



MANAGEMENT REPORT - BNDES SYSTEM DECEMBER 31, 2014

To the Shareholders and other interested parties

We present the Management Report and Financial Statements of the BNDES system related to the fiscal year 2014, in accordance with the provisions of Brazilian Corporate Law (Act N^o. 6,404/76), with the rules of the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN).

I. Macroeconomic Environment

In the international scenario, the year 2014 was marked by the confirmation of the recovery, albeit timid, of the American economy, with the indicators of economic growth and the labor market pointing to consistently positive results. In annual terms, GDP growth in 2014 was 2.4% (against 2.2% in 2013). The improving labor market over the last two quarters completed the favorable scenario. The unemployment rate maintained its downward trend since late 2009, reaching 5.8% in November and 5.6% in December, the lowest since July 2008.

The Euro Zone presented a positive turnaround in its growth rates during 2014, which went from a 0.5% drop in 2013 to a 0.8% high in 2014. However, the effective recovery in the region seems subject to the possibility of accelerating demand, in particular, investments. In this sense, it is necessary to emphasize the role of the European Central Bank (ECB), aimed at both providing liquidity to the banking system, averting the possibility of deflation and stimulating credit conditions in the economy with measures to free up money (the most important include a reduced basic interest rate in the economy, from 0.25% p.a. to 0.15% p.a. and establishing, with the Monetary Authority, a negative rate for excess deposits held by financial institutions). Thus, it is expected to boost the recovery of economic activity and reverse the high rate of unemployment which affected some of the region's economies. Recently, in addition to the program for Targeted Longer-term Refinancing Operations (TLTRO), the ECB began to implement programs to purchase covered bonds and asset-backed securities, and to also launch, as of January 2015, an larger acquisition program that also includes government bonds.

Since the end of 2014, a consistent program of quantitative monetary relaxation is expected from the European Central Bank for the region, which was confirmed in mid-Jan. 2015. At least until Sept. 2016, the Monetary Authority will inject approximately € 60 billion into the economy by buying sovereign bonds and bonds from supranational European institutions.

On the other hand, the Chinese economy showed clear signs of deceleration, presenting an increase of 7.3% in the 4Q/14, against 7.7% in 2013. The country's industrial production presented a significant reduction, going from an annual growth of 9.7% to 7.9% in the same period, reflected in the performance of imports, whose annual growth dropped from 7.3% to a mere 0.7% in 2014.

Finally, it is necessary to emphasize the negative performance of the Argentine economy, which suffered a new currency crisis in 2014, causing shrinkage of economic activity (an estimated drop of 0.4% in GDP) and, particularly, imports which fell by 11.4% over the last year.

In Brazil, the trade balance presented a \$ 3.9 billion deficit, the first negative result since 2000, with exports of \$ 225.1 billion and imports of \$ 229.0 billion. The main factor for this reversal was a more significant drop in exports (7.0%) than in imports (4.5%) in comparison with 2013. The fall in exports in 2014 can be attributed to two main factors: (i) falling prices of commodities exported by the country, especially iron ore; and (ii) the decelerating economic activity of major trading partners, especially China and Argentina.

The inflation rate measured by the IPCA was 6.41% at the end of 2014, therefore, within the target. The main factors that contributed to this result were: i) the persistent inflation rate in the service sector, which is quite sluggish ; and ii) managed prices, due to the correction of outdated rates for public services.

After registering growth of 2.5% in 2013, the Brazilian economy suffered several shocks, which impacted its growth. Estimated growth for 2014 is a mere 0.1%. Firstly, the monetary tightening cycle, implemented in April 2013 by the Central Bank, was continued, even though it contributed to slowing down the economy. Furthermore, major trading partners, such as Argentina, slumped, which affected the performance of industrial production. Finally, the rate of employment stagnated and, according to the IBGE, recorded a decrease of 0.1% throughout the year. Thus, confidence indexes and expectations for both businesses and consumers continued to impact the economy and, particularly, investments, possibly exacerbated by uncertainties related to the heated electoral cycle and those relating to the supply of water and energy, which, throughout the year, presented additional risks to the Brazilian economy.

II. Highlights of 2014

- Adherence to the Brazilian Payments System (SPB)
- Partnership with the Brazilian Support Service for Micro and Small Businesses (SEBRAE) to promote credit seminars throughout Brazil
- 1st Workshop for the Dialogue Forum between the BNDES and civil society, with the theme "Transparency and Access to Information"
- Public architecture submission to expand the BNDES' Services Building in Rio de Janeiro (EDSERJ)
- Brazil Design Award (BDA 2014)
- Medal of Merit for the Brazilian Textile Industry Association (ABIT 2014)
- Entrepreneurial Sports Sponsorship Award

III. Operational Statistics

New Operational Policy 2014

In 2014, a new, more simple and responsive operational policy entered into force, aligned with the BNDES' most important guideline: promoting investments.

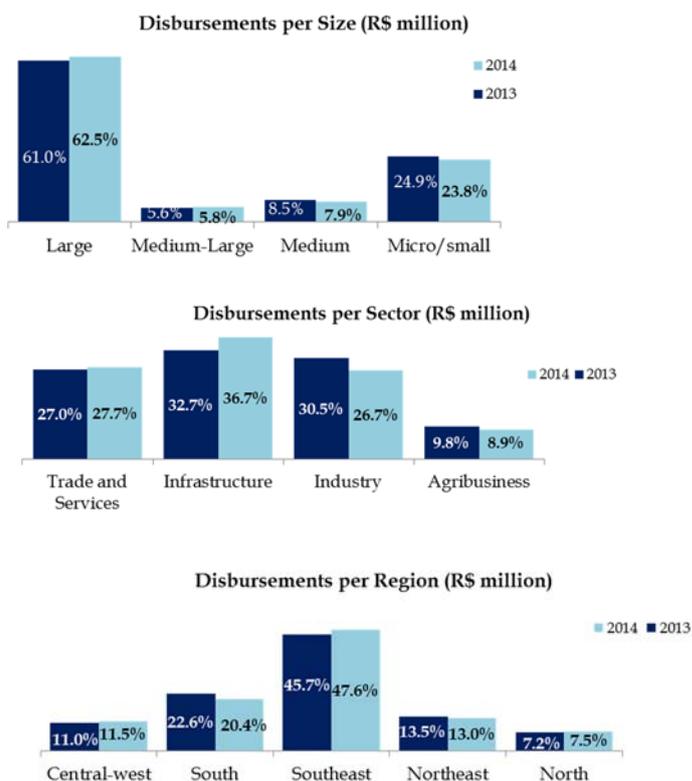
In general terms, the new operational policy established: (i) lower financial costs and greater level of the BNDES' participation in priority sectors, such as logistics and energy infrastructure, sanitation and urban mobility projects, modernizing public administration, capital goods, engineering and knowledge-intensive sectors, the creative economy, innovation, technological and technical services, as well as export support operations and projects related to the environment, production and social inclusion, besides social efforts on behalf of companies; (ii) maximum levels of the BNDES' participation in funding to foster other sources of resources; (iii) expanding the use of market resources in its loans; (iv) additional possibilities to co-finance projects together with the private financial system using debentures; (v) more favorable conditions for projects with sustainability standards or undertakings in underdeveloped regions; and (vi) priority for micro, small and medium-sized businesses, for which the level of the BNDES' participation in their projects can reach 90% (100% in the BNDES PSI).

The new operational policy even extended the term of the BNDES PSI (Investment Maintenance Program), the main pillar of the BNDES' support for investments, until the end of 2014, and maintained the program's best rates, at 4% per year, for innovation projects.

Operational Performance

The disbursements of the BNDES system, without taking into account those to the secondary market, totaled \$ 187.837 billion in 2014, thus presenting a reduction of \$ 2.582 billion (1.4%) in comparison with 2013.

Breakdown of disbursements



The states in Brazil that excelled in 2014, in their respective regions, were Mato Grosso, Paraná, São Paulo, Bahia and Pará.

Transport equipment and highway transport were the highlights in 2014, with 23.1% and 30.5% of disbursements for industry and infrastructure, respectively.

The volume of transactions rose from 1,144,262 in 2013 to 1,130,202 in 2014, accompanying the drop in disbursed financial volume. The fall in operations for micro and small businesses, which went from 1,036,986 in 2013 to 1,014,560 in 2014, was a decisive factor in lower total volume of operations in 2014.

IV. Financing and Job Generation

Investment projects the BNDES financed are directly related to job and income generation in the economy, whether they were related to boost the real economy, or to the scale of financing.

Estimates of the number of workers required (generated or maintained jobs) during the implementation phase of investments the Bank supported are obtained by using the BNDES Job Creation Model (MGE), an input-product model for the Brazilian economy, which is based on official data from the IBGE's National Accounts System, as well as the Input-Product Matrix. It is important to note that the number of jobs resulting from the MGE does not correspond to the net generation of jobs in the economy, but rather to the volume of employment related to the interventions in order to make them feasible.

Jobs Generated or Maintained through Supported Investments

Amounts accumulated (investment in R\$ million and employment in thousands)

Period	Disbursement	Total Investment ¹	Job Generator Total Investment ²	Employment			Total
				Direct	Indirect	Income-effect	
2H/13	101,865	229,889	153,552	843	754	1,724	3,322
2013	190,419	396,398	269,308	1,436	1,353	3,081	5,871
2H/14	103,781	243,058	154,976	750	738	1,662	3,149
2014	187,837	399,896	270,660	1,300	1,287	2,921	5,509

Sources: BNDES, IBGE and FGV.

Responsibility: BNDES, RJ, 2013.

¹ Consists of an estimate proportional to the disbursements made in the period, corresponding to the sum of the BNDES' disbursements plus the borrowers' counter investments.

² Consists of an estimate of total investments with the potential to create jobs in Brazil. Expenditures on imported equipments, for example, are not considered.

In 2014, the disbursements from the BNDES system totaled approximately R\$ 187.8 billion and were tied to total investments of approximately R\$ 400 billion (understood as the amount of support from the BNDES plus counter-investments from entrepreneurs). The number of jobs required to achieve this amount of investment, according to MGE estimates, was 5.5 million. The reduction in this rate when compared with the result for 2013 (5.9 million), despite the same observed levels of expenditures, total investment and total generating investment, reflects the development of prices in 2014, to a large extent. The current R\$ 270.7 billion investment used in the calculation of the model was deflated by rates higher than the R\$ 269.3 billion from the previous year.

Regarding the breakdown per type of job, the year 2014 showed similar results to 2013, with 53% of jobs based on effect-income, some 24% in direct jobs and 23% in indirect jobs. The average number of jobs created or maintained per million invested in the economy dropped slightly from 21.8 in 2013 to 20.4 in 2014, which means that the distribution of the sectors impacted by supported projects also did not suffer significant changes.

The main sectors that experienced increased final demand during the implementation of investments receiving support from the BNDES, according to calculations estimating the employment rate, are: i) civil construction; II) manufacture of electrical machinery and equipment; III) manufacture of cars, trucks and buses; IV) manufacture of parts and other vehicles; v) services provided to businesses; and vi) public industrial utility services. Together, these sectors, in 2014, corresponded to approximately 90% of the final demand, stimulated by the BNDES during the implementation of investments.

V. Economic-Financial Performance

The year 2014

The net income reached R\$ 8.594 billion in 2014, an increase of R\$ 444 million (5.4%) over the R\$ 8.150 billion recorded in 2013. This growth is due to the increase of R\$ 1.762 billion (15.1%) in the product of financial intermediation and the increase of R\$ 413 million (16.8%) in the result from equity investments income.

Total assets ending 2014 were R\$ 877.219 billion, an increase of 12.2% compared to 2013, supported mainly by fundraising from the National Treasury, to the amount of R\$ 60.0 billion. Such resources have mainly been applied in the BNDES' disbursement budget, which resulted in the growth of R\$ 85.964 billion (15.2%) in the loans and interbank onlending portfolio, net of allowance for loan losses.

The ROA decreased from 1.1% in 2013 to 1.0% in 2014, due to the growth in assets with no proportional relation to net income. The ROE, on the other hand, went from 16.5% in 2013 to 13.1% in 2014, due to the increase in the shareholders' equity in 2014, reflecting the instruments eligible for Common Equity capital with the National Treasury, amounting to R\$ 20.539 billion.

Main Financial Indicators

R\$ million, except percentages

Income	2014	2013	Evolution (%)	2H/14	2H/13	Evolution (%)
Net Earnings	8,594	8,150	5.4	3,122	4,889	(36.1)
Income from Financial Intermediation	13,449	11,688	15.1	7,358	7,482	(1.7)
Allowance for Loan Losses	(65)	769	(108.5)	28	(53)	(152.8)
Income from Equity Investments	2,865	2,452	16.8	(838)	673	(224.5)
Tax Expenses	(5,360)	(4,751)	12.8	(2,268)	(2,159)	5.0
Other Expenses, net	(2,295)	(2,008)	14.3	(1,158)	(1,056)	9.7
Financial Position	dic/14	dic/13	Evolution (%)	dic/14	Jun-14	Evolution (%)
Total Assets (TA)	877,219	782,043	12.2	877,219	814,364	7.7
Loan and Onlending Portfolio, net	651,207	565,243	15.2	651,207	588,263	10.7
Equity Securities (ES)	63,360	87,813	(27.8)	63,360	84,155	(24.7)
<i>Investments in non-associated</i>	45,031	69,830	(35.5)	45,031	66,014	(31.8)
<i>Investments in associated</i>	16,246	15,820	2.7	16,246	15,883	2.3
<i>Other investments</i>	2,083	2,163	(3.7)	2,083	2,258	(7.8)
Securities	106,974	88,978	20.2	106,974	96,620	10.7
Credits from the National Treasury	26,163	17,482	49.7	26,163	21,598	21.1
Other Assets	23,577	21,980	7.3	23,577	20,991	12.3
National Treasury	470,676	413,163	13.9	470,676	433,180	8.7
FAT/PIS-PASEP	229,077	209,835	9.2	229,077	226,077	1.3
International fundraising	41,280	31,211	32.3	41,280	34,693	19.0
Repurchase Agreements	23,083	18,014	28.1	23,083	1,751	1,218.3
Debentures BNDESPAR	8,669	5,911	46.7	8,669	3,861	124.5
Other Liabilities	38,158	43,283	(11.8)	38,158	40,671	(6.2)
Shareholders' Equity (SE)	66,276	60,626	9.3	66,276	74,131	(10.6)
Shareholders' Equity (SE) / Total Assets (TA)	7.6%	7.8%	(0.2)	7.6%	9.1%	(17.0)
Capital Adjustment	dic/14	dic/13		dic/14	Jun-14	
Basel Ratio	15.9%	18.7%		15.9%	18.4%	
Common Equity Index	10.6%	10.4%		10.6%	12.3%	
Common Equity Tier 1 Index	10.6%	12.5%		10.6%	12.3%	
Financial Ratios (%)	dic/14	dic/13		dic/14	Jun-14	
Defaults / Credit and On-lending Accounts	0.01%	0.01%		0.01%	0.07%	
Allowance for Loan Losses / Loan Portfolio	0.49%	0.56%		0.49%	0.56%	
Coverage Ratio ^{1/}	36.0	46.4		36.0	7.7	
Performance	2014	2013		2H/14	2H/13	
Return on Assets (Net Income / TA average)	1.03%	1.10%		0.39%	0.69%	
Return on Shareholders' Equity (Net Income / SE average)	13.05%	16.51%		4.87%	1.13%	

^{1/} Allowance for loan losses / Defaulted loans.

Loan and Onlending Operations

These are financing granted by the BNDES either directly, in the case of loan operations, or indirectly, through accredited financial institutions, in the case of onlending operations.

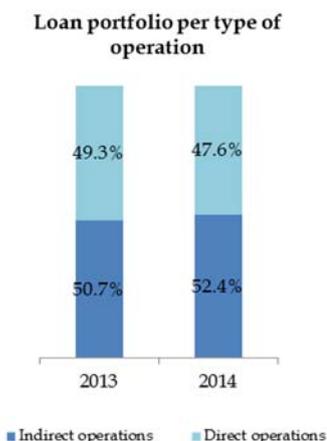
The portfolio of loan and onlending operations, after allowance for loan losses of R\$ 3.177 billion, amounted to R\$ 651.207 billion on December 31, 2014 and accounted for 74.2% of the total assets on the same date.

Breakdown of the gross loan and onlending portfolio



The 13.9% growth in the foreign currency portfolio was impacted by the 13.4% appreciation of the dollar between 2013 and 2014.

The 15.3% portfolio growth in domestic currency was impacted by the operations subject to the BNDES PSI (Investment Maintenance Program).

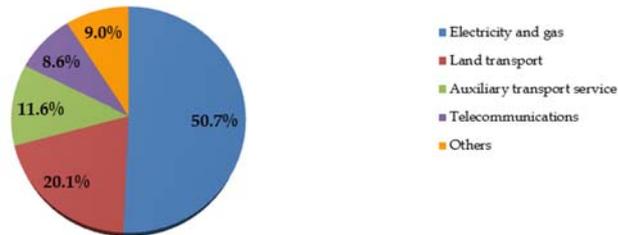


The credit portfolio is historically divided into direct and indirect operations, with indirect operations taking a slight lead.

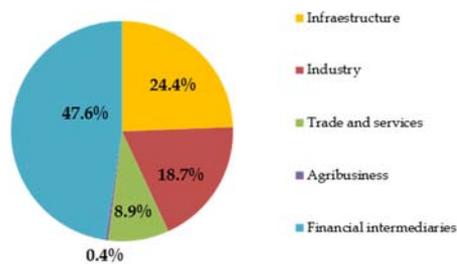
Gross loan and onlending portfolio per sector

The charts below present the portfolio for direct operations, separated per sector: infrastructure, industry, trade and services and agriculture, and the portfolio for indirect operations, represented by financial agents.

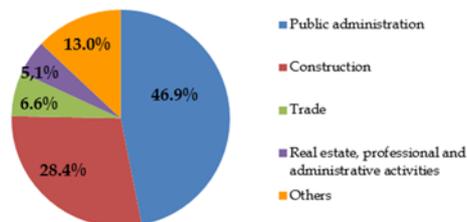
Per Infraestructure
2014



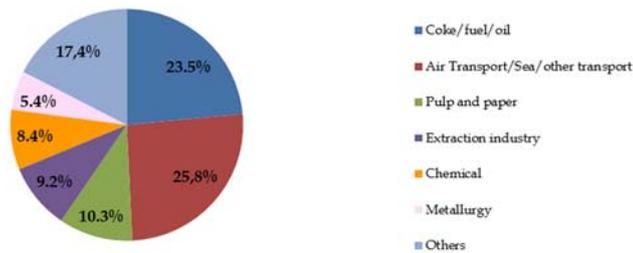
Per Sector
2014



Per Trade and Services
2014



Per Industry
2014



Quality of the loan and onlending portfolio

The BNDES continuously monitors the quality of its credit portfolio so as to strategically improve the management of risks and returns. Granted financing is subject to ongoing monitoring and requires guarantees to cover the debtor's position throughout the term of the contracts.

The classification of the loan and onlending portfolio per risk level respects the CMN Resolution N°. 2,682/99, which establishes the classification of credit between AA levels, lower risk, and H, higher risk, and the percentage for allowances to be set for each level.

Quality of the loan and onlending portfolio December 31, 2014

Risk Ratings	BNDES System	NFS ^{1 2}	Private Financial Institutions ²	Public Financial Institutions ²
AA - C	99.7%	93.2%	92.0%	94.2%
D - G	0.2%	4.2%	4.9%	3.7%
H	0.1%	2.6%	3.1%	2.1%
TOTAL	100.0%	100.0%	100.0%	100.0%

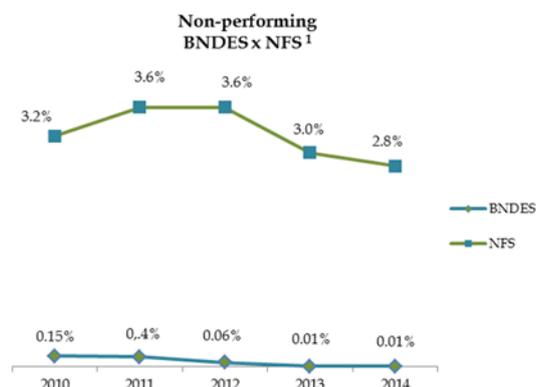
¹ National Financial System

² Source: Brazil's Central Bank

Growth in the loan and onlending operations portfolio in 2014 did not bring about the deterioration of the portfolio's credit profile, given that the share of credits classified between the levels AA and C, considered low-risk, stood at 99.7% of the total portfolio on December 31, 2014, a percentage higher than the 93.2% recorded by the National Financial System (SFN) on the same date, and the same percentage, 99.7%, as registered in 2013.

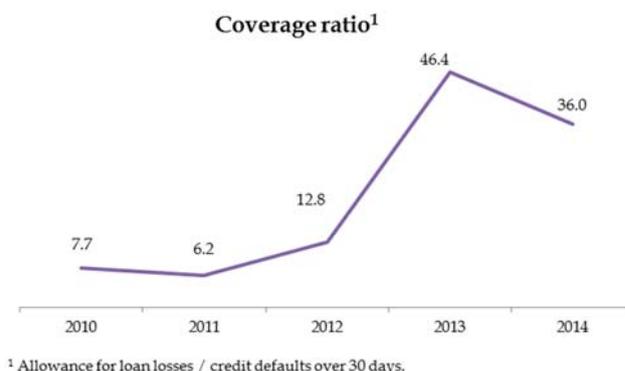
The non-performing rate reached 0.01% on December 31, 2014, equaling the BNDES' lowest historical rate, recorded on December 31, 2013. This reduction, compared to previous periods, together with the increase in the balance of the loan portfolio and the continued quality, contributed to the drop in the relation between allowances and debit balance, which stood at 0.49% in 2014.

The low non-performing rate reflects not only the management and the quality of the loan and onlending portfolio, which was above the NFS average, but also the consistency in the BNDES' operational policies and, especially, the role of the BNDES as a development bank: granting financing with interest rates and terms that are compatible with long-term projects. The volume of renegotiations by the BNDES for 2014, equivalent to 0.7% of the portfolio on December 31, is another indicator confirming this quality.



Between 2010 and 2014, the BNDES' non-performing rates remained at levels lower than those registered by the NFS, in spite of the fact that the BNDES adopts more conservative criteria when classifying a default: while the SFN considers a loan overdue more than 90 days as a default, the BNDES adopts the lower term of 30 days.

The coverage ratio, which represents the number of times that the allowance for loan losses, is able to cover non-performing loans, reached 36.0 in 2014, one of the highest in the series since 2009.



Securities

These basically comprise debentures and government securities, which accounted for 17.3% and 79.7%, respectively, of the securities portfolio on December 31, 2014.

To establish enough resources to meet its demand for disbursements, the BNDES raises funds in the form of government securities from the National Treasury. In 2014, some R\$ 60 billion was raised, partly used to implement the disbursement budget, which resulted in a balance of R\$ 85.226 billion in 2014.

Debentures represent one of the forms in which BNDES supports businesses. The portfolio, which includes both simple, as well as convertible/exchangeable debentures, amounted to R\$ 18.531 billion in 2014, an increase of R\$ 2.615 billion (16.4%) over 2013.

Income from financial intermediation

This refers to the income from investing resources into loan and onlending portfolio, as well as into securities.

The income from financial intermediation amounted to R\$ 13.449 billion in 2014, an increase of R\$ 1.761 billion (15.1%) over 2013, and is due not only to growth in the loan portfolio, but also management of cash resources, and reduced average cost of fundraising from the National Treasury.

The reduction on average costs of funds raised from the National Treasury is due to renegotiating contracts in 2013 and 2014 so as to adapt the BNDES' debt profile to its loan portfolio.

In 2014, an expense of R\$ 65 million was recorded for allowance for loan losses, somewhat significantly lower than the revenue of R\$ 769 million in 2013, when R\$ 694 million in earnings came from credit recoveries were recorded.

Equity investments

These basically include shares the Federal Government incorporated into the BNDES as capital as well as shares in other companies of a minority and transient nature in order to boost the capitalization and development of domestic enterprises, as well as strengthening and modernizing the capitals market.

On December 31, 2014, of the total equity investments portfolio, some 71.1% represented investments in non-associated companies, while 25.6% was in associated companies, and the remaining 3.3% were stakes in mutual investment and equity funds and other investments.

Investments in associated companies, in which BNDES has the power to influence the investee's financial and operational decisions, are assessed using the equity equivalence method. Other investments are assessed at fair value and, in exceptional cases, using their acquisition cost.

The equity investments portfolio, after allowances for loan losses, achieved R\$ 63.360 billion in 2014, down 27.8% for the fiscal period, caused by depreciation, to the amount of R\$ 22.954 billion, of the equity investments portfolio in other non-associated companies, most notably, shares in Petrobras.

With regards to the investment in Petrobras, on December 31, 2014, its market value, based on share prices on the stock exchange, presented depreciation in relation to its respective acquisition cost. To quantify the non-recoverable portion of this investment, Management conducted qualitative analysis, considering (i) the specific features of the BNDES' operations; (ii) the specific features of the asset; (iii) that so far there has been no breach of any financial obligation on behalf of the issuer of this investment; and (iv) the recoverable amount of the investment, based on the economic and financial assessment.

Non-financial gains and losses
Gains and losses in the fair value of equity investments do not represent financial gains and losses when acknowledged. They merely cause financial impact when writing off the investment, generally due to divestment, which did not happen in 2014.

Based on the mentioned analysis, the Management estimated a permanent loss of R\$ 2.6 billion, net after tax, as per the BACEN Circular N°. 3,068/01. However, Resolution N°. 4,175/12 of the National Monetary Council, establishes that the adjustment to market value of certain shares received by the BNDES system within the Federal Government's transfer to increase the capital and which was classified in the entry "available for sale" should be highlighted in the shareholders' equity as "equity evaluation adjustments", including the losses considered permanent, and should only be presented in the income for the financial year if the respective asset is sold or transferred. Consequently, a portion of the R\$ 2.6 billion loss due to the decrease in its recoverable value, amounting to R\$ 1.0 billion, net after tax, is presented in the income for the financial year of 2014 and R\$ 1.6 billion, net after tax and related to the shares covered by this Resolution, was maintained in the shareholders' equity as equity evaluation adjustments (other comprehensive income).

Income from equity investments

This includes revenue from dividends and interest on shareholders' equity, income from equity in earnings (losses) of associates, divestments, derivatives and mutual equity funds, allowances for losses (*impairment*) and other revenues, mainly from the BNDESPAR portfolio.

Income from equity investments amounted to R\$ 2.865 billion at the end of 2014, an increase of R\$ 413 million (16.8%) over 2013, due to the additions of: (i) R\$ 816 million in equity in earnings (losses) from associates; (ii) R\$ 491 million in income from dividends and interest on shareholders' equity; and (iii) R\$ 486 million in earnings from the divestments of securities. These effects were offset by the R\$769 million increase in expenses allowance for losses due to impairment and the R\$ 254 million fall in income from derivatives.

Regarding the R\$ 3.272 billion in revenue from dividends and interest on own capital in 2014, the main features were Petrobras, Eletrobras and Vale/Valepar, which together contributed 85.1% of the total revenue (82.4% in 2013).

Equity in earnings (losses) from associates was key in income from equity investments in 2014, registering an increase of R\$ 816 million (1,600.0%) over 2013.

Income from R\$ 1.721 billion in divestments in 2014 was impacted primarily by operations involving Gerdau and Oi / Telemar Participações, which contributed R\$ 1.290 billion.

The decision to divest investments considers market conditions and the maturity of portfolio investments. For this purpose, the BNDES monitors the market in search of better opportunities for price, volume and time of sale, because, as a result managing its cash flow well, it does not need to incur losses when divesting investments for cash flow.

Of the total R\$ 2.814 billion in expenses for allowances for losses (*impairment*) registered in 2014, some R \$194 million refers to the portfolio of associated companies and R\$ 2.621 billion, to the non-associated companies portfolio.

The fall in the income from derivatives in 2014 is basically due to the drop in earnings from isolated derivatives in shareholdings, on account of the variation in the fair value of the underlying assets, notably shares listed on stock exchanges.

Tax expenses

Tax expenses totaled R\$ 5.360 billion in 2014, some 12.8% higher than that registered in 2013, R\$ 4.751 billion. Taxes due in 2014, almost entirely, comprise federal taxes, social contributions, such as PIS-Cofins, income tax and social contributions on net income.

Other net expenses

These comprise income from monetary restatement on assets and liabilities, administrative and labor expenses, income from provisions for labor and civil lawsuits, among others.

The R\$287 million (14.3%) increase in 2014 is related to the R\$ 167 million (9.8%) growth in administrative and personnel expenditure that mainly stems from the effects of readjustments granted by the Collective Labor Agreement (ACT) in 2013 and yearly promotions

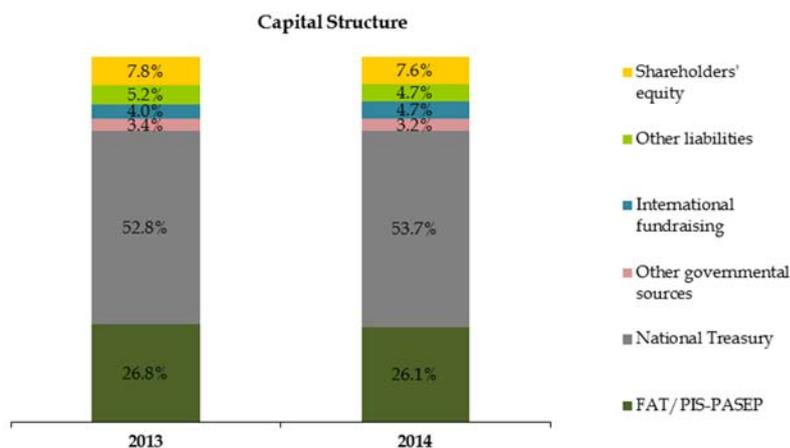
Fundraising

Among the sources of resources that comprise the BNDES' capital structure, the most prominent is the government sources, which represent a significant portion of its financing structure.

National Treasury

In 2014, within the boundaries of Law N°. 13,000/14, the National Treasury transferred R\$ 60.0 billion to the BNDES.

Since 2010, the National Treasury has been the BNDES' main creditor, accounting for 53.7% of its total liabilities on December 31, 2014. The cost of these resources is mainly linked to the long-term interest rate (TJLP).



The Workers' Assistance Fund (FAT)

The balance of the FAT's resources at the BNDES was R\$ 195.5 billion on December 31, 2014. Of this total, some R\$ 178.7 billion comprised the balance of the Constitutional FAT, and the balance of the FAT's Special Deposits represented R\$ 16.8 billion. Throughout 2014, some R\$ 22.3 billion in new resources from FAT entered the BNDES, of which R\$ 19.8 billion accounted for the Constitutional FAT, and R\$ 2.5 billion for Special Deposits.

Foreign fundraising

The balance of foreign fundraising totaled \$ 41.280 billion at the end of 2014, up R\$ 10.069 billion (32.3%) over 2013, due to:

- bond issuances: in the first issuance, in 1Q, *Eurobonds* worth R\$ 2.076 billion (€650 million) were issued, maturing in January 2019, a remuneration rate (coupon) of 3.625% per year and annual payments beginning January 2015. In the second issuance, in 2Q, *Eurobonds* worth R\$ 3.511 billion (US\$ 1.5 billion), were issued, of which US\$ 1.0 billion in form of a new security, due in 2019, and US\$ 0.5 billion for the increase in the volume of previously issued bonds maturing in 2023. The average cost of the transaction was 4.48% per year, the lowest ever paid by the BNDES for an issuance in dollars. Obligations in bond issuances totaled R\$ 22.527 billion at the end of 2014, an increase of R\$ 6.538 billion (40.9%) over 2013;
- operations with multilateral institutions: the arrival of resources totaled R\$ 1.496 billion (US\$ 596 million) in 2014, with R\$ 747 million (US\$ 300 million) from the JBIC and R\$ 749 million (US\$ 296 million) from the KfW. Loans from multilateral institutions totaled R\$ 16.356 billion in 2014, an increase of R\$ 1.839 billion (12.7%) in comparison to 2013; and
- other foreign loans: R\$ 1.143 billion (US\$ 600 million) entered in 2014, of which US\$ 500 million was from contracts with the Bank of Tokyo-Mitsubishi UFJ maturing in 2017, and US\$ 100 million with the Ab Svensk Exportkredit, maturing in 2019. The balance of other loans totaled R\$ 2.398 billion in 2014, up 240.1% over R\$ 705 million in 2013.

PIS-Pasep, FMM, FSA and FNMC

Position on December 31, 2014:

- Total assets of the PIS-Pasep Fund at the BNDES were R\$ 33.6 billion, earmarked for investment in social and economic development programs.
- The balance of resources in the Audiovisual Sectorial Fund (FSA) at the BNDES was R\$ 208.9 million. Throughout 2014, some R\$ 171.2 million in new resources came from the FSA to invest in programs aimed at specifically developing the entire production chain for audiovisual activities.

- Total resources in the National Fund for Climate Change (FNMC) were R\$ 589.4 million. Throughout 2014, some R\$ 3.6 million was received, earmarked to finance projects to mitigate and adapt to climate change.
- Total assets in the Merchant Marine Fund (FMM) at the BNDES were R\$ 15.4 billion earmarked for investment in development programs in the naval sector. Some R\$ 2.1 billion entered during 2014.
- Total resources in the Amazon Fund (FA) were R\$ 1.8 billion, earmarked to finance projects to prevent, monitor and combat deforestation, and to foster conservation and the sustainable use of forests in the Amazon Biome. Some R\$ 337.2 million entered in 2014.

Repurchase agreements

These cover the sales operations of securities with repurchase commitments, pegged to Federal Government securities (NTN-F, NTN-B, LTN and LFT). On 12/31/14, they totaled R\$ 23.083 billion, an increase of R\$ 5.069 billion (28.1%) over 2013.

Shareholders' equity

This totaled R\$ 66.276 billion in 2014, representing an increase of R\$ 5.650 billion (9.3%) compared with 2013 due to the net income of R\$ 8.594 billion in 2014 and also based on signing, with the National Treasury, of instruments eligible for Common Equity capital in the amount of R\$ 20.539 billion. The fall in the fair value of the equity investments portfolio of approximately R\$ 14.527 billion (net after taxes), the payment of complementary dividends related to the financial year 2013 amounting to R\$ 3.821 billion, and the payment of intermediary interest on shareholders' equity and dividends on income on 06/30/14, totaling R\$ 5.234 billion, have impaired growth between the fiscal periods.

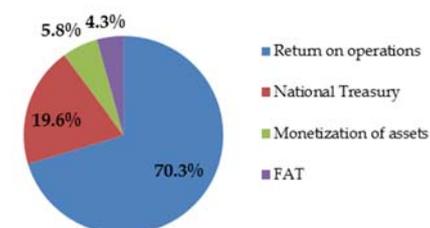
Flow of resources

The net resources used by the BNDES in 2014, some R\$ 188 billion, came from the sources listed in the chart.

The return on loan operations represented the main source of resources in 2014, contributing 70.3% to the total, highlighting the importance of the volume and the quality of the Bank's loan portfolio in financing its releases.

The second main source of resources in 2014, with 19.6%, was the National Treasury, deducted from the respective debt and the payment of dividends and taxes.

Cash flow per source of resources



The monetization of assets, with a total of 5.8% in 2014, includes the net divestment of fixed and variable-income assets.

Fundraising from the FAT, the lesser contribution among the sources (4.3%) in 2014, takes into account the servicing of the respective debt.

Information per segment

The assets and income of the BNDES per business segment were based on its activities: (i) financing (fixed income); (ii) capital market (variable income); and (iii) Treasury.

Breakdown of segments

- "Fixed Income": includes assets, revenues and costs for raising funds, basically tied to loan and onlending portfolio and the debentures portfolio ;
- "Variable Income": includes assets, revenues and costs for raising funds, tied to the variable income portfolio, comprising equity investments as well as mutual equity funds; and
- "Treasury": includes assets, revenues costs for raising funds, basically tied to the BNDES system cash and cash-equivalents.

Allocating costs for raising funds to segments follows these premises: (i) Treasury - source of resources indexed to market costs, notably the Selic rate and the IPCA; (ii) Capital Market - own equity, non-cost source, and, in a supplementary form, resources indexed to the TJLP. Financial costs are attributed to this segment only in the case when the shareholders' equity is insufficient to finance the capital market segment; and (iii) Financing - the difference between the total cost of fundraising and the value allocated to other segments.

To calculate the total net income for 2014, the other expenses of R\$ 3.2 billion and tax expenses of R\$ 5.4 billion should be deducted from the total net income per segment. It should be noted that the different portfolios are subject to different tax rates. The variable income portfolio is subject to less taxation.

R\$ million

Segment	2013				2014			
	Assets		Income		Assets		Income	
	(A)	%	(B)	%	(A)	%	(B)	%
Fixed Income ^{1/}	606,602	78.7%	10,439	66.2%	700,214	81.2%	12,934	75.0%
Variable Income	89,047	11.6%	1,170	7.4%	64,646	7.5%	1,645	9.6%
Treasury	74,924	9.7%	4,162	26.4%	97,007	11.3%	2,664	15.4%
Allocated	770,573	100.0%	15,771	100.0%	861,867	100.0%	17,243	100.0%
Non-allocated	11,471		(7,621)		15,352		(8,649)	
Total	782,044		8,150		877,219		8,594	

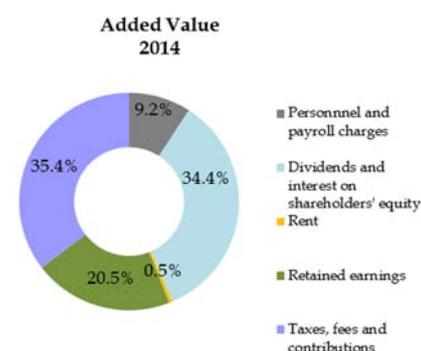
^{1/} Includes allowance for loan losses.

Statement of value added

An important indicator for assessing the social role of an institution, the statement of value added presents, according to a global vision of performance, its contribution to generating wealth for the economy in which it operates, and its effective distribution among employees, the government, financial agents and its shareholders.

The wealth generated and distributed by the BNDES during 2014 was R\$ 15.657 billion. Such performance exceeds that of 2013 by 8.5% due to higher net income.

As the Federal Government is the BNDES' sole shareholder, its participation in distributing wealth generated in 2014 was R\$ 14.111 billion, equivalent to 90.1% of the total wealth generated, against R\$ 13.054 billion in 2013 (90.5% of total wealth generated), taking into account the amounts for taxes, return on own equity and retained earnings.



VI. Risk Management and Internal Controls

Within the context of the activities conducted to help improve internal controls within the BNDES system, it is necessary to emphasize in 2014: (i) the implementation of the information system to help manage internal controls; (ii) the development of continuous monitoring for the level of service to meet internal standards; (iii) further assessment of internal controls on work processes; and (iv) the implementation of initiatives to further disseminate the culture of control within the institution

With regards to managing operational risk, the most significant features include:

- using and disseminating digital tools that support operational risk management activities and business continuity;
- expanding the scope of efforts to identify and assess operational risk in the institution's internal processes;
- developing advanced methodology to calculate operational risk; and
- defining business continuity strategies that meet the needs of the BNDES to ensure greater resilience when facing threats to the continuity of their operations, as well developing continuity plans for the respective processes.

Regarding market and liquidity risks for the year 2014, the most notable include:

- approving the Monitoring Policy for Share Risk and the Risk-Limiting Policy for the Treasury portfolio;
- establishing rules and procedures associated with pricing financial instruments, in compliance with the regulator's requirements;
- developing the Bank's own market database;
- participating in impact assessments conducted by Brazil's Central Bank, regarding new indicators for Basel III liquidity risk, as well as for prudential adjustments when pricing financial instruments implemented by the CMN Resolution N^o. 4,277;
- improving the methodology to verify and test adhesion to the internal market risk model;
- implementing a new methodology to calculate the interest risk of the banking portfolio (RBAN);
- continuously developing an integrated management model for assets and liabilities for the BNDES' long-term risk management; and
- implementing an electronic trading system to purchase new software for market risk management.

With regards to credit risk management, during 2014, efforts were aimed at:

- including revenue of operations which are equivalent to the profitability calculation for the BNDES' lines of credit and programs;
- developing managerial models to calculate economic capital for the loan portfolio, whose focus is related to individualizing recovery rates due to the many collateral packages received by the BNDES;
- consolidating the economic capital methodology for the shares portfolio, whose adhesion tests have already been conducted and whose the procedures have been validated;
- including estimates for regulatory capital related to counterparty credit risk in risk-weighted assets (RWA), as required by legislation in force; and
- improving information sent to the regulator via the Credit Information System of Brazil's Central Bank.

Risk Management in Numbers

On December 31, 2014, the BNDES presented comfortable figures for the minimum capital required by the Central Bank of Brazil: the Basel Index totaled 15.89%, above the minimum percentage required by the regulator, and the indexes of Common Equity and Tier I Equity were equal to 10.59%, in compliance with the minimum values required by the regulator.

Own resources and Basel Index (R\$ million)	Basel II			Basel III	
	2010	2011	2012	2013	2014
Reference Equity - RE	83,108	99,084	89,599	108,669	97,851
= Tier I Equity	41,770	51,849	48,633	72,446	65,234
(+) Common Equity (CE)	-	-	-	60,418	65,234
(+) Additional Equity (AE)	-	-	-	12,028	-
= Tier II Equity	41,770	48,044	41,176	36,223	32,617
(-) Deductions from RE	431	809	211	-	-
Risk-Weighted Assets (RWA)*	445,898	481,059	582,214	580,237	615,706
= Credit Risk	438,111	471,800	538,280	545,944	575,861
(+) Market Risk	860	652	27,071	23,257	28,055
(+) Operational Risk	6,928	8,607	16,863	11,036	11,790
Interest rate Risk	1,455	1,461	2,347	2,278	2,383
Basel Index/ Reference Equity Index (RE/RWA)	18.64%	20.60%	15.39%	18.73%	15.89%
Common Equity Ratio (CE/RWA)	-	-	-	10.41%	10.59%
Tier I Ratio (Tier I Equity/RWA)	-	-	-	12.49%	10.59%

*Due to the new Basel III rules, which took effect in 2013 (particularly the CMN Resolution N° 4,193/13), for comparative purposes, the amounts for RWA (Risk Weighted Assets) presented between 2010 and 2012 are the amounts of Required Reference Equity (RRE), disclosed in the Notes, divided by the 0.11 factor.

Additional information is disclosed in the Risk Management Report, available at www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Relacao_Com_Investidores/Relatorio_Gestao_Riscos/.

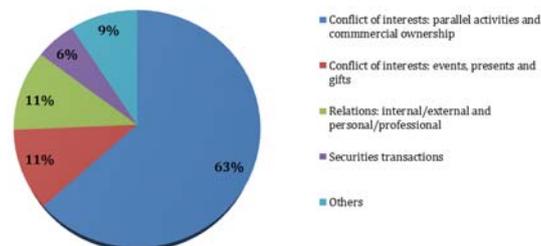
VII. Management of Ethics

Management of ethics at the BNDES is conducted by the BNDES Ethics Committee (CET/BNDES) and the Secretariat of the Ethics Committee, linked to the Presidency of the BNDES.

The Code of Ethics and the Internal Regulation of the BNDES system, as well as the external rules and standards, guide the management of ethics through educational efforts, upgrading and improving standards, as well as establishing and taking appropriate measures when the Code of Ethics is breached.

In 2014, the CET/BNDES opened 109 preliminary proceedings, of which 95 were queries or requests for authorization to conduct parallel activities, nine reports or representations, including “ex officio” analyses, and five regular consultations. All queries were answered, and reports were examined.

Breakdown of Preliminary Proceedings



In the educational sphere, among other activities, some 13 lectures were held, of which one was for the entire staff, featuring the subject "conflict of interest", and another for those participating in a human resources event held by the Brazilian Development Association (ABDE) on the premises of the BNDES. Two others were for new employees, one for the Management Committee and the other specific for certain groups of employees.

Research was conducted on the management of ethics at the BNDES, with the participation of 402 employees and whose replies will help develop the CET/BNDES' work plan for 2015. A manual featuring the Questions & Answers was published, addressing the most frequent subjects submitted by the employees so as to improve communication with employees.

We also highlight the implementation of the new electronic system for the Prevention of Conflicts of Interests (SeCI), coordinated by the CGU, in compliance with Law N^o. 12,813/2013, integrating employees, human resources, the Ethics Committee and the CGU.

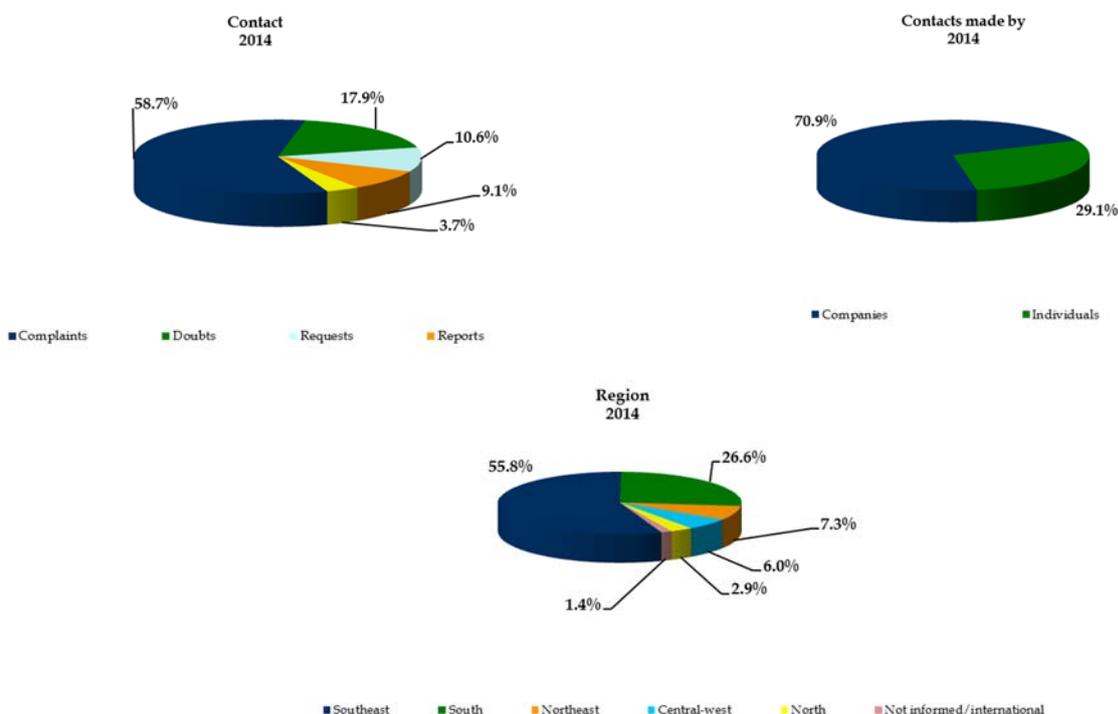
The National Forum on Ethics Management in State-owned Corporations, of which the BNDES is one of the founders and now helps coordinate, held 11 meetings and, in October, it organized the 10th Seminar on the Management of Ethics in State-owned Corporations (Ethics and Human Rights in the corporate environment).

Ombudsperson's Office

The Ombudsperson's Office provides citizens with a channel to actively participate together with the BNDES' management. When received notifications, it handles queries and responds to authors on an individual basis, seeking to promote internal reflection on the issues raised and striving to improve the institution's practices.

During 2014, the Ombudsperson's Office received and processed 1,526 queries, with support from the Bank's many divisions. This represents a 33.9% fall in comparison with the previous year.

Breakdown of Queries



VIII. External Communication

The BNDES, striving to meet society's many different needs in terms of information and those of its clients regarding its performance and the forms of financial support offered, provides several channels for contact, as listed below:

The BNDES' Call Center

The BNDES' Call Center provides external public service regarding the products and services of the BNDES system and other matters related to its operational activities.

During 2014, approximately 700,000 queries were made, of which 90% via telephone and the remainder by way of electronic messages.

On-site Attendance

Via on-site attendances, the BNDES maintains a channel for direct dialogue with customers and the general public, providing corporate guidance in their offices in Brasília, Recife, Rio de Janeiro and São Paulo.

In 2014, approximately 480 on-site attendances were conducted in the Rio de Janeiro office alone. The most common type of attendances was to provide guidance to micro and small entrepreneurs.

Institutional Lectures

The BNDES hosts delegations and groups of students from domestic and foreign educational institutions, to give institutional lectures due to the global interest in Brazil's economy and the Bank's role as one of the main players in development.

In 2014, the service team in Rio de Janeiro made 45 institutional presentations to a total audience of 1,205 visitors.

The "BNDES Closer to You" Lectures

The series of lectures entitled "BNDES Closer to You" aims to disseminate the forms of financing that best meet the needs of the micro, small and medium-sized enterprises segment.

Holding events involves partnerships with regional information offices, based on an agreement established between the BNDES and other institutions.

In 2014, some 17 lectures were held throughout 10 states and reaching a total audience of 2,157 participants.

Citizens' Information Service (SIC)

This service is responsible for handling requests for information under the Access to Information Act. It provides customer service via the following channels: on-site (in Rio de Janeiro), via telephone (0800-887-6000), mail, e-mail (sic@bndes.gov.br) or via the e-SIC System (www.acessoainformacao.gov.br/sistema/).

In 2014, the BNDES, via SIC, received 667 requests for information, all answered within the legally-established deadlines.

The BNDES' website and its presence on social networks

In 2014, the BNDES website hosted an average monthly audience of 250,000 visitors, with a slight reduction of 3.84%, compared to the previous year. This result is because of a loss of focus on the Bank, due to restrictions enforced during the electoral period (July 05 to October 26, 2014), when it is prohibited to disclose institutional information and some products, such as advertising campaigns and events.

Electoral law restrictions also impacted the Bank's channels and official profiles on online social networks, and content was reduced during said period. However, in the remaining months of the year, the online profiles continued to disseminate relevant information to society, via notes on Twitter (@bndesimprensa), presentations available on Slideshare (slideshare.net/bndes) and the BNDES channel on YouTube (youtube.com/bndesgovbr), the leading online video platform on the internet.

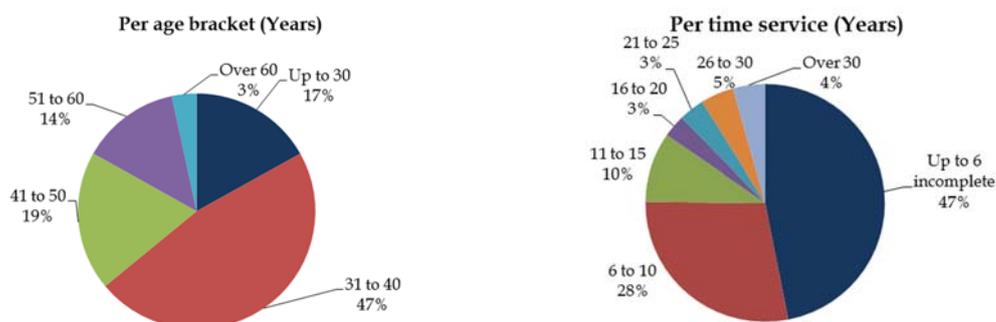
In 2014, the YouTube corporate channel achieved the milestone of more than one million video views since its launch in 2012. At the end of 2014, the channel hosted 72 videos, with the subscription of 1,221 profiles for updates, and it obtain the approval of 608 people, against only 87 rejections.

IX. Human Resources

The BNDES ended 2014 with 2,881 employees. This figure is very close to that at the end of 2013, which ended with 2,858 employees.

Historically, the BNDES has a low employee turnover rate due to its remuneration policy and its favorable working environment. Only 38 employees left during 2014.

Breakdown of employees per age and length of service



Learning and Knowledge

In 2014, the BNDES maintained its focus on personal and professional development for employees. Driven by the urgency to expand and develop skills to meet the organization's growing needs, the Bank invested approximately R\$ 17 million in training and graduate courses in Brazil and abroad, for certification and languages, involving a total of 165,141 training hours and 45 participations in graduate courses, resulting in an average of 58 hours of training per employee.

With regards to training in customized content, the growing participation of internal trainers deserves a special mention, ensuring better use of content in training for work.

Internships and the Young Apprentice Program

The BNDES Internship Program provides an opportunity for development and further training to students from several higher-level educational backgrounds. Selecting trainees is done by an integration agent, a partner in the program's management, which currently has 317 interns. The program, apart from a scholarship, also offers transport and meal allowances, as well as healthcare (medical and dental).

With a four-hour work day, the maximum period in the internship is 720 days. The final date is established either when this period ends, or when the course has been completed.

In addition to the internship program, the BNDES also promotes the Young Apprentice Program, which offers technical-professional training methodology to adolescents aimed at helping insert them into the formal job market, thereby helping reduce the main cause of youth unemployment: the lack of professional experience. Apprentices must be between 14 and 18 years of age and be enrolled in at least the 9th year of school. The maximum period a youth can take part in the program is two years.

Currently, the program maintains 33 young apprentices, distributed across diverse areas, such as the copies sector, documentation management, the library, travel division, study center, among others.

Valuing Diversity

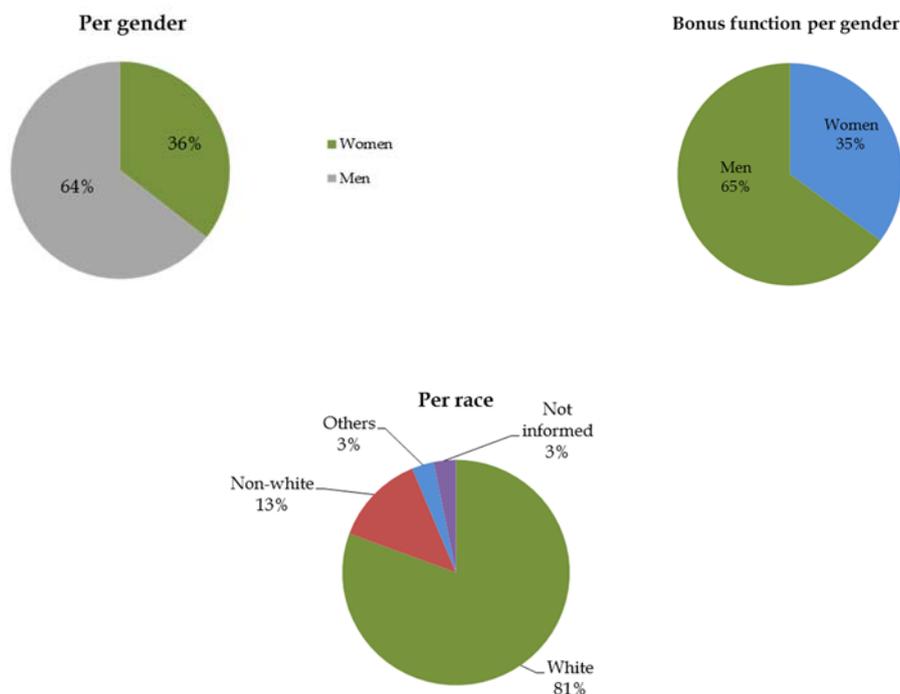
The BNDES maintains a permanent commitment to eliminating all forms of inequality and discrimination within the workplace and within the institutions that form part of its chain of relations.

This commitment aims to promote the Bank as an inclusive company and one that is able to understand and meet the needs of society. This commitment is also detailed in its mission statement, its declaration of values, as well as its Code of Ethics.

The specific efforts developed in 2014 include:

- Certification from the Ministry of Health for initiatives to promote, protect and support breastfeeding for the working woman;
- A lecture on the benefits offered by BNDES to its employees in favor of motherhood, at the XIII National Meeting on Breastfeeding, promoted by the Ministry of Health;
- Training on psychological and sexual harassment to the members of the group Pro-Gender Equity and Diversity, given by the Ombudsperson’s Office, the Ethics Committee as well as the Human Resources, Risk Management and Planning Divisions;
- A lecture on the “Including Disabled People into the Labor Market”, with the President of the State Council for the Policy on Integrating Disabled People (CEPDE/RJ) and the Federation of the Pestalozzi Associations in the state of Rio de Janeiro, for employees with disabilities and professionals from several divisions within the Bank engaged in this matter;
- Training BNDES professionals in legislation establishing racial quotas in public recruitment exams, aimed at adjusting future BNDES exams; and
- The 16-Day Activism Campaign for the End of Violence against Women, including several initiatives to promote awareness and information on the subject, aimed at employees in the BNDES’ service provider companies, with an emphasis on dialogue with young people acting as messengers.

Distribution of Personnel



X. Rating

Rating Agency	Foreign Currency - Long Term		Local Currency - Long Term	
	Global Scale Issuer Rating	Outlook	Global Scale Issuer Rating	Outlook
Moody's	Baa2	Negative	Baa2	Negative
S&P	BBB-	Stable	BBB +	Stable

XI. BACEN Circular N^o. 3.068/2001

The BNDES declares to have the financial capacity and the intention to hold until maturity the securities classified as "Held to Maturity", in the amount of R\$ 6.724 billion, representing 6.3% of the total securities, net after allowances for losses, on December 31, 2014.

XII. Acknowledgment

We thank our employees for their dedication and talent, which enable us to achieve consistent results; we also thank our clients, who motivate us in our continuous quest to develop our services; and the market, for its vital support and trust.