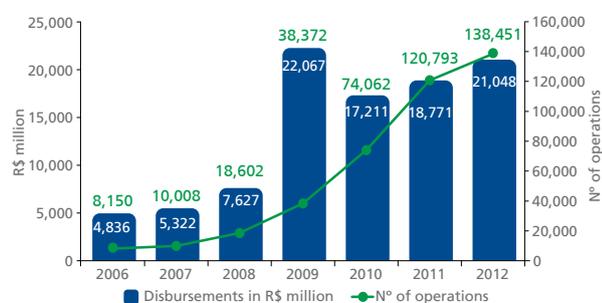


### Northeast

In 2012, the BNDES registered an increase of approximately 12% in disbursements to the Northeast, reaching R\$ 21 billion. The disbursed volume is 4.3 times higher than that disbursed by the Bank to the region in 2006 (as shown in the chart Northeast Region: Disbursements and Number of Operations). One reason for this change was the presence of large-scale projects in the region as can be seen in the following illustration.

The number of operations grew even more expressively from 2011 to 2012, up 22%, reaching 138,451 financing operations in the Northeast. Of this total, approximately 95% of the beneficiaries are micro, small and medium-sized companies.

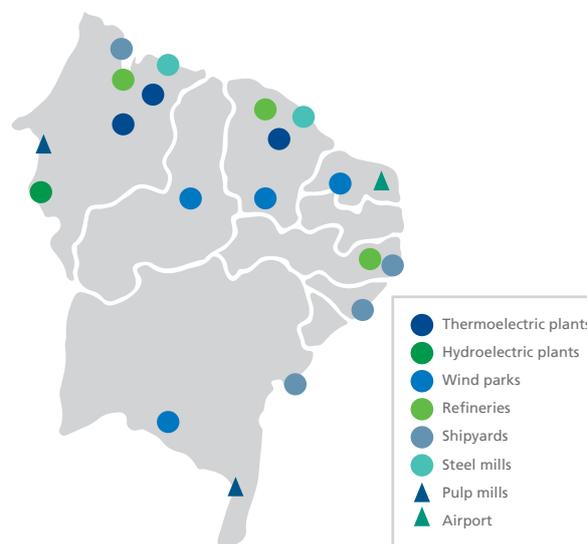
### NORTHEAST REGION: DISBURSEMENTS AND NUMBER OF OPERATIONS



It is important to emphasize the expanding institutional presence of the BNDES in the region in several forums and boards, specifically the Secretariat Board of Planning in the Northeast Region (CONSEPLAN/

NE), which, in 2012, presented the BNDES' Board of Directors with the study entitled "Logistics for Development in the Northeast" with suggestions for projects to increase regional competitiveness.

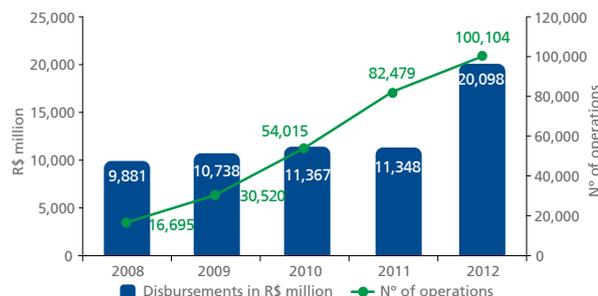
### STRUCTURING PROJECTS IN THE NORTHEAST



### Central-West

Releases to this region soared 77% compared to 2011, reaching R\$ 20.1 billion in 2012, representing 13% of the BNDES' total disbursements. The number of operations also grew extensively, totaling 100,104, up 21% in relation to the previous year. Of this total, some 92,392, that is, 92% involved micro and small companies or individuals.

### CENTRAL-WEST REGION: DISBURSEMENTS AND NUMBER OF OPERATIONS



Beyond the macro-regional view, the BNDES seeks to incorporate new viewpoints of its efforts to promote development. The Bank made efforts to seek out a strategic vision for the country, whether it is in support for new production agglomerations in the

more remote parts of the country, consolidating development through local production systems, or in support for large-scale investments, with special attention to the areas where they are located.

In 2012, the territorial reach and consequences of projects financed by the BNDES gained importance, propelling the implementation of the Policy for Efforts in Surrounding Areas of Projects. This policy permanently guides the analysis of financing operations and negotiations with investors, aimed at including better undertakings for sustainable development of territories, encouraging dialogue and cooperation with other relevant stakeholders, besides better integration of the economic, social, environmental and political-institutional aspects for such a goal.

In 2012, the BNDES' efforts, based on its Policy for Efforts in Surrounding Areas of Projects, sought to consolidate one of its support instruments: the Development Agenda for the Territory (ADT). Worthy of mention is the first call-to-submission with resources from the Project Structuring Fund (BNDES FEP) to finance the elaboration of an ADT. The area selected was the Surrounding Area of the Belo Monte Dam undertaking. The ADT Xingu<sup>12</sup> will be based on discussions and the elaboration of the Regional Sustainable Development Plan for Xingu, modernizing it, prioritizing investments and initiatives, as well as contributing to details in the implementation.

Besides the call-to-submission for the ADT Xingu, progress was made in other cases prioritized by the BNDES. The Bank, in addition to this, began a series of meetings with companies to elaborate strategies to apply the Policy for Surrounding Areas in their projects, thus providing a corporate focus on applying the policy.

Making up the share portfolio, one highlight is the synergy with the Company Social Investment (ISE)

credit lines, as mentioned, when it is possible to combine the companies' social responsibility efforts in communities that receive their undertakings.

## INNOVATION

To guide priorities in support for innovation, the BNDES' benchmarks include the Brazil Maior Plan and the National Strategy for Science, Technology and innovation (ENCTI). The BNDES considers this strategic, and it has intensified its support for undertakings associated with developing capacity and innovative environments on an annual basis.

Such prioritization reflects the importance of innovation in sustained development in the country's economic, regional environmental and social aspects, whether it is to make it possible for better competitive positioning and more productivity for Brazilian companies, or in providing better quality products and jobs.

In 2012, mechanisms to support innovation were revised. The credit lines for Technological Innovation, Innovation Capital and Production Innovation were discontinued, and the BNDES Innovation Line was created. The new line of credit has a broader scope, aimed at supporting an increase in competitiveness with investments in innovation encompassed in the company's business strategy. This includes ongoing efforts that are structured to innovate products, processes and/or marketing, besides improving competence and technical know-how in the country.

Driven by the success of the Support Plan for Industrial Technological Innovation in the Sugar-energy and Sugar-chemical Sectors (PAISS), the BNDES and the Brazilian Innovation Agency (FINEP), in 2012, launched the Inova Petro program, with resources to the tune of R\$ 3 billion. This new plan for structured support, which also has Petrobras' technical support, aims at boosting technological development for Brazilian suppliers in the production sector of the natural gas and

<sup>12</sup> The call-to-submission is available on the BNDES' website: <[http://www.bndes.gov.br/SiteBNDES/export/sites/default/bndes\\_pt/Galerias/Arquivos/produtos/download/chamada\\_publica\\_FEPprospec0112.pdf](http://www.bndes.gov.br/SiteBNDES/export/sites/default/bndes_pt/Galerias/Arquivos/produtos/download/chamada_publica_FEPprospec0112.pdf)>.

oil industry. The goal is to contribute to the policy aimed at increasing local content, consequently strengthening national industry.

In 2012, the Technological Fund (BNDES FUNTEC), which is non-reimbursable, prioritized support for applied-research projects, technological development and innovation, carried out by technological institutions, which were selected in accordance with the following areas: energy (encompassing bio and solar energy); the environment; electronics; new materials; chemicals; and electric vehicles.

The year was also marked by the launch of calls-to-submission so as to select managers for the Criatec II Fund and the Venture Capital Funds (TIC) as well as the Transversal Fund. More details on these funds are presented in the chapter “Operational Performance” – Variable Income.

Disbursements earmarked for the credit lines and programs supporting innovation in 2012 exceeded the targets set, reaching R\$ 3.3 billion, above the R\$ 2.6 billion registered in the previous year.

Extending the contribution towards strengthening the National Innovation System, which began in 2011, the BNDES offered credit of R\$ 2 billion to Finep, making it possible to expand its innovation portfolio. Disbursements to Finep in 2012 were approximately R\$ 1 billion.

Following is the summarized sectorial report covering: foreign trade; social and urban infrastructure; agriculture and social inclusion; infrastructure; basic inputs; industry, trade and services; the environment; as well as achievements with variable-income, MSMEs and the capital goods industry.

## Foreign trade

To foster Brazilian exports is one of the BNDES' permanent goals as it fulfills its duty as a public

credit agent for exports in Brazil, granting financing to production earmarked for exports, and the sale of goods abroad. Granting credit depends on several factors: exports that generate jobs and grant companies access to foreign markets may enjoy a gain in scale, increasing the competitiveness of their products; increasing exports can mitigate possible restrictions the balance of payments might have on economic growth. Moreover, companies that are part of global supply chains are used to being technologically updated and, thus, commonly engage in innovative activities.

The BNDES offers financing for exports in special niches, more specifically, capital goods, with high value and technological content, as well as engineering services and construction. Commercial practices in foreign sales of such products require a deadline on payments to the importer. That is where the pressing need for public (non-private) financial support for exports arises. The risks involved in exporting, especially concerning commercial and political risk in another jurisdiction, are of such magnitude that public financial support for exports is essential.

There are agencies offering credit for exports in other developing countries, whose market shortcomings require more extensive public support, due to the lack in the private market, even to supply short-term credit as happens in developed countries. Within contexts involving more intense international competition or scarce liquidity, such as that seen over the last few years, the conditions for support from such agencies are the true differences in competitiveness. In fact, the scenario of uncertainty in the international panorama brought about a private credit crunch, and there was a significant increase in public financial support for exports, even in developed markets (US, UK, Germany, France etc.).

The BNDES has made significant effort in supporting exports over the last few years. Aiming

at strengthening the competitiveness of Brazilian companies, the Bank took anti-cyclical measures when needed, but complemented the market when times were normal. In 2012, disbursements to finance exports totaled R\$ 11 billion. While having represented a small increase over 2011, a part of the credit was earmarked to fill gaps in the market and to revert the negative effects of the economic situation in sensitive segments. Besides this, significant effort was made to support exports of high-aggregate value, made possible by offering a more complex guarantee structure, seeking to integrate instruments to better serve Brazilian exporters.

[For highlights of the Bank's activities in 2012 in foreign trade, visit the [hotsite](#).]

## Infrastructure

One of the corporate goals of the BNDES' strategic planning is to expand investments in infrastructure. Regarding investments in energy and logistics, efforts seek to increase activities in several sectors, such as hydroelectric, wind, thermal, nuclear and biomass generation, as well as transmission, distribution, energy rationalization, highways, railways, airports, navigation, ports, terminals and warehouses. Expanding investments in infrastructure is aimed at boosting the Brazilian economy and socio-environmental development, as well as raising the local content in capital goods, and leveraging the fixed-come market through debenture issuances.

With favorable financing conditions compared to other long-term sources of resources, the BNDES' support has decisively contributed to keeping tariffs for public energy and transport services low.

Furthermore, efforts have managed to develop the Brazilian capitals markets through issuances of infrastructure debentures via special purpose companies, in this case by sharing guarantees and cross default (further details available in the chapter

"Operational Performance" – Support, project structuring and new instruments in this report).

Another guideline for efforts is to foster socio-economic development in the surrounding areas of projects, using the social sub-credit (ISE<sup>13</sup>), associated with project financing. For example, social resources are applied in projects related to urban infrastructure investments; stimulating new economic activities in municipalities affected by the project and training skilled workers in the local communities. In 2012, the amount disbursed through the ISE credit line associated with infrastructure projects totaled R\$ 61.9 million, up 72.4% in comparison with 2011 (R\$ 35.9 million).

## ENERGY GENERATION, DISTRIBUTION AND TRANSMISSION

Hydroelectric power generation is the main source of renewable energy available in the country, which accounts for 84% of the installed capacity (84 GW) and more than 90% of the energy generated in the National Interlinked System (SIN). Expanding hydroelectric power generation helps mitigate greenhouse gas emissions by reducing the need for thermoelectric plants.

In 2012, the BNDES approved financing to the tune of R\$ 27.7 billion, with R\$ 40.8 billion in associated investment, which will add a further 14.3 GW of installed capacity to the SIN. Highlights include operations to implement the Belo Monte plant (11,233 MW), the Teles Pires plant (1,850 MW) and the credit supplements to increase the capacity at the Jirau plant (450 MW) and the Santo Antônio plant (418.4 MW) on the Madeira River. In this segment, some R\$ 7.4 billion was released.

Moreover, projects for hydroelectric plants boast a policy that focuses on the surrounding areas,

<sup>13</sup> Further information on the ISE credit lines – aimed at fostering production inclusion and the socio-environmental development of surrounding areas of projects – is available in the section entitled Transversal issues: socio-environmental, regional and innovation.

seeking to aggregate other social and environmental projects to what is already required in the socio-environmental licensing. Within the scope of this policy, some R\$ 51 million was released.

The BNDES also helped expand the interlinked system for energy transmission. In 2012, a total of R\$ 3.4 billion was approved for 13 projects and will add a further 6,700 km to the existing lines, with associated investments of R\$ 7.8 billion. A total of R\$ 2.9 million was released.

Expanding the interlinked transmission system has helped make it feasible to include renewable energy as part of the country's generation system, especially wind and hydroelectric energy, which in general are installed outside consumer areas. Another benefit is the increase in energy exchanges with other regions of the country, which potentializes the complementary facet of energy use from sources such as hydroelectric, wind, biomass etc., thus preventing a waste of resources.

Finally, support was provided to 12 electric energy distributors, which will carry out multi-annual investments totaling R\$ 3.6 billion aimed at expanding the network and improving not only the efficiency, but also the quality of energy distribution. Of this amount, the BNDES approved R\$ 2.1 billion. Some R\$ 1.7 million has been released.

## **GENERATING ELECTRIC ENERGY USING ALTERNATIVE SOURCES**

Aiming at contributing to more diversification in Brazil's energy grid, the BNDES has sought to support projects in small hydroelectric plants, wind parks, thermoelectric plants and, more recently, direct use of solar energy. Such projects help reduce the dependence on fossil fuels and are in keeping with the National Climate Change Policy.

Throughout 2012, some 75 operations were approved in the alternative energy source segment,

which will represent total investments of R\$ 9.3 billion, of which the BNDES has financed R\$ 5 billion. Disbursements throughout the period reached R\$ 4.5 billion, of which some 75% went to the wind power segment.

At the end of 2012, the BNDES approved a new methodology to accredit and calculate local content in aero-generators, establishing physical goals that are expected to be fulfilled by manufacturers in accordance with a pre-established schedule. This methodology aims to foster manufacturing of components with higher technological content in the country, stimulating the creation of more skilled jobs and attracting new investments to the wind power sector.

As most wind power undertakings supported by the Bank are located in the Northeast semi-arid region, where the Human Development Index (HDI) is lower than the average across the region as a whole, the BNDES, together with those responsible for such undertakings, has focused on fostering joint efforts, involving entrepreneurs, the public powers and other interested parties that potentialize the externalities related to using the social sub-credit line (ISE) to improve the population's standards of living in areas affected by these projects.

## **LOGISTICS**

The BNDES encourages the development and use of lower-cost modalities and the development of service providers in the logistics area.

In 2012, some 24 operations were approved to the tune of R\$ 12.7 billion, resulting in R\$ 32.8 billion in total investments. Among the sectors receiving support were railways, ports and airports and highway terminals, which account for, respectively, 34%, 27%, 26% and 11% of the operations.

Disbursements in 2012 reached R\$ 7.3 billion, up 57% over 2011.

The port segment, which accounted for 32% of disbursements, that is, some R\$ 2.4 billion, received support to expand port services for bulk agricultural stock, containers and iron ore. Highlights include implementing the MMX South Port and the Port of Steel, both located in Rio de Janeiro, and the increased capacity of the Ponta da Madeira terminal (MA). Concerning the Merchant Maritime Fund (AFRMM), a total of 204 withdrawals were authorized, reaching R\$ 57.6 million.

In the railway sector, with 28% of the disbursements and R\$ 2.1 billion, investments in the PAC took the spotlight, as well as the expansion of the Ferronorte railway network to the city of Rondonópolis (MT) and the construction of the Transnordestina railway, which will serve the economic frontiers in the Central-West and Northeast regions.

The highway sector received R\$ 1.9 billion, or 26% of disbursements, which were made, mainly, through concession operations for federal highways, as established in the PAC, and state highways (PR, SP and BA). It is worth mentioning the efforts in joint financing operations and long-term debenture issuances, including those for infrastructure, with guarantee sharing.

The airway sector received disbursements of R\$ 0.4 billion, some 5% of the total, for initial investments in concession for Guarulhos International Airport in São Paulo.

Within the scope of innovation, support was provided to develop the vehicles to transport, mainly, special cargo in the North Region and areas where access is difficult.

## Social and urban infrastructure

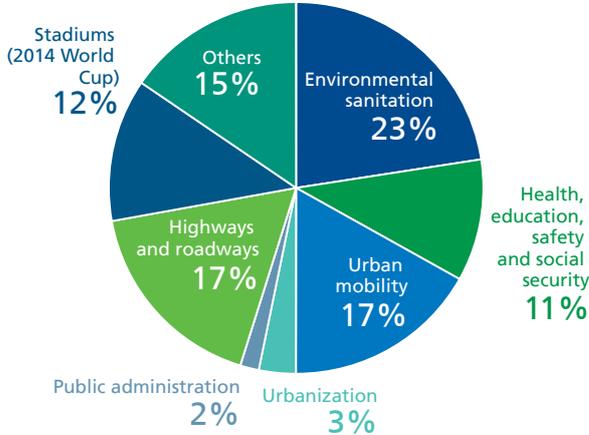
In efforts aimed at sectors linked to improving the population's standard of living and to consolidating urban and social infrastructure, the year 2012 saw

disbursements of R\$ 15.9 billion, or 10.2% of the BNDES' total releases.

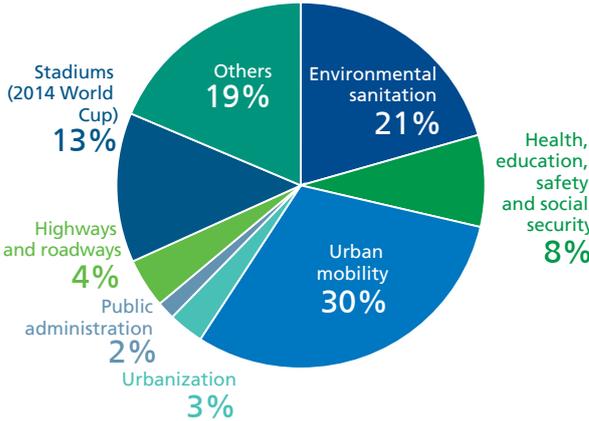
The following charts show a comparison between disbursements in 2011 and 2012, in sectors such as urban mobility, environmental sanitation, education, health, security, as well as the modernization of public administration and improvements in the state railway network.

### DISBURSEMENTS PER SEGMENT

#### 2011



#### 2012



### URBAN MOBILITY

The participation of urban mobility projects was more significant in 2012, which shows an alignment between the BNDES' efforts and the governmental policy for support to the sector. It is estimated that

the Bank's efforts may be even more potentialized in the coming years due to the launch of the Growth Acceleration Program – Mobility (PAC Mobility).<sup>14</sup>

Urban mobility is an important challenge in Brazilian cities, in which diagnosis suggests that the current transport model has reached its peak, as well as the need for investment in more modern forms of collective transport. The national fleet of automobiles has risen on average 5.6% per annum over the last 10 years, going from 20.1 million to 34.7 million vehicles.<sup>15</sup> While such growth has been important to Brazilian industry, it is impossible to deny that the growing fleet, coupled with outdated collective transport, has had significant impact on the quality of urban transport, as well as on the environmental indicators in medium-sized and large cities.

The BNDES' financing policy for the sector is part of a perspective to disseminate good practices for integrated collective transport, while seeking, mainly, to improve the quality of mass transport, reducing wasted time for inner city travel, enhancing the environmental aspects and allowing the use, whenever economically feasible, of locally produced equipment. Within this perspective, projects for sustainable urban mobility have been supported, involving the implementation of railway systems (subways, trains, monorails and light rail vehicles, known in Portuguese as VLTs), as well as projects to optimize road transport (among these, the so-called Bus Rapid Transit – BRTs).

## ENVIRONMENTAL SANITATION

Besides efforts in the mobility segment, activities in environmental sanitation were also important. Since 2007, within the scope of the Growth Acceleration Program – Sanitation (PAC Sanitation), the BNDES has increased its efforts to finance the sector.

<sup>14</sup> For further details, visit <<http://www.pac.gov.br/>> or <<http://www.cidades.gov.br/>>.

<sup>15</sup> National Automotive Vehicle Manufacturers (Anfavea).

Currently, there are three main challenges to be tackled: (I) improving water supplies and, mainly, sewage treatment; (II) improving the management practices in the sector; and (III) finding solutions for solid waste.

## PUBLIC ADMINISTRATION AND MANAGEMENT IN EDUCATION, HEALTH AND SAFETY

Efforts to improve public administration and management in education, health and safety are also important challenges for the Bank. In the case of education, health and safety, efforts complement existing public policy.

In the public administration segment, while the percentage of disbursements is modest, some R\$ 802 million was awarded in 2012, surpassing the 7.5% corporate target set for the year. This result shows not only more maturity in BNDES' credit lines, but also a more active approach on the part of state and municipal governments to improve management practices, even adopting new tools to control and modernize public administration. Among the new aspects in 2012 is the Cooperation Accord signed by both the BNDES and the Ministry of Justice in March, which now includes the modernization of public defense counsels on the list of eligible investments within the scope of the Modernization Program for State Administration (PMAE). This makes resources to the tune of R\$ 300 million available.

## NEW PROGRAMS FOR STATES

In 2012, the BNDES worked together with states not only through its traditional lines of financing, but also through two new programs. The first is the Support Program for State and Federal District Investment (PROINVESTE) aimed at increasing the investment capacity of states and the Federal District to make expenses feasible, thus activating the dynamics of aggregated demand. The second was the Special Support Program for States, focused on

supporting investments in production and improving infrastructure in states affected by the measures established in Resolution Nº. 13/12, of April 25, 2012, of the Federal Senate. Both programs were authorized by the National Monetary Council (CMN).

## CONCESSIONS AND PUBLIC-PRIVATE PARTNERSHIPS IN SOCIAL AND URBAN INFRASTRUCTURE

In 2012, the City Council of Belo Horizonte signed a public-private partnership (PPP) agreement to expand the municipal Pre-school and Elementary School network. This is the first PPP in the education sector signed in Brazil. This project, which was developed by the BNDES through a Multilateral Fund in partnership with the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC), through a 20-year administrative concession, aims to transfer to the private initiative: the construction of 32 municipal pre-schools (UMEs – zero to five years of age) and five elementary schools (six to 14 years of age), as well as the non-pedagogical services in such schools (support), including hygiene, cleaning, laundry, supply and replacement of equipment and furniture, and building maintenance. The investment is estimated at approximately R\$ 160 million.

With this initiative, which is part of the municipality's strategic planning, the government will be able to increase schooling in the municipality, with 14,000 more openings in pre-school and almost 5,000 in elementary schools.

Due to the rapidly increasing demand, which has overwhelmed the current school system, the added number of openings seeks to meet the needs of the population in the short term because it speeds up the construction of the schools, which should be completed within 24 months.

In the long term, this measure moves towards the constitutional target of universalizing schooling for children of four-to-five years of age as of 2016.

The project also focuses on guiding the efforts of the Education Secretariat for pedagogical activities, as well as improving the quality of educational infrastructure in the city of Belo Horizonte.

[For further information on the Bank's efforts in 2012 in the social and urban infrastructure segment, visit the [hotsite](#).]

## Agriculture and social inclusion

The BNDES' goals include helping reduce extreme poverty by offering support for social and production inclusion as well as generating income, using non-reimbursable social investment through the BNDES' Social Fund as the main instrument.

The strategy is based on private-public partnerships seeking to expand the scale of efforts, both in the urban and rural areas, resulting in an increase of 48% in the amount of resources allocated, in comparison with the previous year.

The BNDES' Microcredit Program was a highlight in the year, with operations aimed at including recyclable waste pickers, at complementing investments in production cooperatives, and at structuring collective production undertakings linked to the agricultural reform settlements.

Also in keeping with the challenge of reducing extreme poverty, initiatives to strengthen cooperatives in some less-developed regions of the country received support through financing agents. With this, in accordance with the federal public policy to disseminate efforts across the entire territorial area to foster regional development, over the next three years, some 35 populated areas will receive 50 financing units that will present the philosophy and know-how of cooperatives and associations to approximately 15,000 rural producers.

Highlights include expanding support for small rural producers, applying R\$ 1.4 billion during the harvest

year 2011-2012 through the National Program to Strengthen Family Farming (growth of 24% in comparison with 2010-2011), as well as beginning operations in the National Program to Support Average-sized Rural Producers, offering better access to the average-sized rural producer.

[For further information on the Bank's efforts in 2012 in the agriculture and social inclusion segment, visit the [hotsite](#).]

## Basic inputs

In 2012, the BNDES provided important support to develop the oil & gas sector, which accounted for disbursements to the tune of R\$ 8 billion. This support was made available, mainly, to modernize the national refinery sector, with positive environmental impacts, to reduce the amount of sulfur in fuels. Construction of offshore support ships in national shipyards is also worthy of mention as it has contributed to the massive revitalization of the country's ship building industry. In addition, the BNDES provided financing to several companies in the oil & gas production sector through the BNDES O&G Program. Most of these companies had no prior relationship with the Bank, which exemplifies the increase in opportunities for access to credit.

The pulp and paper sector received disbursements to the tune of R\$ 3.8 billion in 2012 for large-scale projects, including Eldorado Celulose e Papel, in the municipality of Três Lagoas (MT), and Suzano Papel e Celulose, in the city of Imperatriz (MA). Besides this, financing was approved to expand CMPC Celulose Rio-Grandense, in the municipality of Guaíba (RS). Considering these three large industrial investments, Brazil's pulp production is expected to increase 4.3 million tons per year; that is an increase of almost 30% in national production, making the country the third largest pulp producer in the world, a position currently held by Canada.

In the chemicals sector, highlights include approval to implement Petrobras' nitrogen fertilizer plant

in the municipality of Três Lagoas (MT), approval to finance the expansion of Vale's fertilizer plant in the city of Uberaba (MG), approval of a project submitted by Solazyme Bunge Produtos Renováveis, where special oils will be produced using sugarcane, and implementation of Braskem's integrated ethanol and polyethylene plants in Mexico, besides the consolidation of the Proplastic Program, aimed at strengthening the competitiveness of the national plastic molding sector.

The raw-materials sector had support for its investments to expand mining and implement new cement production plants.

Reinforcing its commitment to support communities impacted by large-scale investment projects, the BNDES, through its ISE credit line,<sup>16</sup> disbursed some R\$ 43.9 million within the scope of the basic inputs segment, maintaining a similar level of releases to that in 2011 (R\$ 45.2 million).

Supporting innovation in the basic inputs segment, the BNDES disbursed R\$ 200 million to finance CENPES-Petrobras' investment plans, and a further R\$ 118 million was earmarked for company innovation projects, especially in the chemicals sector and the pulp and paper industry. Moreover, the BNDES was actively involved in launching Inova Petro (BNDES/FINEP/Petrobras), aimed at providing support to innovative projects in the natural oil & gas production sector.

[For further information on the Bank's efforts in 2012 in the basic inputs segment, visit the [hotsite](#).]

## Industry, trade and services

In 2012, the BNDES' efforts in sectors such as agro-industrial, heavy industry, sugar-based energy, consumer goods, trade and services, industrial health, information technology and

<sup>16</sup> Further information on the ISE credit lines – aimed at fostering production inclusion and the socio-environmental development of surrounding areas of projects – is available in the section entitled Transversal issues: socio-environmental, regional and innovation.

communication (ITCs), as well as the cultural economy truly helped reach the goals established in the perspective sustainable and competitive development in the Bank's strategic map, especially when "prioritizing investments in innovation, socio-environmental development, infrastructure and the surrounding areas of projects." Support for innovation in these sectors played an important role, in which efforts made by the Bank's teams to boost innovative projects/companies, coupled with the review of specific lines of credit, brought about an expressive increase in indicators related to the issue. This is easily visible in both the disbursements (from R\$ 2.5 billion in 2011, to R\$ 2.7 billion in 2012) and the number of projects approved (from 38 projects in 2011, to 51 in 2012).

Sectorial efforts are aligned with the Federal Government's policies, namely, the Brazil Maior Plan (PBM), the BNDES-FINEP Plan to Support Innovation in the Sugar-based Energy and Chemicals Sectors (PAISS), the Investment Maintenance Program (BNDES PSI), the National Broad-Band Plan (PNBL) and the Innovate Energy Plan (Inova Energia). Also in 2012, total disbursements to sectors such as the agro-industrial, heavy industry, sugar-based energy, consumer goods, trade and services, industrial health, ITCs and the cultural economy reached R\$ 15.2 billion. Some R\$ 22.2 billion was approved in new operations, leveraging investments even higher.

Reinforcing its commitment to support communities impacted by the implementation of large-scale investment projects, the BNDES, through its ISE credit line,<sup>17</sup> disbursed R\$ 79.4 million within the scope of the industrial, trade and services segment. This is three times the amount disbursed in 2011 (R\$ 23.2 million).

<sup>17</sup> Further information on the ISE credit lines – aimed at fostering production inclusion and the socio-environmental development of surrounding areas of projects – is available in the section entitled Transversal issues: socio-environmental, regional and innovation.

## AGRO-INDUSTRY

Highlights in this segment include the support provided to the small technology company AgriStar and the creation of the BNDES' Program to Support Development of the Aquaculture Sector (Pró-Aquicultura).

AgriStar is a Brazilian company working with seeds for farm produce. The BNDES' R\$ 4.5 million in financial support was for an innovation project aimed at setting up seed development in Brazil of those that are currently imported.

Pró-aquicultura will foster sustainable growth in the aquaculture activity, with positive regional, environmental and social externalities, besides the technological development of the sector.

## HEAVY INDUSTRY

Operations with several companies in the automotive sector were approved, expanding the installed capacity by almost 16%, consolidating Brazil's position as the fifth largest global market. Financing of over R\$ 5.2 billion was approved for vehicle assembly lines and auto-parts companies, as well as capital goods manufacturers. This will be used in strategic areas, such as innovation and engineering for new products (R\$ 1.2 billion), socio-environmental investments (R\$ 27 million) and increasing exports (R\$ 116 million).

In the support for innovation, one highlight is the development of equipment aimed at generating alternative energy (solar and electric), smart grids and Weg electric traction systems.

Within the support for production capacity, the project to implement a new Fiat plant in the state of Pernambuco is worthy of mention, as it will be part of a new automotive hub, which in its turn will become a benchmark in regional development.

## SUGAR-BASED ENERGY SECTOR

Standing apart is the newly-created Program to Support Renewal and Implementation of New Sugarcane Plantations (BNDES Prorenova), as well as the analysis of the projects brought about by PAISS.

In 2012, the Prorenova portfolio reached almost R\$ 1.4 billion, totaling 50 operations.

Approximately 390,000 hectares were planted, of which more than 80% will be dedicated to renewing sugarcane plantations.

At the end of 2012, some 10 operations were under analysis within the scope of the PAISS, especially the Graal Bio operation, which is aimed at building the first commercial plant for cellulosic ethanol in Brazil.

## CONSUMER GOODS, TRADE AND SERVICES

The Bank provided support for organizational and marketing innovations. The project belonging to Cálamo, of the Boticário group, received financing to the tune of R\$ 200 million within the scope of the BNDES PSI. It will implement a new business model to open up new markets for the group.

Expenditure in design has shown increasing importance when it comes to achieving gains in competitiveness and aggregating value. The BNDES Revitalize Program allows financing for investments in design, fashion and marketing, among other items. The company AMC Têxtil was awarded R\$ 150 million in financing for its investment project in intangible assets, which includes expenditure on market research, new product development, technical design, promotional packaging, apparel development, piloting, marketing and training franchisees, among others.

In support for companies implementing their social responsibility programs, the project belonging to SCIAAlpha Participações, which is associated with implementing the Iguatemi Alphaville Shopping

Center, is worthy of mention: this R\$ 500,000 investment is to remodel a state-run school, besides offering courses, lectures, varied pedagogical initiatives and improving management.

## INDUSTRIAL HEALTH SECTOR

In keeping with the strategy guidelines, efforts in 2012 to build up the biotechnological industry for health in Brazil were strengthened, with support for projects and initiatives focusing on innovating and incorporating technologies into the country. Standing out is the support offered to the company Recepta Biopharma, to which the BNDES awarded R\$ 28.9 million. With a business plan focusing on R&D for monoclonal antibodies to treat cancer, Recepta is the first Brazilian company to effectively develop innovative biotechnological products in the country, encompassing all the stages of clinical research.

## ITCS

Support for SIX Semicondutores, to implement a semiconductor factory in the state of Minas Gerais, was a mark in developing the microelectronic ecosystem in the country. This technology is incorporating the functionalities and innovations of electronic goods more and more, and it is now responsible for a deficit in the growing trade balance which is higher than US\$ 5 billion per year. Also standing out is the financing awarded to Unisinos to build a cleanroom for training as well as producing memory chips.

As an important financier of the software industry and IT services throughout the country, the BNDES awarded R\$ 656 million to Prosoft in 2012, while the total amount approved in this program is R\$ 3.1 billion between 2004 and 2012.

In the area of electronic equipment, support awarded to Padtec, Perto and Reivax is emblematic because these companies boast developed and exported high-tech content.

In telecommunications, the goal is to provide support to expand broad-band infrastructure, in keeping with the National Broad-band Program (PNBL), as well as strengthening companies with local production and technology. In 2012, approvals reached R\$ 7.7 billion in this sector, with social investments close to R\$ 52 million. In 2012, some R\$ 24 million was awarded to operations aimed at expanding the Digital TV network throughout the country.

## CULTURAL ECONOMY

The R\$ 7 million in support awarded to the Congonhas Memorial made it possible to create a research center on Brazilian art and conservation of stone monuments, focusing on the baroque style. With an area attached to the Six Chapels and 12 Prophets, the masterwork of sculptor Aleijadinho, the Congonhas Memorial is open for visits, boosting the potential to develop tourism in the municipality of São Paulo.

Support for the prop designer Fábrica de Espetáculos – valued at R\$ 12.8 million – will make it possible to transfer the Production Technique Center (Central Técnica de Produção – scenery, costumes etc.) from the Rio de Janeiro Municipal Theater to premises located in the Port of Rio. Besides improving technical conditions and facilitating the logistics of moving scenery, efforts will facilitate the recovery of a degraded historical building, helping to economically revitalize the port area. Fábrica de Espetáculos will include a museum, as well as holding training sessions for scenery and scenography production, boosting the city’s creative industry.

## Environment

Among the BNDES’ strategic goals is that to support socio-environmental development. In addition to fostering the generation and dissemination

of environmental know-how, the Bank provides support for projects that promote the recovery or conservation of natural capital.<sup>18</sup>

The BNDES’ initiatives in the environmental area stretch well beyond concerns to reduce negative impacts, to the extent that the environment is seen as an investment opportunity.

## AMAZON FUND

The BNDES is the manager of the Amazon Fund – an initiative of the Brazilian government aimed at raising donations for non-reimbursable investments in efforts to prevent, monitor and combat deforestation, and to foster the conservation and sustainable use of the Amazon Biome. Up to 20% of the fund’s resources can be used to support the development of systems to monitor and control deforestation in other Brazilian biomes and in tropical forests in other countries.

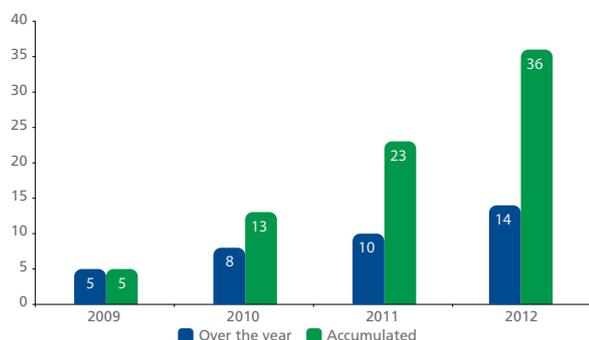
| ELIGIBLE AREAS FOR THE AMAZON FUND’S SUPPORT |  |
|--|--|
| I  | Management of public forests and protected areas;                            |
| II   | Environmental control, monitoring and inspection;                            |
| III  | Sustainable forest management;   |
| IV   | Economic activities from the sustainable use of forest;                      |
| V  | Ecological-Economic Zoning, land-use planning and land-title regularization; |
| VI   | Conservation and sustainable use of biodiversity; and                        |
| VII  | Recovery of deforested areas.  |

From June 2009 to December 2012, the Amazon Fund approved 36 projects, in the total amount of R\$ 439.8 million. These projects encompass support for sustainable production activities, environmental and land-title regularization, monitoring rural properties, recovering degraded areas and permanent protection areas, consolidating and maintaining preservation areas, strengthening institutions and physically and operationally structuring government environmental management agencies.

<sup>18</sup> Natural capital is understood as the existing physical and biological natural resources that provide eco-systemic services.

## SUPPORTED PROJECTS

### Number of projects



### Total amount (R\$ million)



## Donations

Raising resources for the Amazon Fund is conditioned to reducing greenhouse gas emissions resulting from deforestation. Based on reduced emissions, the BNDES is authorized to raise donations and issue diplomas acknowledging donors' contributions to the fund. The government of Norway is the main donator of resources to the Amazon Fund, which also has donations from the German government and Brazil's own Petrobras.

## Governance of the Amazon Fund

The BNDES is responsible for raising and applying funds, for accompanying and monitoring efforts and supported projects, besides rendering accounts and disseminating the achieved results in a continuous and transparent fashion.

The Amazon Fund has a Guidance Committee (COFA), which is charged with the task of

establishing guidelines and criteria for applying resources, as well as accompanying the achieved results. It also has a Technical Committee (CTFA), whose role is to verify the carbon emissions resulting from deforestation which are calculated by the Ministry of the Environment.

## Monitoring

In addition to physically and financially accompanying the implementation of projects, the Logical Framework methodology was adopted as a tool to plan and monitor the results of projects the Amazon Fund is supporting. This helps improve the performance of the fund, making it possible to supply and consolidate indicators for efforts, as well as measuring the quality and quantity of results achieved.

## The intervention logic of the Amazon Fund and its components

Concerning the expected results, from the very beginning to the final implementation, which can take up to five years, the 36 projects receiving support up to 2012 had the potential to strongly impact the goals of the Amazon Fund, as can be seen on the following list:

|  |            |
|--|------------|
| N° of families that benefited from payment for environmental services  | 12,569     |
| N° of individuals trained to undertake sustainable economic activities   | 4,665      |
| N° of individuals trained in activities related to managing public forests and protected areas   | 400        |
| N° of individuals that took part in events to raise awareness or integrating events  | 13,346     |
| N° of workshops and training courses offered   | 339        |
| N° of properties with sustainable production projects  | 2,200      |
| N° of water springs recovered  | 1,200      |
| N° of environmental agencies that are now structured (state and municipal)   | 29         |
| Total area with properties that have been mapped out and geo-referenced to enroll in the Rural Environmental Registration (CAR) (hectares) | 10,000,000 |
| N° of properties that have protocoled their request for enrollment in the CAR  | 103,000    |
| N° of conservation units receiving support (federal and state)   | 84         |

|   |                  |
|---|------------------|
| Total area protected by environmental management and/or stricter territorial control (km <sup>2</sup> ) | 560,740          |
| Total area of the conservation units yet to be set up (km <sup>2</sup> )                                | 135,000          |
| N° of indigenous people that have benefited   | 7,000            |
| N° of rural properties with regularized land titles   | 800              |
| Total area of rural properties that have been geo-referenced for land-title regularization (hectares)   | 58,955           |
| Amount allocated to support projects in science, technology and innovation                              | R\$ 98.3 million |
| Amount allocated to support projects in combating forest fires and illegal burn-offs                    | R\$ 62.7 million |
| N° of individuals trained in fire-fighting techniques to set up civil firefighter brigades              | 1,760            |

Further information on projects receiving support is available on the website <[www.fundoamazonia.gov.br](http://www.fundoamazonia.gov.br)>, which houses, among other documents, the Annual Activities Report, monthly News Bulletins and the Portfolio Circular for Amazon Fund Projects.

## FOREST RESTORATION AND RECOVERY

### BNDES Mata Atlântica

With non-reimbursable financing, the BNDES, through its BNDES Mata Atlântica (IBMA) initiatives, provides support to restoration projects for the Mata Atlântica. The BNDES does so voluntarily, aiming to increase the vegetation coverage of this biome which is under serious threat, so as to preserve its rich biodiversity, restore the degraded landscape, conserve the water springs, among other environmental benefits. Besides this, IBMA fosters the development of a services sector associated with restoration efforts, encouraging the expansion of activities, such as sapling production, seed collection, planting and research. In 2012, the BNDES made headway in approving and implementing restoration projects. Now, there are 13 projects underway and two approved that are set to be awarded, which all together account for 3,329 hectares of restored forest.

### BNDES Florestal

In addition, the BNDES, through reimbursable resources and within the scope of the BNDES

Forest credit line, finances projects involving reforestation, conservation and forest recovery of areas that have been degraded or converted, as well as forest management projects in areas with native species. Expectations for 2013 are for significant growth in the demand for this line of financing, for large-scale projects.

## ENVIRONMENTAL INNOVATION

The BNDES also supports applied research projects aimed at encouraging the development of innovative solutions to environmental problems, such as treatment for solid and liquid waste, as well as emissions into the atmosphere in industrial plants, civil construction and urban areas. In 2012, the portfolio of operations involving environmental innovation totaled 19 projects, all at different stages, adding up to almost R\$ 120 million. Introducing these new technologies into the market will enable improvements in eco-efficiency and reductions in environmental impacts throughout several industrial sectors by recycling materials, substituting inputs and re-using water, besides reducing the quantity of waste going to landfill.

## CLIMATE FUND

In conjunction with the Ministry of the Environment (MMA), the BNDES, in February 2012, created the Climate Fund Program, which will allocate reimbursable resources from the National Climate Change Fund. The new program offers more attractive financing conditions than those usually practiced by the Bank in the sectors it supports, with the aim of encouraging the dissemination of more efficient technology from a climactic point of view. With this, the MMA and the BNDES seek to encourage important investments for Brazil to reach its goals which include reducing greenhouse gas emissions, reducing the country's vulnerability to the adverse effects of climate change, and preparing to compete in a low-carbon economy.

## Variable income

The BNDES operates with variable income through the BNDES' fully-owned subsidiary BNDES Participações S.A. (BNDESPAR), as a complement to its financing products. BNDESPAR provides support to Brazilian publicly-listed or closed capital companies that seek to enter the capitals market by underwriting shares, convertible debentures, stakes in investment funds and other securities or bonds.

Companies requesting financial support through variable income instruments should present promising perspectives for return on investment, with conditions and deadlines that are compatible with the risk and nature of their activities. Besides this, as a rule, the operations of these companies undergo broad analysis with respect to the socio-environmental aspects.

BNDESPAR's support is present in all stages of company growth. For the so-called 'seed' companies, there is the Criatec Seed Capital Fund. For early-stage and start-up companies, BNDESPAR offers support, preferably, through venture capital funds. Investments in emerging and established companies are made through private equity funds

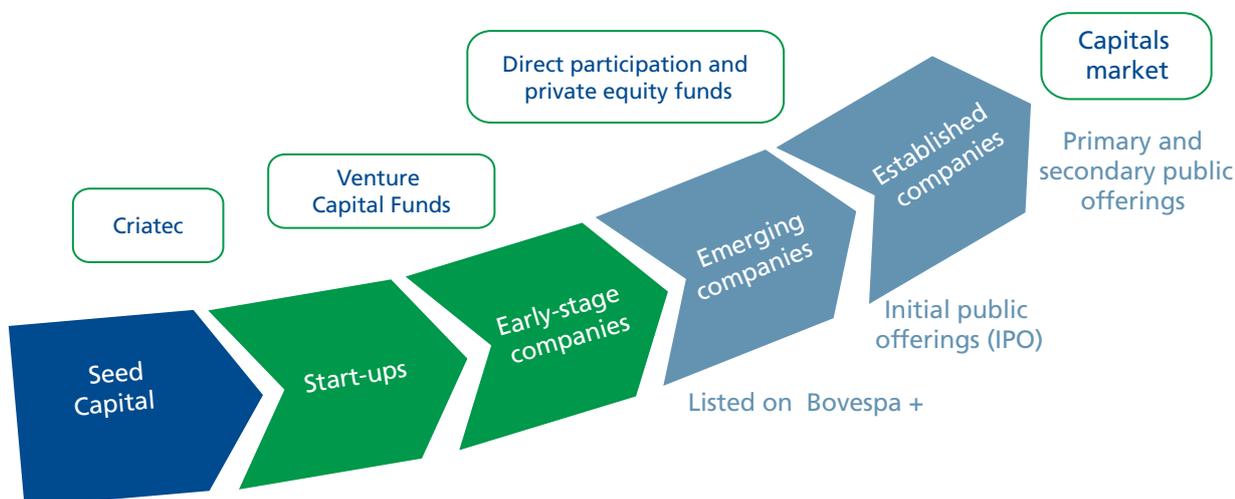
and direct support. At the end of 2012, BNDESPAR directly supported 175 companies, besides holding stakes in 40 investment funds which it uses to support 137 companies. The following illustration shows the growth of companies, and the respective modalities for support.

Companies that are already publicly-listed can access support through structured private operations, which have flexible products, or BNDESPAR's participation in public offers

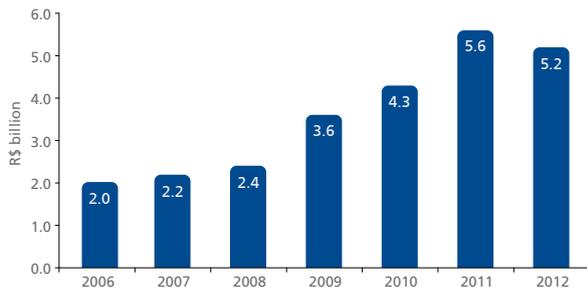
BNDESPAR's operations adhere to strategic guidelines in the BNDES System and aim at supporting processes, such as capitalization, development, consolidation and internationalization of Brazilian companies, as well as reinforcing capital structures, strategic positioning, inducing the adoption of better sustainability practices, while strengthening innovative capacity and corporate governance.

Corporate shares are minority, especially focused on providing liquidity to the assets, aimed at recycling resources, and the asset management strategy is based on creating long-term value and optimizing the relation between risk and return for the whole portfolio.

### PARTICIPATION, FUNDS AND CAPITALIZATION PROGRAMS



The market value of the investment portfolio in variable income of the BNDES System ended the year at R\$ 108 billion.<sup>19</sup> As has happened over the past years, one of the highlights in variable income was the volume of remuneration received, which is an important source of resources for the BNDES System. Remuneration covers dividends, interest on own capital and on debentures. This evolved up to 2012, as shown below.



It is worth mentioning that remuneration reached R\$ 5.2 billion, even in a year with less economic activity, which emphasizes the quality of the assets in the portfolio.

### ECOO11 FUND – SUPPORT TO DEVELOP THE CAPITALS MARKET AND FOR THE SUSTAINABILITY AGENDA

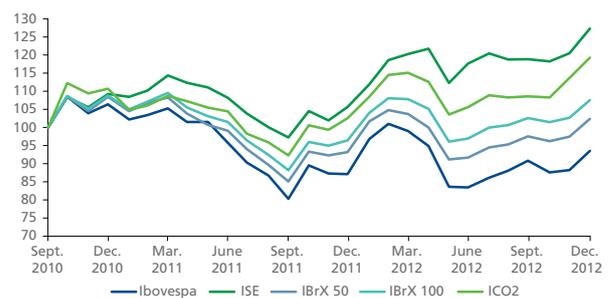
One of the important aspects of the BNDES System's efforts concerns strengthening and modernizing the Brazilian capitals market, increasing the offer of securities, developing new products for investors and democratizing the ownership of company capital. In this vein, and to support the sustainability agenda, the BNDES united these two important institutional objectives in one single effort, that is, the launch of the ECOO11 Fund in June 2012, in the amount of R\$ 1 billion. The public offer of shares in ECOO11, an index fund whose portfolio shares replicate the composition of the Carbon Efficient Index (ICO2), was placed entirely in the national capitals market and was focused on distributing to general investors, whose guarantee was the capital invested up to

<sup>19</sup> Indicators for the variable-income investment portfolio of the BNDES System include corporate shares in property belonging to the BNDES and FINAME, besides BNDESPAR's securities and bond portfolio.

R\$ 25,000, reaching more than 14,000 individuals (approximately 30% of the total offer).

Despite a scenario of market uncertainty and volatility, a result of the crisis in Europe, the offer of ECO11 shares was the largest in the world involving an index fund linked to the issue of climate change, helping publicize the ICO2 and develop the market for index funds in Brazil (also known as Exchange Traded Funds – ETF).

Developed by the BNDES and BM&FBovespa, the ICO2,<sup>20</sup> was launched in 2010. Within the composition of its theoretical portfolio,<sup>21</sup> it takes into consideration the level of efficiency of companies' greenhouse gas emissions, as well as the free float (shares in circulation). The following chart shows the evolution of the ICO2 compared with other indexes on the Brazilian market:



### SUPPORT FOR INNOVATION

One of the Bank's strategic efforts in 2012, which is aligned with support for innovation and the increasing competitiveness of Brazilian companies, was to expand the venture capital industry in the country. In this year, the Bank approved two funds in this segment, of which the first is dedicated to IT (ITC) and the second is multi-sectorial, focusing on innovation (Transversal fund), besides two new seed capital funds (CRIATEC II and III).

The venture capital funds (ITC and Transversal) aim to provide support for entrepreneurship and

<sup>20</sup> The BNDES and the BM&FBovespa received the ALIDE Green award for developing the ICO2. Further information on this award is available here in the section entitled Institutional Efforts – International efforts.

<sup>21</sup> Currently, the index portfolio comprises 36 shares of 35 companies in several sectors.

explore investment opportunities in innovative companies within the information technology and communication sector, and in firms in other sectors deemed engines for innovation, such as: oil & gas, capital goods, renewable energy, nanotechnology, pharmaceuticals, biotechnology, new materials, among others.

The equity committed to the seed capital funds (CRIATEC II and III) is at least R\$ 170 million and will be focused on investments in innovative companies with annual net revenue up to R\$ 10 million. Over the following five years, investments are expected to be made in at least 72 innovative companies from the five regions in Brazil, by means of the CRIATEC II and III funds.

Aimed at expanding the sources for raising long-term resources for fast-growing innovative companies, as well, through strengthening and democratizing the Brazilian capitals market, emphasis was given to developing new segments in the market, or alternative markets. In this process, one highlight was the list put together by Senior Solution, an IT company focused on the financial sector, which held a registration process for publicly-listed companies in the differentiated segment Bovespa Mais, in May 2012, which was encouraged and accompanied by the BNDES.

[\[For further information on the Bank's efforts in 2012 in the variable-income segment, visit the hot site.\]](#)

## **Micro, small and medium-sized companies, and the national capital goods industry – automatic indirect operations**

The BNDES prioritizes efforts to strengthen micro, small and medium-sized companies (MSMEs), as well as supporting the capital goods industry, making available several products and programs

that are operated through automatic indirect operations, that is, through accredited financial agents that on-lend the Bank's resources to final beneficiaries, for the following purposes:

- Production and commercialization of new, nationally-produced machinery and equipment, including farming equipment, listed by the BNDES (BNDES Finame Products and BNDES Finame Agriculture);
- Production and commercialization of new, nationally-produced machinery and equipment, listed by the BNDES, for leasing operations (BNDES Finame Leasing Products);
- Investment projects and working capital (BNDES Automatic Products);
- Revolving credit, aimed at micro, small and medium-sized companies, to commercialize items registered on the BNDES Card Operations site; and
- Rural credit (Federal Government agricultural programs).

The automatic indirect modality makes intensive use of technological solutions and defines specific procedures for analysis, approval, monitoring and inspection of operations. Financial agents operate this modality based on guidelines set forth by the BNDES and widely distributed via circulars and training sessions. So as to not separate the final beneficiary from collaboration, and to strengthen relationships with clients, the BNDES currently has 52 information points, spread across the entire country.

Total disbursements in automatic indirect operations reached R\$ 69.5 billion in 2012, accounting for 45% of the BNDES' total releases, resulting in more than one million operations approved in the year, up 19% against 2011. Highlights include the BNDES Automatic, with 98% more releases, especially financing for working capital.

## DISBURSEMENTS PER PRODUCT (IN R\$ MILLION)

| PRODUCT                             | JANUARY-DECEMBER |         |      |
|-------------------------------------|------------------|---------|------|
|                                     | 2011             | 2012    | %    |
| BNDES Finame                        | 46,522           | 36,681  | (21) |
| BNDES Finame Agriculture            | 5,420            | 6,737   | 24   |
| BNDES Finame Leasing                | 459              | 162     | (65) |
| BNDES Automatic                     | 6,408            | 12,670  | 98   |
| BNDES Card                          | 7,574            | 9,543   | 26   |
| Agricultural programs               | 4,865            | 3,749   | (23) |
| Total automatic indirect operations | 71,248           | 69,542  | (2)  |
| Total BNDES                         | 138,874          | 155,992 | 12   |

## OPERATIONS APPROVED PER PRODUCT

| PRODUCT                             | JANUARY-DECEMBER |           |      |
|-------------------------------------|------------------|-----------|------|
|                                     | 2011             | 2012      | %    |
| BNDES Finame                        | 250,742          | 212,028   | (15) |
| BNDES Finame Agriculture            | 42,660           | 61,967    | 45   |
| BNDES Finame Leasing                | 1,468            | 325       | (78) |
| BNDES Automatic                     | 37,724           | 60,286    | 60   |
| BNDES Card                          | 541,450          | 708,016   | 31   |
| Agricultural programs               | 31,320           | 38,392    | 23   |
| Total automatic indirect operations | 905,364          | 1,081,014 | 19   |

## MICRO, SMALL AND MEDIUM-SIZED COMPANIES

The operationalization of automatic indirect products and programs provides the BNDES with broader reach, expanding access to credit across the entire country. Worthy of note is the financial support provided to micro, small and medium-sized companies, which received that largest portion of disbursements through automatic indirect operations. This represents financing for more than 273,000 companies over the course of 2012, up 16% against 2011.

## DISBURSEMENTS PER COMPANY SIZE (IN R\$ MILLION)

| SIZE                                | JANUARY-DECEMBER |        |     |
|-------------------------------------|------------------|--------|-----|
|                                     | 2011             | 2012   | Δ%  |
| Individuals                         | 8,348            | 9,191  | 10  |
| Micro/small                         | 27,170           | 27,118 | (0) |
| Medium-sized                        | 13,123           | 12,692 | (3) |
| Large                               | 22,607           | 20,541 | (9) |
| Total automatic indirect operations | 71,248           | 69,542 | (2) |

## NUMBER OF COMPANIES SUPPORTED PER PRODUCT

| PRODUCT                             | JANUARY-DECEMBER |         |      |
|-------------------------------------|------------------|---------|------|
|                                     | 2011             | 2012    | Δ%   |
| BNDES Finame                        | 62,486           | 72,322  | 16   |
| BNDES Finame Agriculture            | 286              | 372     | 30   |
| BNDES Finame Leasing                | 643              | 152     | (76) |
| BNDES Automatic                     | 16,939           | 22,878  | 35   |
| BNDES Card                          | 174,099          | 206,200 | 18   |
| Agricultural programs               | 238              | 235     | (1)  |
| Total automatic indirect operations | 234,537          | 273,091 | 16   |
| Total BNDES                         | 235,016          | 273,533 | 16   |

Among the financing lines for MSMEs, highlights include support granted through the BNDES Card, which, by means of revolving credit, seeks to finance investments in this segment. This is an important tool for inducing innovation and improving the quality of corporate processes, helping reduce inequalities in regions throughout the country.

Currently, the BNDES Card is issued by five financial agents, namely: Banco do Brasil, Banrisul, Bradesco, Caixa Econômica Federal and Itaú. Over the last year, some 102,155 new cards were issued, accounting for a 22% hike in comparison with 2011.

Furthermore, there was a 31% increase in the number of operations and a 26% high in releases of resources, compared to the previous year, totaling 707,457 operations contracted in 2012. The highlight was Banco do Brasil, with 72% of total disbursements.

In 2012, the BNDES Card directly benefited 206,033 companies, across 4,689 different municipalities throughout the country, accounting for an 18.4% rise in comparison with those benefited in 2011. The number of suppliers that made at least one sale in 2012 rose 26.8%, jumping from 22,902 in 2011 to 29,040.

## CAPITAL GOODS INDUSTRY

Disbursements to acquire machinery and equipment using the BNDES Finame, BNDES Finame Leasing and BNDES Finame Agriculture products represented 62.6% of total releases through the automatic indirect operations in 2012 (R\$ 43.5 billion of the total R\$ 69.5 billion). The largest sum of resources went to transport (R\$ 24 billion), predominantly to finance acquisition of trucks (R\$ 18.6 billion). There was a considerable rise in disbursements to commercialize agricultural equipment, increasing 16% over the previous year.

### DISBURSEMENTS PER TYPE OF EQUIPMENT (IN R\$ MILLION)

| EQUIPMENT                     | JANUARY-DECEMBER |            |               |            |             |
|-------------------------------|------------------|------------|---------------|------------|-------------|
|                               | 2011             | %          | 2012          | %          | Δ%          |
| <b>Transport</b>              | 30,403           | 58.0       | 24,092        | 55.3       | (21)        |
| Trucks                        | 23,539           | 44.9       | 18,684        | 42.9       | (21)        |
| Buses                         | 5,428            | 10.4       | 4,255         | 9.8        | (22)        |
| Aircraft                      | 514              | 1.0        | 203           | 0.5        | (61)        |
| Other transport               | 923              | 1.8        | 950           | 2.2        | 3           |
| <b>Non-transport</b>          | 15,049           | 28.7       | 11,459        | 26.3       | (24)        |
| Highway machinery             | 3,442            | 6.6        | 3,051         | 7.0        | (11)        |
| Boilers and pressure tanks    | 1,008            | 1.9        | 431           | 1.0        | (57)        |
| Cargo moving machinery        | 1,065            | 2.0        | 975           | 2.2        | (8)         |
| Machinery tools               | 902              | 1.7        | 619           | 1.4        | (31)        |
| Others                        | 8,632            | 16.5       | 6,383         | 14.6       | (26)        |
| <b>Agricultural equipment</b> | 6,948            | 13.3       | 8,029         | 18.4       | 16          |
| Farming tractor               | 2,316            | 4.4        | 2,664         | 6.1        | 15          |
| Agricultural equipment        | 1,918            | 3.7        | 2,213         | 5.1        | 15          |
| Combine harvesters            | 1,638            | 3.1        | 1,929         | 4.4        | 18          |
| Other agricultural equipment  | 1,076            | 2.1        | 1,223         | 2.8        | 14          |
| <b>Total</b>                  | <b>52,400</b>    | <b>100</b> | <b>43,580</b> | <b>100</b> | <b>(17)</b> |

Besides this, in 2012, the capital goods sector received significant support from the Investment Maintenance Program (BNDES PSI). In April, fixed interest rates for the sector were reduced from 10% p.a. to 7.7% p.a. in financing for highway transport equipment for cargo and passengers through the BNDES PSI – Trucks and Buses program; from 8.7% p.a. to 7.3% p.a. for large-

scale companies; and from 6.5% p.a. to 5.5% p.a. for MSMEs, in financing for other goods (new machinery and equipment, including that for farming), through the BNDES PSI – Other Capitals Goods program. Later that year, in May, the 7.7% p.a. and 7.3% p.a. interest rates were reduced even further to 5.5% p.a. Finally, in September, all interest rates in the program were reduced even further, reaching the record low of 2.5% p.a.

Specifically concerning the registration of machinery and equipment within the scope of the Digital Accreditation of Manufacturers (CFI) of the BNDES, the year 2012 ended with 610 new companies accredited, totaling 14,637 suppliers, up 4% in relation to 2011. All told, in 2012 alone, some 25,487 new pieces of equipment was registered, an increase of 9.7% compared to the previous year. In December, the number of items available for commercialization reached 239,925.

Over the previous year, the BNDES furthered its studies aimed at implementing new methodology to verify the local content in machinery, equipment, system components, besides revising the accreditation process and updating information technology tools.

With this initiative, the BNDES expects to attend the deep changes that the capital goods segment is undergoing, helping support it and sophisticate the national production sector, by increasing the generation of income and quality jobs.

On the BNDES Card Operations' website, the year 2012 ended with a total of 21,122 manufacturers accredited and ready to carry out sales with clients using the BNDES Card, meaning a 21.8% high over 2011. The number of distributors authorized to commercialize goods went from 20,162 to 27,264, or up 35.2%.

Finally, in 2012, some 55,690 new products were analyzed, of which 42,246 were accredited.

In December, the total of items available for purchase on the BNDES Card Operations' website reached 213,662.

### INVESTMENT GUARANTEE FUND

One of the BNDES' initiatives that aim at sustainable and competitive development, with the strategic goal of fostering social and production inclusion, is the Investment Guarantee Fund (FGI). The purpose of this fund is to help expand access to credit for micro, small and medium-sized companies, self-employed truck drivers and individual entrepreneurs, making it feasible to boost and modernize their businesses.

Since it began operating in 2010, the FGI has carried out more than 15,000 contracts, accounting for R\$ 2.6 billion in financing guaranteed for more than 12,000 separate beneficiaries. It is worthy to note that, of the aforementioned number of beneficiaries, more than 50% obtained BNDES credit for the first time, especially micro-companies and individuals.

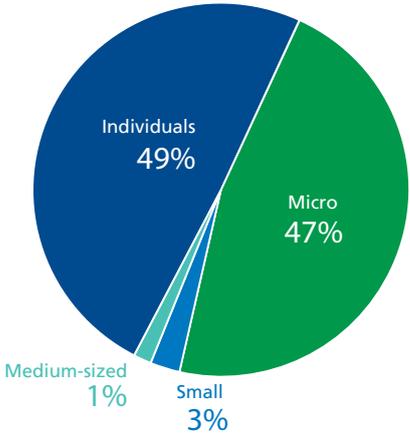
In August 2012, the BNDES reduced Surcharges for Granting Guarantees (ECG) by 25%, which is the beneficiary's cost for granting the FGI guarantee. As a result of this measure, the fund's guarantee has become much more accessible to the target audience.

The following chart shows the distribution of operations for the total FGI portfolio, considering the size of the beneficiary and taking into account the BNDES' criteria concerning annual gross revenue.

In 2012, the FGI expanded its portfolio, at the same time it diversified its operations related to the BNDES' products, credit lines and programs, especially the BNDES Capital Goods Acquisition line and the Emergency Program to Reconstruct Municipalities Affected by Natural Disasters (BNDES PER), which presented growth of 349%

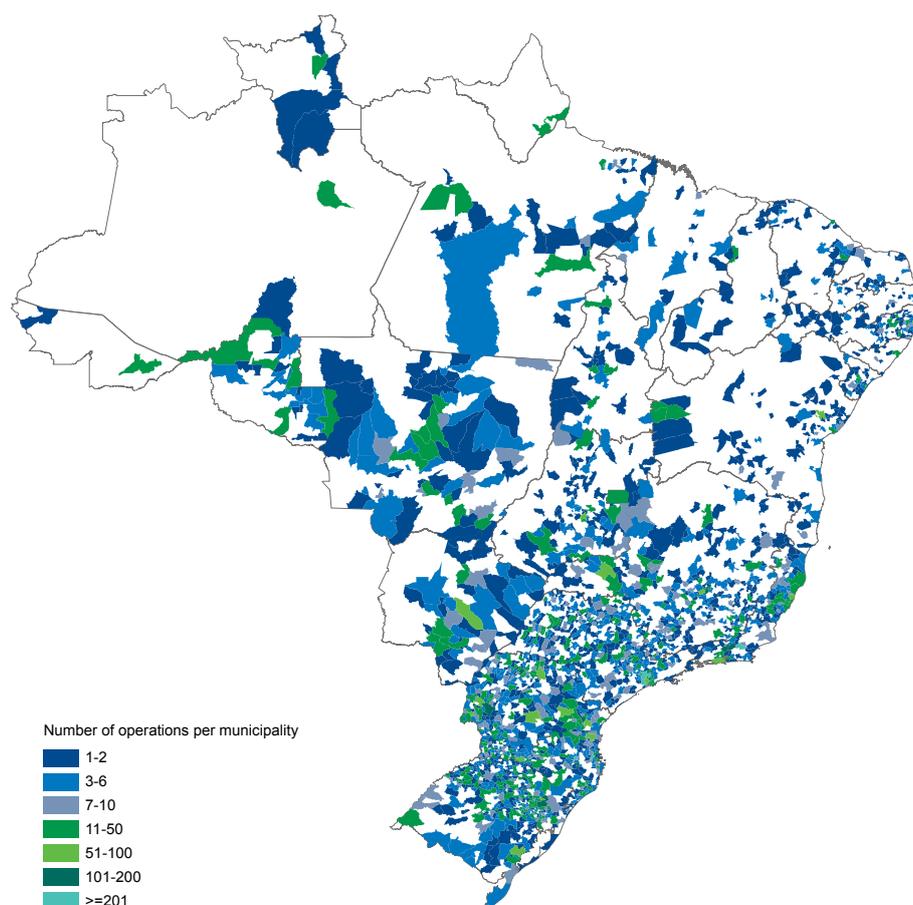
and 56% in the year, respectively, in terms of the amounts financed. The same diversification can also be seen in relation to the financial agents. Up to December 31, 2012, some 18 financial agents were participating in the fund, the highest number of options for micro, small and medium-sized companies to make their business plans feasible using guarantees from the FGI.

### PORTFOLIO PER COMPANY SIZE (TOTAL OPERATIONS)



The FGI has also managed to expand its portfolio and operations across the country, guaranteeing operations in all of Brazil's states, as can be seen on the following map. The North and Northeast regions, especially when taking into account the amounts financed with FGI guarantees, have shown a 50% and 70% increase, respectively, in participation, compared to the operations carried out early using the FGI.

## GEOGRAPHIC DISTRIBUTION OF OPERATIONS WITH FGI GUARANTEES IN 2012



## Institutional efforts

To carry out its role as a development bank, it is vital that the BNDES work together with several institutions and segments of society, while constantly investing to generate know-how and new financing solutions so as to tackle the modern-day challenges of sustainable and competitive development.

### The BNDES' 60th anniversary

The year 2012 was the BNDES' 60th anniversary and, among the celebrations, initiatives were aimed at fostering debates, reflections, strengthening partnerships and generating know-how:

**Seminar "Investing in Africa: Opportunities, Challenges and Instruments for Economic Cooperation"** – This event covered Brazil's investment

challenges in Africa, discussing opportunities and instruments to improve economic cooperation between Brazil and the African continent.

### **Seminar "Industrial Policy in the 21st Century: A Dialogue between Latin America and the World"**

– Organized in conjunction with the Economic Commission for Latin America (CEPAL), the United Nations Organization for Industrial Development (UNIDO), the Brazilian Association for Industrial Development (ABDI) and the Ministry of Development, Industry and Foreign Trade (MDIC). The seminar was aimed at fostering dialogue between representatives from the governments of several countries, international agencies, academics and business leaders to identify fundamentals to design and implement contemporary industrial policies, pinpointing opportunities, challenges and strategies that several countries have in common.

### **Seminar “Financing the Green Economy and Sustainable Development”**

Held during the International Conference on Sustainable Development in Rio de Janeiro (Rio+20), and, as one of the celebrations of the BNDES’ 60th anniversary, this seminar aimed to discuss issues related to the topics of the conference, such as financing the green economy and sustainable development. It was conceived as an opportunity for institutions participating in the event – development banks, support agencies and multilateral entities – to be able to reaffirm their strategies aimed at making economic development compatible with socio-environmental sustainability, besides discussing the innovative initiatives for financing proposals of this nature.

### **Seminar “Brazil and the World in 2022”**

The aim was to foster an all-embracing debate with specialists in economics, politics, history and social sciences concerning scenarios the world is expected to encounter over the following ten years. This was organized in conjunction with Grifa Filmes and Promoex. Tables were assigned topics that addressed the critical uncertainties related to the main economic blocs, such as Europe, the US, China, the Arab world, East Europe, the Indian subcontinent, Latin America and Africa. This was held in partnership with the Brazilian Communications Company (EBC), which recorded the event and broadcast it via open channel TV Brasil at the end of the year.

### **Seminar “Regional Development: Assessment, Challenges and Perspectives for the Northeast”**

Held in the city of Recife, discussion surrounded the important issues associated with economic, social and cultural transformations seen in the Northeast Region of the country, such as the challenge of resolving extreme poverty, financing infrastructure and large-scale production projects, as well as issues related to creativity and innovation. Organized by the BNDES, with institutional support from the Banco do Nordeste do Brasil (BNB), the event received representatives from the government, academics, businesspeople, as well as the president

and managing directors from the BNDES and the Banco do Nordeste.

**The Memory Project** – The goal was to recall the institution’s history, shedding light on the path taken and the efforts made by the BNDES over its sixty years in operation. The Museum of the People was charged with the task of delivering a series of products, all based on historic research taking from a wide variety of sources and interviews with representatives from Senior Management, employees, former employees, authorities and celebrities. As a result, a retrospective exhibition was held on the BNDES’ six decades in operation, a short documentary was made with interviews, and a commemorative book was published on the BNDES’ sixty years.

**Revista do BNDES 37** – Launched in June 2012, with close to 400 pages, this edition’s main topic was the BNDES’ 60th anniversary. It presented a selection of articles on several sectors.

**BNDES 60 Years: Sectorial Perspectives** – A special edition of the *BNDES Setorial*, split into two volumes bringing together 18 articles, with close to 700 pages. The authors presented their thoughts on the potential of the Brazilian economy, based on results from the past 10 years and the most likely scenarios for the worldwide and domestic markets.

## **Partnerships and generating know-how**

### **GENERATING KNOW-HOW**

The BNDES has invested in generating know-how, with emphasis on environmental sustainability, social inclusion and competitiveness. Besides half-yearly periodicals,<sup>22</sup> there is the production of studies, support for scientific research and the pursuit for public policy through the academic world and consulting firms. The Economic Research Division, which manages most of these publications

<sup>22</sup> *Revista do BNDES* and *BNDES Setorial* are available at [www.bndes.gov.br](http://www.bndes.gov.br) > Publicações.

and projects, also accompanies the Brazilian and international economy to provide support for decisions made by the Bank.

In 2012, environmental sustainability was covered by two research projects, which were at two different stages of completion: effects of low-carbon technology<sup>23</sup> and technology to treat solid urban waste.<sup>24</sup> Social inclusion was the subject of one study, which analyzed job generation in Brazil in a more recent period<sup>25</sup> and of two other research projects seeking to assess public education policy<sup>26</sup> and the Individual Micro-entrepreneur Program.<sup>27</sup> Making sanitation universally available in the state of Sergipe<sup>28</sup> is being covered by a prospecting project nearing completion. Lastly, new topics were launched: the development agenda for the Xingu<sup>29</sup> area, as well as training and intermediation of the labor force.<sup>30</sup>

Competitiveness was covered in two projects that warrant mention: tax in the oil & gas sector<sup>31</sup> and diversification in the chemicals sector.<sup>32</sup>

[For further information on generating know-how in the BNDES in 2012, visit the [hotsite](#).]

<sup>23</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/pesquisa\\_cientifica/baixo\\_carbono.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/pesquisa_cientifica/baixo_carbono.html)>.

<sup>24</sup><<http://www.tecnologiasresiduos.com.br/>>.

<sup>25</sup><[http://www.bndes.gov.br/SiteBNDES/export/sites/default/bndes\\_pt/Galerias/Arquivos/conhecimento/visao/Visao\\_102.pdf](http://www.bndes.gov.br/SiteBNDES/export/sites/default/bndes_pt/Galerias/Arquivos/conhecimento/visao/Visao_102.pdf)>.

<sup>26</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/pesquisa\\_cientifica/educacao.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/pesquisa_cientifica/educacao.html)>.

<sup>27</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/pesquisa\\_cientifica/microempreendedor\\_individual.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/pesquisa_cientifica/microempreendedor_individual.html)>.

<sup>28</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/prospeccao\\_chamada\\_saneamento.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/prospeccao_chamada_saneamento.html)>.

<sup>29</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/prospeccao\\_chamada\\_belo\\_monte.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/prospeccao_chamada_belo_monte.html)>.

<sup>30</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/prospeccao\\_chamada\\_qualificacao\\_profissional.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/prospeccao_chamada_qualificacao_profissional.html)>.

<sup>31</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/prospeccao\\_chamada\\_ambiente\\_tributario\\_petroleo.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/prospeccao_chamada_ambiente_tributario_petroleo.html)>.

<sup>32</sup><[http://www.bndes.gov.br/SiteBNDES/bndes/bndes\\_pt/Institucional/Apoio\\_Financeiro/Apoio\\_a\\_estudos\\_e\\_pesquisas/BNDES\\_FEP/prospeccao\\_chamada\\_industria\\_quimica.html](http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Apoio_a_estudos_e_pesquisas/BNDES_FEP/prospeccao_chamada_industria_quimica.html)>.

## PRODUCTION SYSTEMS, INNOVATION, LOCAL, REGIONAL AND SOCIO-ENVIRONMENTAL DEVELOPMENT

Also aimed at fostering the BNDES' systemic efforts in Production Systems, Innovation, Local, Regional and Socio-environmental Development, the partnership and encouragement to generate know how – through interaction between specialists and organizations, promoting the exchange and generation of know-how and improving the BNDES' policy efforts and instruments – set the tone for 2012. The Secretariat of Production and Innovation Systems and Local Development (SAR), linked directly to the BNDES' President's Office, coordinates most of the initiatives related to this topic.

Some 21 meetings were held between the BNDES, strategic partners and specialists in topics of interest for later workshops on experiences with policies for development. Among the strategic partners were the Ministry of Health (MS), the Ministry of Social Development (MDS), the Ministry of Integration (MI), the Ministry of the Environment (MMA), the Ministry of Planning and Budgeting (MPOG), the Ministry of Tourism (Mtur), the Secretariat of Special Affairs of the Presidency of the Republic (SAE/PR), the Oswaldo Cruz Foundation (FIOCRUZ), the Brazilian Support Service for Micro and Small Companies (SEBRAE), the Applied research Institute (IPEA), the Brazilian Association of Development Institutions (ABDE), the Strategic Studies and Management Center (CGEE), the Superintendence of Development in the Northeast (Sudene), the Banco do Nordeste do Brasil and the project for integrated management entitled Sustainable Suape, in Pernambuco state.

In the workshops, debates revolved mainly around the challenges and opportunities for sustainable and inclusive development; the lessons learned from and the implications of the worldwide financial crisis for Brazil; and innovative practices for a solidarity economy as a strategy for development.

In other efforts, such as taking part in internal work groups and others outside the BNDES, seminars, conferences, meetings and courses sought to incorporate and disseminate systemic and innovative forms to develop topics: policies for development, local production and innovation systems; regional and territorial development; science, technology and innovation; socio-environmental sustainability.

The BNDES' representation stood apart in several encounters, including state and regional conferences on regional development – MI/PEA, whose principles and guidelines will help guide the BNDES' regional development policies. SAR was part of an organizational committee for the conferences and helped prepare the Rio de Janeiro and Regional Southeast meetings, which were held at the BNDES' headquarters. Also important are the meetings organized with the support of CONSEDIC and CONSEPLAN, with secretariats for development and planning from every Brazilian state, seeking investment opportunities to survive the crisis, policies and support instruments based on the State Agenda for Production Development.

In 2012, of all the involvement in work groups, the most important were: the Permanent Work Group in APLs, GTP-APLs, which brings together several parts of the government and the private initiative; the Work Group for Regionalizing the Brazil Maior Plan; the Work Group to set up the National Agency for Development and Competitiveness for MSEs; the Work Group on Policy to Mobilize and Develop APLs in the oil, gas and shipping sector; all four coordinated by the MDIC. Besides this, there is Work Group for Efforts in Social, Regional and Innovation Development in Health, coordinated by Fiocruz; and the Work Group to Eradicate Extreme poverty, of the International Development Finance Club (IDFC), which includes 19 financial institutions, under the coordination of the BNDES.

In the internal efforts, several divisions of the BNDES were engaged within the scope of the activities of

the Committee for Production Systems, Innovation, Local, Regional and Socio-environmental Development (CAR-IMA). With the presence of the BNDES' president, the 12 meetings covered topics defined in the inaugural meetings in 2012. Besides the continuity of meetings on (I) accompanying and improving efforts and programs, as well as constructing development agendas that meet the priorities of the Federal Government; and (II) the capacity of divisional assessment systems to guide the BNDES' efforts towards the strategic topics in CAR-IMA, the highlight for the year was the discussion and analysis concerning the Territorial Efforts of the BNDES and the possibilities of advancing efforts towards production, innovative and socio-environmental development of the land. The initial focus was on the North Region.

Two extraordinary meetings were also held: the first concerning the participation and efforts of the BNDES in relation to the Rio+20 Conference; and the second on challenges and opportunities to develop the North Region, and the BNDES' efforts, including the participation of specialists on the matter and BNDES executives.

Aimed at disseminating know-how, an effort bringing different divisions together was carried out to facilitate access to geo-referenced information for the general public via the Internet, on APLs with support in Brazil. Data is based on the study entitled "Analysis of the Mapping and Policies for APLs in Brazil," financed by the BNDES, on the experiences in identifying and mapping out the APLs and policies for its development across 22 states in Brazil.

The BNDES, by means of SAR, organized and helped put together, edit and launch the book entitled The new generation of production development policies: social and environmental sustainability, in a seminar at the National Confederation of Industry (CNI), in Brasília, and the Globelics<sup>33</sup> Academy 2012, at the BNDES, Rio de Janeiro.

<sup>33</sup> Global Network for the Economics of Learning, Innovation, and Competence Building Systems.

## International efforts

The BNDES' main international effort in 2012 was to meet the growing interest concerning the importance of Brazil's economic development. A highlight was its capacity for anti-cyclical efforts in a world still shaken by the financial crisis. The role of development banks was reinforced in meetings at the World Economic Forum, in the Financial Forum on the BRICS (acronym representing the economies in Brazil, Russia, India, China and South Africa), in the UN's 18th Conference on Climate Change (COP18) and in the annual meetings at the Inter-American Development Bank, at the UN's Conference on Trade and Development (UNCTAD), at the International Monetary Fund (FMI) and the World Bank.

Renown as an institution with international recognition for its business models, its operational policy and the high-level technical staff, which are seen as factors for success and a paradigmatic example for countries considering expanding the efforts of their development banks, the Bank was invited to become a founding member of some associations of development banks, such as the International Development Finance Club (IDFC), which includes the main banks, and the Montreal Group, which brings together the banks that are acknowledged for supporting small and medium-sized companies. Moreover, the BNDES was involved in committees put together by the Institute of International Finance, with more than 450 members, in more than 70 countries, and in the Association of Development Financing Institutions in Asia and the Pacific, with 127 members in 44 countries.

The international efforts of "The BNDES in Socio-environmental Development" stood apart in 2012, reflected in funds raised through international institutions for use in alternative energy, energy efficiency, climate change and forests. The Bank was present as part of the Brazilian government and sponsor at the UN's Conference on Sustainable Development, Rio+20, which discussed development

by integrating three aspects – economic, social and the environment – and realigned the commitments of the Brazilian government and the international community to reach such a goal (see the following highlight).

In addition to Rio+20, the BNDES worked strongly in three international efforts associated with the environmental agenda: (I) the IDFC, an association of development institutions that elected "climate finances" as its priority agenda; (II) the High Level Group on Sustainable Energy for All, led by the UN's Secretary-General; and (III) the CDM Policy Dialogue, a panel selected by the UN to put together a proposal to revise the Clean Development Mechanism in the Kyoto Protocol.

In relation to the awards that recognize the efforts on institutions internationally, the BNDES, together with Bovespa, received the ALIDE Green Award for structuring the Efficient Carbon Index (ICO2)<sup>34</sup> in December 2010. The award is bestowed by the Latin-American Association of Financial Institutions for Development, acknowledging better practices in the region.

[For further information on the BNDES' international efforts, visit the [hotsite](#).]

## Rio+20 and Centro Rio+

The BNDES played an active role in the UN's Conference on Sustainable Development (Rio+20) – which mobilized the city of Rio de Janeiro and the world to take part in debates and reflections on building a sustainable future. Such participation made it possible for the BNDES to reinforce its environmental agenda which is integrated with social development and long-term economic growth, opening up new horizons, networks and partnerships.

Over the last 10 days of the event, close to 150 employees transferred their desks to the suburbs

<sup>34</sup> More information about ICO2 are available on the "Variable Income" section of this report.

of Barra da Tijuca or the Aterro do Flamengo, where the event was being held. The BNDES was an official sponsor of the event and housed the Organizing Committee (CNO) at its Rio de Janeiro headquarters. The Bank also contributed to discussions in the official program and largely to the parallel program, while taking part in the Dialogues on Sustainable Development, promoting events in the Parque dos Atletas and its headquarters in Rio de Janeiro. The main events were as follows.

[For further information on these and other events, visit the [hotsite](#).]

## EVENTS ORGANIZED BY THE BNDES AND ASSOCIATED TO THE RIO+20

**Amazon Fund** – A seminar presenting the most recent data concerning the fund since it was created, showing the focus of the managers through some supported projects (promoted in conjunction with the Ministry of the Environment).

**Amazon Fund (OTCA)** – In the event on Brazilian Policy to reduce Deforestation, the Bank and the Minister of the Environment announced the eligibility of the first Amazon Fund Project, which established investments in parts of the forest located outside the Brazilian territory – Monitoring Deforestation and Changes in Land Use in the Pan-Amazonian Forest – which covers all member countries in the Amazon Cooperation Treaty Organization (OTCA).

**BNDES-FBB Contract** – In the People’s Summit, the BNDES and the Banco do Brasil Foundation (FBB) signed a contract in the amount of R\$ 25 million for conservation efforts and sustainable use of the Amazon Biome, of which R\$ 15 million was allocated by the Amazon Fund, and R\$ 10 million by FBB. The initiative is the result of the Technical and Financial Cooperation Accord signed by the two institutions, and which establishes investments of R\$ 100 million over the next five years, of which R\$ 60 million will come from the BNDES and R\$ 40 million from FBB. These resources are set to provide

support to projects that enable development of social production and technological sectors for low-income communities, especially traditional communities, settlers and family farmers.

**Reforestation in Brazil: how to increase the scale of biome recovery** – This seminar presented the current situation on recovering forests and other biomes in Brazil. Debates revolved around technical, financial and management difficulties, and some recommendations were presented to foster a large-scale Brazilian program for vegetation recovery.

**Dialogue with indigenous people** – The vice president of the BNDES met with representatives of the Brazilian indigenous nations, who had protested to question the impact on their communities from the projects the Bank finances. Future meetings were scheduled with a commission involving five indigenous representatives, which resulted in an agenda for joint efforts.

**IDFC Declaration** – In the international seminar entitled “Financing the Green Economy and Sustainable Development” with the IDFC, the commitment was set to foster sustainable development. The 20 institutions promised to collaborate with know-how, resources and instruments to facilitate and accelerate the transition process to a more sustainable, social and ecological economy. “Development banks are important instruments in international financing and can, when faced with a crisis, play a stabilizing role in returning to development, coupled with a strong commitment to sustainability.”

**3GF** – Invited by the government of Denmark, the president of the BNDES took part in the Global Green Growth Forum held in Riocentro. The main topic at the forum was Sustainable and Inclusive Growth: Perspectives from Rio+20 and the G20.

**Global Pact** – The president of the BNDES took part in the session entitled New Geographies for Corporate Sustainability. The event was part of the Forum on Innovation and Collaboration for the Future We Want, of the Global Pact.

**Sustainable Energy For All** – The president of the BNDES took part in the High-Level Meeting on Sustainable Energy for All. There, initiatives were discussed to guarantee universal access to modern energy services, improve efficiency and increase the use of renewable sources.

At the Rio+20 event, Memoranda of Understanding were signed to share experiences and technical know-how, to carry out studies, facilitate support for Brazilian companies to operate abroad, cooperate in potential financing for projects of mutual interest, coordinate strategies and activities in priority sectors of interest to the BNDES and to the following institutions: the French Development Agency (FDA); the Development Bank of Ethiopia (DBE) and the African Development Bank (AfDb). In June 2012, the Memorandum of Understanding between the BNDES and the United Nations Development Program (UNDP) was signed, confirming, among others, support for initiatives and interest in participating in the structuring, and collaborating with Centro Rio+ as one of the founding partners.

## CENTRO RIO+

In June 2012, within the context of the Rio+20 Conference, the Brazilian government and the UNDP signed a Letter of Intentions to create the Worldwide Center for Sustainable Development (Centro Rio+), an international institution, headquartered in Rio de Janeiro, with the mission of becoming a reference center to foster sustainable development – integrating economic, social and environmental issues – the world over. Centro Rio+ was conceived as one of the legacies from Rio+20 and will facilitate research and the exchange of know-how, besides promoting international debate on sustainable development.

In addition to the UNDP, the Federal Government and the BNDES, the initial partner of Centro Rio+ include: the governments of the state of Rio de Janeiro and the city of Rio de Janeiro, the National Household Survey, the International Labor Organization (ILO), Brazilian

Innovation Agency (FINEP), Center for Strategic Studies and Management (CGEE), COPPE/UF RJ, CEBDS, FBDS, the Pró-Natura Foundation, among others.

The plan is for Centro Rio+ to be operational in the first half of 2013.

## Support, project structuring and new instruments

### SUPPORT AND PROJECT STRUCTURING

Overcoming infrastructure bottlenecks and restraints on production capacity depend on long-term structuring investments which are made possible, largely, through public concessions and public-private partnerships (PPP). The complexity of such undertakings led the BNDES to make concerted efforts towards providing support for project structuring, offering technical assistance and support to governments to develop and implement public policies that emphasize regional development and improved standards for living for the population.

These projects involve certain risks for the public entity, the private partner and the financing agent. For this reason, the success of the undertaking requires great effort at the structuring phase. The BNDES seeks to identify, support, and structure public concessions and PPPs, creating the necessary conditions to enable infrastructure projects that involve private resources.

To reach these goals, the following efforts were developed: the Project Structuring Fund (BNDES FEP), the Brazilian Project Structurer (EBP) and a Multilateral Fund in partnership with the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC).

In 2012, concession contracts were signed for the international airports known as Guarulhos, Viracopos and Brasília. These are the first large-

scale airport concessions held in Brazil, which were developed by the BNDES in partnership with EBP.

The concessions include expanding infrastructure, as well as maintaining and operating the airports. They also include the participation of Infraero, which owns 49% of the capital of the new concessionaires. Investments estimated for the three concessions total more than R\$ 11 billion, including the construction of new terminals, expansion of the commercial areas, construction of new tarmacs etc. With such concessions, the aim is to expand the capacity of the airports and, above all, improve the quality of services rendered to users, in compliance with the parameters of quality used in the main airports around the world. The timeframes for the concessions are for 20, 25 and 30 years for Guarulhos, Brasília and Viracopos airports, respectively.

Besides structuring projects through concessions and PPPs, the BNDES promoted and accompanied a technical study financed by the BNDES FEP, aimed at analyzing and assessing institutional organization and the management efficiency of the Brazilian port sector. This was carried out by a consortium made up of the companies Booz & Company do Brasil Consultores Ltda., Verax Consultoria e Projetos Ltda., Machado, Meyer, Sendacz e Opice Advogados and Logit Engenharia Consultiva Ltda.

The study presented an extensive diagnosis of the Brazilian port sector, with recommendations for guidelines aimed at helping expand the systemic capacity through planning and integration with other means of transport.

The proposals were aimed at increasing competitiveness, while improving the standards for operational efficiency and the quality of services rendered, preserving the public interest, as well as regulatory and institutional stability.

The study also presented suggestions on how to improve the organizational structure and port

management, with the aim of proposing short- and long-term public policies, as well as efforts to promote instruments and the development of the sector.

## NEW INSTRUMENTS

Aligned with the government's efforts to stimulate new sources for resources to finance infrastructure projects, the BNDES, in 2012, approved the use of two new instruments in its operational policy. Such instruments are aimed at operations for specific purpose companies (SPCs) that focus on infrastructure projects and seek to help reduce the level of risk other project financiers envisage.

### Initiatives in the local fixed-income market

#### Sharing guarantees

The BNDES can authorize guarantee sharing offered in credit operations earmarked to finance infrastructure projects with other financiers. With this, should the company fail to comply with the assumed financial obligations, the creditors can share and enjoy the same guarantees offered by the Bank.

#### Cross-default

The Bank, in its financing contracts, can also allow the inclusion of a clause that establishes the possibility of declaring cross default of the contract, should the company fail to comply with any of the obligations assumed in the public issuance of debentures earmarked to raise complementary resources for the project.

## Fostering market transparency

The BNDES understands the importance of precise, timely, transparent and reliable information to an efficient, dynamic and broad market, in which investors do not need to run risks that are inappropriately measured. For this reason, as with other development banks, the BNDES, in 2012, intensified its already active participation in

the global process of employing international accounting standards.

The BNDES takes part in a selection of initiatives with several institutions – the Brazilian Association of Development Banks (ABDE), the National Treasury, governmental organs, the Securities and Exchange Commission (CVM), Accounting and Accountability for Regional Economic Growth (CReCER), IFRS for small and medium-sized companies, International Federation of Accountants (IFAC), Group of Latin-America Accounting Standard Setters (GLASS), International Accounting Standards Board (IASB), International Specialists in Accounting Reporting (ISAR) – which help make the national and worldwide capitals market more solid, transparent and less subject to crises.

Continuing with such engaged efforts, in 2011, together with the International Integrated Reporting Council (IIRC),<sup>35</sup> as part of the initiative to promote the Global Integrated Report, the BNDES intensified its efforts in three areas: (I) as a user of the new regulations, participating in the pilot that will result in the basic conceptual framework<sup>36</sup> for new regulations; (II) as a facilitator in developing initiatives aimed at stimulating or requiring companies it supports to apply new regulations; and (III) as a disseminator to stimulate other institutions to get engaged. In this area, the BNDES set up the Brazilian Commission for Accompanying the IIRC initiative. This group, coordinated by the BNDES, is involved in 50 institutions (investors, banks, associations, as well as accounting, business and academic institutions, NGOs and institutions linked to sustainability), which meet every two months to accompany progress in the initiative and to structure efforts to disseminate the concepts of a Global Integrated Report in Brazil.

<sup>35</sup> IIRC <[www.theiirc.org](http://www.theiirc.org)>.

<sup>36</sup> This report was conceived under the concepts proposed by the IIRC.

## Support for culture

### THURSDAY'S AT THE BNDES

The BNDES has contributed to promoting Brazilian composers and musicians, offering means of access to and publicity of cultural production. Every year, the Bank holds Thursdays at the BNDES, which is a series of musical presentations, including popular, instrumental and classical music, scheduled every Thursday, at 7:00 p.m. in the Arino Ramos Ferreira auditorium.

The audience at Thursdays has the opportunity to see, free-of-charge, musicians from all regions throughout Brazil, which have been successful in the BNDES' call-to-submission in four categories: Reputation, Importance, New Talents and Audience. Some 35 presentations took to the BNDES' stage throughout 2012.

Musical presentations selected by the Bank have been part of Rio de Janeiro's cultural program since 1985. All told, close to 1,000 presentations have been held, with a total audience of more than 300,000 people.

In 2012, the project made a change, introducing Special Thursdays, to commemorate the BNDES' 60th anniversary. The stage was set up outside the Bank in the Carioca Square (downtown Rio de Janeiro) for presentations to larger audiences. On November 29, the show "Villa-Lobos Superstar" was presented by the five-piece Quinteto Pau Brasil, the four-piece Quarteto Ensemble São Paulo and the singer Renato Braz. On December 7, singer Elba Ramalho celebrated the thirtieth year of her career, with successes in Brazilian rhythms forró and MPB. Singer Jair Rodrigues ended the season with a show on December 13.

### THE BNDES GALLERY

With free entry and open to the general public, the BNDES Gallery has the privilege to present Brazilian art. Individual and collective exhibitions allow artists to show visitors the rich display of art and photography, in an effort to value Brazilian culture.

In 2012, seven exhibitions were held at the BNDES Gallery: “Every day...,” by artist Alexandre Murucci; exhibition to commemorate the BNDES 60th anniversary; EDIBLE, by photographer Paula Klien; “O Haver – Paintings and Songs for Vinicius de Moraes,” idealized by the artist Elifas Andreato; “Brazil: cultural mosaic,” revealing the diversity of expressions of popular regional culture; the 20th Photographic Art Exhibition and the 28th Expoart – Art Exposition, both from the AFBNDES, including works by current Bank employees, retired employees and other associated members.

## Sports sponsorship

Since 2011, with the Board of Directors’ approval of the BNDES’ Sports Sponsorship Regulations and Policy, the Bank began contributing directly to develop sports, within the scope of the Sports Incentive Law. This effort – in keeping with the Federal Government’s 2016 Brazil Medals Plan, which aims at developing Olympic and Paralympics modalities – emphasizes sports as a strong pillar of development since it generates the economy, requiring investments in tourism and industry, thus generating jobs and income.

Sponsoring sports is also a tool that generates a series of institutional goals for the BNDES related to expanding its visibility and building a solid corporate image, which is a consequence of media coverage and the organization’s use of sports-related attributes.

In September 2012, in a ceremony held at the presidential palace, Palácio do Planalto, in Brasília, the 2016 Brazil Medals Plan was launched with the goal of establishing the basis to raise the level of profitable sports, involving State-owned companies in sponsoring modalities with real chances for a medal. Within the scope of this plan, the BNDES signed the Term of Commitment to provide support for Canoeing and Equestrian Riding - Jumping. The

sponsorship model is under debate with the Chief of Staff and confederations.

[For further information on the BNDES’ sports sponsorship in 2012, visit the [hotsite](#).]

## Guarantee for financial sustainability

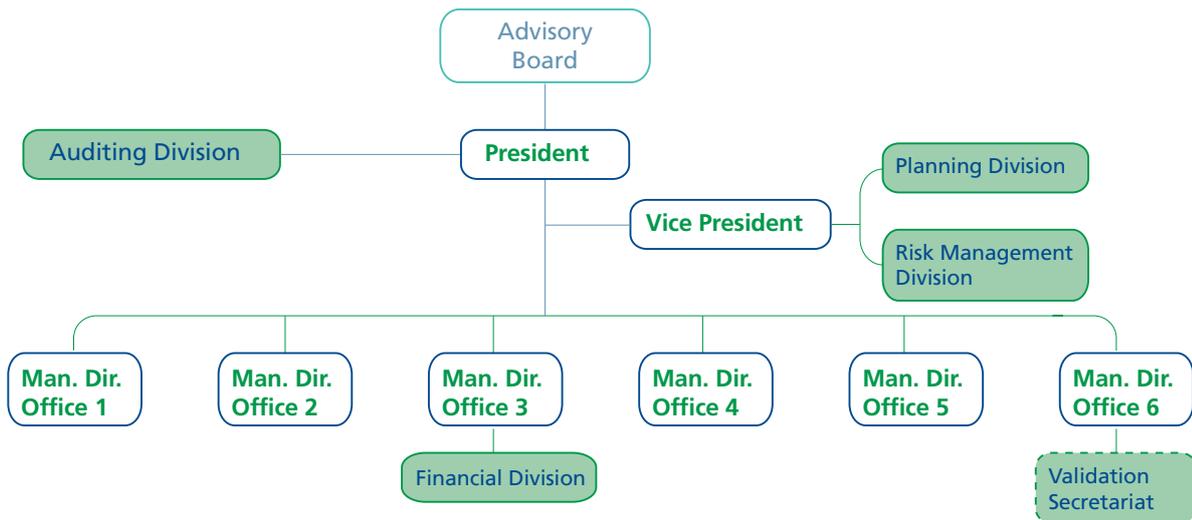
In 2012, the BNDES began a process to adjust the components of its regulatory capital to the minimum requirements proposed by the public call-to-bid issued by Brazil’s Central Bank, N°. 40/2012, in search for better quality capital and to strengthen its equity structure. Besides this, it developed new instruments to guarantee profitability and capital compatible with the expansion of assets, such as improving treasury portfolio management and the Corporate Policy on Managing Capital.

## Capital management structure

In 2012, aimed at meeting the requirements in Resolution N°. 3,988/2011 of the National Monetary Council, the BNDES approved its Corporate Policy on Managing Capital (Resolution N°. 2,282/2012), with the purpose of aligning the BNDES’ present and future needs for capital with the nature of its operations, the complexity of its products and services, as well as the magnitude of its risk exposure, so that the limits established for bank regulation are met.

Managing capital entails continuously monitoring and controlling the capital in the BNDES System, assessing the need for capital in relation to the risks the BNDES System is subject to. This should be done prospectively, while planning and establishing goals should aim at meeting the targets of this policy, in accordance with its strategic objectives.

The organizational structure for managing capital includes the following divisions of the BNDES: Financial Division, Risk Management Division, Planning Division, Internal Auditing and Validation



Secretariat. The latter was created in 2012, with the aim of independent validation of the Internal Evaluation and Adjustment of Capital (ICAAP).

The following flowchart presents the organizational framework of the divisions mentioned.

## Financial hedge operations in the local market

In 2012, several hedge operations were held using derivative instruments for exchange rates and interest rates in the over-the-counter (OTC) and stock markets. It is worth mentioning that some transactions held on the OTC market were carried out using a mechanism to reduce the risk of bilateral credit, through the Fiduciary Assignment of Public Bonds to obtain a margin. At the end of the year, the BNDES' position in derivatives was close to R\$ 22 billion.

## Constant improvement of internal processes

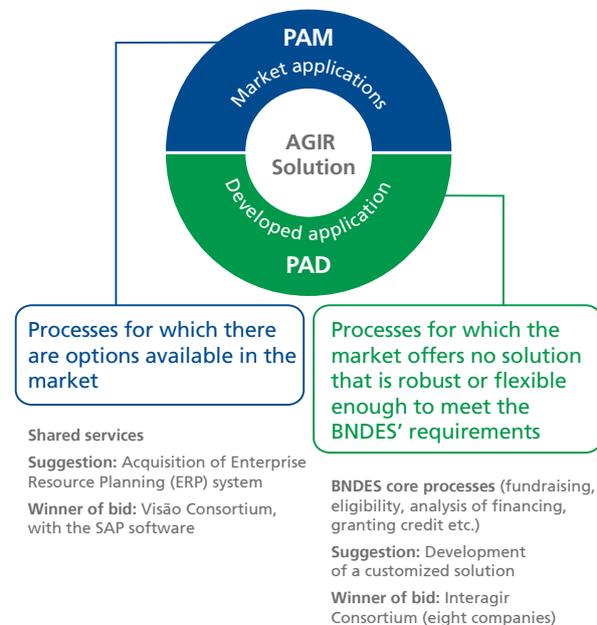
The year 2012 was marked by improvements in the BNDES' internal processes, especially in management. The main progress achieved in 2012 follows.

### AGIR Project

Started in 2005, the AGIR Project aims to define and implement an integrated resource solution for

the BNDES, fostering improvements in the Bank's internal processes, better management practices, corporate integration and adopting a business model focused on processes.

Implementing the project entails a series of integrated programs, such as the Market Applications Program (PAM) and the Developed Applications Program (PAD).



Market Applications Program:

- Completion of the assisted operation (post-implementation) for financial and accounting processes implemented at the end of 2011;

- Start implementing processes for budgeting and costs, legal, human resources, administration, management planning and support, auditing, internal controls and operational risk management.

#### Developed Applications Program:

- Contract signed with the Interagir Consortium, led by Powerlogic and the leader of the procurement bid, to provide technical services in the program;
- In the second half of 2012, planning for the program was completed, including the detailed work scope, resources and deadlines, as well as a management plan for the change;
- Stage 1 of this program entails implementing the processes and systems for Product Development, Credit Risk, Registration Management for External Entities, Economic Group Registration, Accounting Management Integrator, Credentials and Access, Roles and Groups, Core Information and Support for Decision-making. Also in the stage are the processes for Granting and Monitoring Financial Support for products, programs and funds that follow the FINEM systematic: BNDES FINEM, Project Finance, Credit Limits, Bridge Loans, Private simple debentures and funds (FUNTEC, FEP, the Amazon Fund, among others). Another project in this stage is the revamp of the BNDES' internet.

## Improving risk management and internal controls

The management subcommittees for Credit Risk, Market Risk, Operational Risk and Internal Controls, made operational as of 2011, were an important contribution to the institution's governance of risk and, in 2012, they consolidated their efforts. The subcommittees are a technical forum to discuss processes, methodologies and activities related

to this issue and help disseminate a culture of managing risk and internal controls.

The Bank continued the process of implementing a market application, aimed at managing the BNDES' credit risk, capable of calculating, monitoring and producing a string of regulatory and management information that is key to the decision-making process carried out by Senior Management. Implementation had the support of an external consulting firm and is now in the final stages.

At the same time, a green light was given to begin a study on the performance indicators adjusted to the risk of the BNDES' credit lines and programs, based on profitability calculations in the BNDES' contracts.

The management process for market risk and liquidity was improved, designing management indicators, enhanced and based on internally-developed models and the calculation of short- and long-term liquidity indexes, in keeping with the guidelines in the III Basel Accord.

To provide support in the management process for operational risk, there is a tool being implemented, within the scope of the AGIR Project, which will be responsible for registering risk assessment and identification activities, as well as some software that will help mold and calculate the need for capital in relation to the operational risk.

Another project being implemented is the Management System for Continuing Business, aimed at identifying the BNDES' essential processes that cannot be interrupted should there be an incident, and its operational requirements, so that the Plan for Continuing Business, associated to these processes, can be defined. Throughout 2012, highlights include the completion of the impact analysis on business and the prioritization of processes that should be part of an emergency plan.

In 2012, experimental application of the work methodology to conforming agents was initiated. These are contacts in their respective areas for issues related to internal control and conformity. Another highlight was the implementation of a support tool to manage internal controls, which aims at providing support for assessment activities and controls, as well as registration and follow-up on issues requiring improvement and their respective plans for action.

## Improving strategy management

Over the last few years, the BNDES has improved its support tools for strategic management.

Throughout 2012, within the scope of AGIR's remodeling of the information technology platform, the SAP Strategy Management (SSM) for Strategy Management was implemented to accompany indicators, targets, corporate projects and the divisions.

The new system, besides being more user-friendly and presenting new features, will enable greater integration with other systems in the Bank.

## Improving the company assessment methodology

Concerning improvements to the process for granting financial support in 2012, one highlight was the consolidation of the Company Assessment Methodology (MAE) as an instrument to assess the development of intangible assets and the competitiveness of the BNDES' main clients. In April, the Board of Directors approved the underpinning norms for the methodology, classifying it as an important non-financial instrument in the analysis of credit. This decision was strengthened by the introduction of MAE criteria for calculating the rating, within the scope of the instruments used

when deciding whether to purchase company shares, for the analysis reports, and when classifying eligibility for financing operations.

By the end of 2012, some 71 companies had been assessed with the methodology and a further 27 were in the process. In the meantime, mobilizing the entire staff, transversal efforts were made to improve and update assessment criteria. At the end of this process, in December, a new version of the MAE was approved by the Board of Directors.

## The BNDES' eco-efficiency

### ENERGY: MODERNIZATION AND EFFICIENCY

In 2012, the number of employees working in the Edserj building, located at Av. República do Chile, 100, rose approximately 3.5%, as remodeling of floors came to an end and employees returned to the building. Energy consumption, however, grew at a lower pace (1.5%), reflecting the success of the improvements, expansion and upgrading to several of the building's systems which had begun in the past.

### SUSTAINABLE PURCHASES

Similar to what had become a standard practice years before, in terms of paper consumption, the BNDES, in 2012, started to demand that recycled material be used in procurement bids for building items and in the remodeling of the São Paulo Office.

Also included in the procurement bid for office materials (toner for printers) was the adherence to a reverse logistics system, in compliance with Law Nº. 12,305/2010, and, in the remodeling contracts (São Paulo and Recife offices), the Bank required adherence to the Conama Resolution Nº. 307/2002, which requires recycling or the correct disposal of solid waste.

## RECYCLING WASTE

In 2012, all waste produced by the Edserj building was sent to waste picker cooperatives, in full compliance with Decree N°. 5,940/06. The main materials recycled were:

|                    |           |
|--------------------|-----------|
| Plastic cups       | 8,740 kg  |
| Plastic bottles    | 3,344 kg  |
| Newspapers         | 25,916 kg |
| Office paper       | 71,033 kg |
| Cardboard          | 22,951 kg |
| Paper towels       | 20,483 kg |
| Milk cartons       | 761 kg    |
| Glass bottles      | 537 kg    |
| Cables             | 5,142 kg  |
| Aluminum cans      | 509 kg    |
| Scrap metal        | 68,792 kg |
| Printer cartridges | 898 kg    |

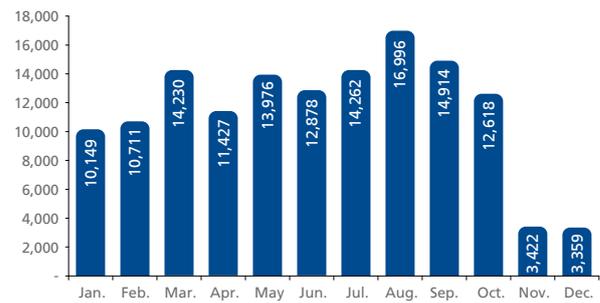
Besides this, some 9,548 fluorescent bulbs were sent to a company specialized in decontaminating and recycling said product.

## INTERNAL SUSTAINABILITY CAMPAIGN

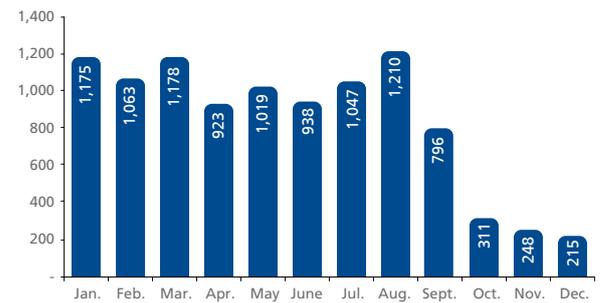
In 2012, the BNDES ran an internal campaign, entitled "Preserving the environment? It's easy."

In addition to raising awareness among users of the BNDES' facilities, the campaign helped disseminate the main programs for efficient sustainability that were underway, such as the project to move towards LED lighting, modernization of the elevators, and especially the new efforts to reduce waste production and improve the waste collection system: using specific boxes for electronic bulbs, kitchen oil, out-of-date medication and old X-rays, encouraging the re-use of disposable cups and replacing plastic water bubblers with water purifiers. As a result, the amount of waste generated from these items in October fell significantly due to the campaign, as can be seen in the chart below:

## NUMBER OF 500 ML WATER BOTTLES



## CONSUMPTION OF 20 LITER BUBBLERS



## CONSUMPTION OF DISPOSABLE CUPS IN THOUSANDS



## Learning and competences

### Strategic management of people

The BNDES constantly seeks to modernize its practices and policies to manage people. Based on the 2009-2014 Corporate Planning, a program was put together that includes corporate education programs, career management and performance management. It was based on competence management.

In 2012, the second cycle for manager-employee agreement on professional development was carried out, as were the goals for the following year. Legal analysis was contracted concerning the feasibility of the career management model outlined in the program. The design of the corporate education model was completed this year, aiming at a continuous process for learning, creating and sharing knowledge.

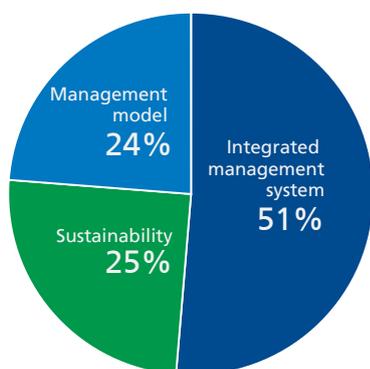
## LEARNING AND KNOW-HOW

To fulfill its mission, the technical and analytical capacity of the BNDES' staff is vital and key. In 2012, the year the Bank celebrated its 60th anniversary, the policy on development and training was reinforced. Besides approximately 43 hours of training per employee (those holding an undergraduate degree) in traditional language courses and other courses in Brazil and abroad, the BNDES encouraged its employees to take part in Excellence in Management, developing topics such as Management, Sustainability and the Integrated Management System – see following charts.

### TRADITIONAL DEVELOPMENT EFFORTS

| SEGMENT          | HOURS AV. |
|------------------|-----------|
| Without a degree | 21.0      |
| With a degree    | 42.6      |

### EFFORTS TARGETING EXCELLENCE IN MANAGEMENT



Also related to the topic of sustainability, besides the 60 employees that took part in the United

Nations Conference on Sustainable Development – Rio+20, other staff members also had the opportunity to take part in events and fairs that ran simultaneously to the main event. All told, a total of 150 employees from the Bank' technical areas were trained in the issue. Furthermore, with the intention to disseminate learning and know-how, the Bank held an internal event open to the entire staff.

In addition to excellence in management and generating know-how (the latter was covered in the chapter on Institutional Efforts), the BNDES also has planned efforts to generate know-how, aimed at transmitting the required experience to maintain the excellence of the institution. These efforts were focused on renewing staff due to the Planned Retirement Program.

It is worth noting that 774 employees who signed up for the Planned Retirement Program, valid from 2008 to 2012, had the opportunity to take part in the New Times project, aimed at providing those interested with a new perspective of life after retiring.

## Organizational management

In 2012, a second survey was conducted involving employees, continuing the follow-up on staff motivation and engagement, which began in 2010, when the Atmosphere Program was implemented to manage the organizational environment. Some 54% of staff members were surveyed. The results complemented the diagnosis of management held this year and helped design efforts aimed at fostering a work environment that is healthier and more productive.

## Worker health management

In compliance with labor legislation, the BNDES has an Occupational Health and Medical Control Program, which is integrated with the

Environmental Risk and Prevention Program, which, in turn, has been updated at all facilities across the country. Classified as Risk Level I, the main risks identified were related to ergonomics and this is controlled by periodic check-ups. In a Collective Agreement, additional commitments are established concerning worker health and safety, such as life insurance, collective insurance for accidents while traveling on business.

#### TABLE WITH ABSENTEEISM NUMBERS

| RATE OF SST  | 2012  |
|--|---|
| Rate of injury (TL) <sup>1</sup>                         | 11.22<br>(Southeast Region)   |
| Rate of occupational sickness (TDO)                      | Zero  |
| Rate of missed days (TDP) <sup>2</sup>                   | 1.20<br>(Southeast Region)  |
| Rate of absenteeism (TA) <sup>3</sup>                    | 4.72<br>(Southeast Region)<br>3.41<br>(Central-West Region)<br>1.61<br>(Northeast Region) |
| Deaths resulting from work-related accidents or sickness | Zero  |

<sup>1</sup> The frequency of accidents involving injury, resulting in missed work. This is two thousand work hours per year per worker (NBR 14280), that is, 5,526,000 work hours, based on staff number on December 31, 2012. There was a total of 62 accidents (21 standard, and 41 on route) with injuries resulting in missed work. This involves solely Rio de Janeiro workers (Southeast Region).

<sup>2</sup> Work days, starting from the day following the injury to the day following the staff member's return. A total of 179 days were missed due to work-related accidents (both standard and on route). The total number of days programmed is 5 days/week x 48 weeks/year (including vacations) for each staff member involved. TDP = days missed /days programmed x 100.

<sup>3</sup> Medical absenteeism. Excluding vacations, educational leave, maternity/paternity leave, prolonged time off, grievance leave, national holidays and time-in-lieu. The total number of programmed days is five days/week x 48 weeks/year (including vacations) x number of employees per region, based on the number of staff members on December 31, 2012. TA = days absent /days programmed x 100.

## Valuing diversity

The BNDES monitors issues related to gender, race and age groups, and information is summarized in the following charts and tables.

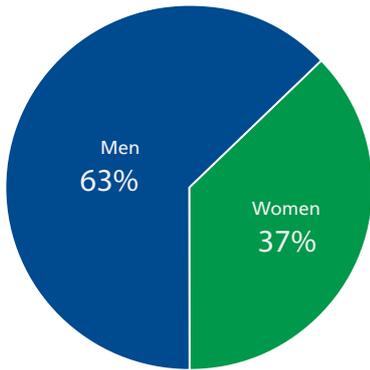
For some time, the BNDES has markedly focused specifically on fostering equality and has already adhered to the Pro-Equality Program for Gender

and Race, of the Secretariat for Women Policies, of the Presidency of the Republic. The aim of the program is to emphasize the value of human diversity and help eliminate all forms of discrimination related to access, remuneration, promotions and time in the job. Such commitments, reinforced by the institution's Code of Ethics, became a reality with the creation, in 2007, of the Work Group for Gender and Diversity. This group, comprising representatives from several divisions in the Bank, is responsible for implementing a plan of action to establish an environment that promotes respect for human diversity. After receiving the Pro-Equality Seal for Gender in the two previous editions, the Bank joined the 4th edition of the program and is awaiting the results of the assessment made on the action plan.

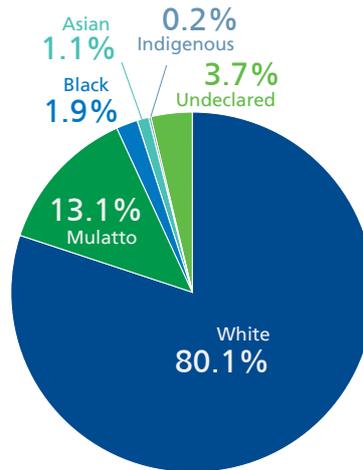
#### STAFF NUMBERS DETAILING GENDER AND REGION

| LOCATION   | SEGMENT             | GENDER | TOTAL |
|------------|---------------------|--------|-------|
| RJ         | College degree      | Male   | 1,422 |
| RJ         | College degree      | Female | 731   |
| RJ         | High School Dipl.   | Male   | 293   |
| RJ         | High School Dipl.   | Female | 256   |
| RJ         | Auxiliary personnel | Male   | 35    |
| RJ         | Auxiliary personnel | Female | 8     |
| SP         | College degree      | Male   | 15    |
| SP         | College degree      | Female | 7     |
| SP         | High School Dipl.   | Male   | 2     |
| SP         | High School Dipl.   | Female | 6     |
| SP         | Auxiliary personnel | Male   | 1     |
| PE         | College degree      | Male   | 18    |
| PE         | College degree      | Female | 6     |
| PE         | High School Dipl.   | Male   | 2     |
| PE         | High School Dipl.   | Female | 2     |
| PE         | Auxiliary personnel | Male   | 1     |
| DF         | College degree      | Male   | 14    |
| DF         | College degree      | Female | 7     |
| DF         | High School Dipl.   | Male   | 5     |
| DF         | High School Dipl.   | Female | 10    |
| DF         | Auxiliary personnel | Male   | 5     |
| London     | College degree      | Male   | 4     |
| Montevideo | College degree      | Male   | 2     |
| Montevideo | College degree      | Female | 1     |

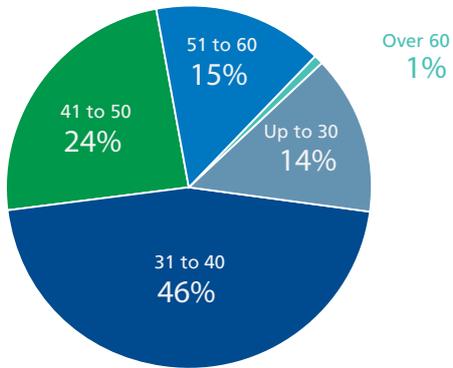
### REMUNERATED JOBS PER GENDER



### EMPLOYEES PER RACE



### REMUNERATED JOBS PER AGE GROUP



Base date: 12.31.2012.  
Source: BNDES Human Resources Division and Gender and Diversity Workgroup.

## Table on GRI indicators

| GRI INDICATORS | GRI INDICATOR DESCRIPTION   | CHAPTER IN 2012 ANNUAL REPORT  |
|----------------|---|--|
| 1 FS06         | Percentage of the portfolio for business lines by specific region, size (e.g. micro/small and medium-sized/large), and by sector  | <p>Chapter on The BNDES' performance in 2012 &gt; The BNDES in numbers &gt; Financing sustainable and competitive development &gt; Disbursements per company size</p> <p>Chapter on The BNDES' performance in 2012 &gt; The BNDES in numbers &gt; Financing sustainable and competitive development &gt; Disbursements per region</p> <p>Chapter on The BNDES' performance in 2012 &gt; The BNDES in numbers &gt; Financing sustainable and competitive development &gt; Performance of automatic operations</p> |
| 2 FS07         | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.  | Chapter on The BNDES' performance in 2012 > The BNDES in numbers > Financing sustainable and competitive development > Socio-environmental performance > Social development  |
| 3 FS08         | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.   | Chapter on The BNDES' performance in 2012 > The BNDES in numbers > Financing sustainable and competitive development > Socio-environmental performance > Green economy and climate change  |
| 4 EC01         | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments | Chapter on The BNDES' performance in 2012 > The BNDES in numbers > Financial-economic results > Added-value Statement  |
| 5 FS02         | Procedures for assessing and screening environmental and social risks in business lines   | Chapter The BNDES > Organization, processes and governance > Managing environmental and social risks in businesses   |
| 6 FS01         | Policies with specific environmental and social components applied to business lines  | Chapter on The BNDES' performance in 2012 > Operational performance > Competitive and sustainable development > Transversal issues: socio-environmental, regional and innovation   |
| 7 LA04         | Percentage of employees covered by collective bargaining agreements   | Chapter on Generating value for society, strategy and a vision for the future > Generating value for society > Highly-skilled staff that is committed to the institution's values  |
| 8 LA07         | Rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender   | Chapter on The BNDES' performance in 2012 > Operational performance > Learning and competences > Worker health management  |
| 9 LA11         | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings   | Chapter on The BNDES' performance in 2012 > Operational performance > Learning and competences > Strategic management of people > Learning and know-how  |
| 10 LA13        | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity  | Chapter on The BNDES' performance in 2012 > Operational performance > Learning and competences > Valuing diversity   |
| 11 EN05        | Energy saved due to conservation and efficiency improvements  | Chapter on The BNDES' performance in 2012 > Operational performance > Constant improvement of internal processes > The BNDES' eco-efficiency > Energy: modernization and efficiency  |
| 12 EN02        | Percentage of materials used that are recycled input materials  | Chapter on The BNDES' performance in 2012 > Operational performance > Constant improvement of internal processes > The BNDES' eco-efficiency > Internal sustainability campaign  |
| 13 EN22        | Total weight of waste by type and disposal method   | Chapter on The BNDES' performance in 2012 > Operational performance > Constant improvement of internal processes > The BNDES' eco-efficiency > Recycling waste   |
| 14 EN08        | Total water withdrawal by source  | Chapter on The BNDES' performance in 2012 > Operational performance > Constant improvement of internal processes > The BNDES' eco-efficiency > Water consumption (visit the hotspot)   |
| 15 LA02        | Total number and rate of new employee hires and employee turnover by age group, gender, and region  | Chapter on Generating value for society, strategy and a vision for the future > Generating value for society > Highly-skilled staff that is committed to the institution's values  |
| 16 LA09        | Health and safety topics covered in formal agreements with trade unions   | Chapter on The BNDES' performance in 2012 > Operational performance > Learning and competences > Worker health management  |
| 17 LA10        | Average hours of training per year, per employee by gender, and by employee category  | Chapter on The BNDES' performance in 2012 > Operational performance > Learning and competences > Strategic management of people > Learning and know-how  |
| 18 FS05        | Interactions with clients/investees/business partners regarding environmental and social risks and opportunities  | Chapter on The BNDES' performance in 2012 > Operational performance > Competitive and sustainable development > Transversal issues: socio-environmental, regional and innovation   |





One of the BNDES' aims is to help eradicate extreme poverty by supporting social and production inclusion, as well as generating income. The cooperative Amigos do Meio Ambiente is just one of the projects that receive support from the BNDES' Social Fund.

PHOTOGRAPHY: BNDES/RAPHAEL MONTEIRO

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