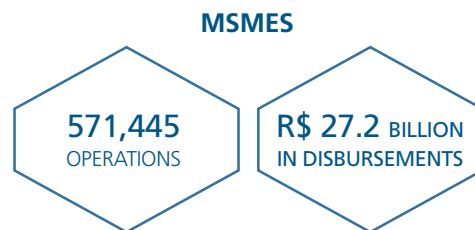
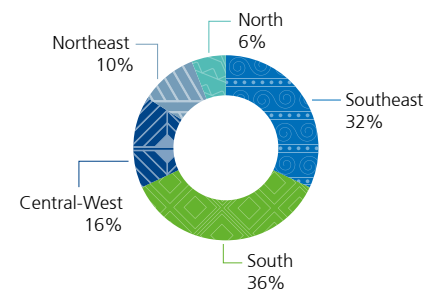


MSME

We designed an action plan to simplify, expedite and amplify credit access to micro, small and medium-sized enterprises (MSME), aiming to help the resumption of economic growth, maintenance and generation of employment and income.



REGION DISTRIBUTION PER DISBURSEMENT



We launched BNDES Agro for the farming sector, the Bank's first application developed for smartphones and tablets. The system publishes information on financing conditions, simulates credit operations more appropriate to the rural producer's needs, allows one to calculate financing installments and to send emails, besides having a calendar with the main businesses fairs of the segment. The next plan for the application is to amplify its scope, enabling the consultation of operations already registered with BNDES.

The operations with cooperatives from the agro-industrial complex deserve to be highlighted. Around 70% of these cooperatives' members are micro and small rural producers, who find greater power in this form

of organization in negotiating prices when acquiring inputs and selling products, besides an easier access to credit and technical assistance. Thus, we indirectly contribute to generate jobs in the field, producing food (including with higher added value), increasing exports and generating foreign currencies, strengthening family farming and improving the life conditions of rural producers.

Another highlight of the year was the financing of working capital through BNDES PROGEREN, which had its budget increased to R\$ 10 billion and term extended to December 31st, 2017. Focused on the MSMEs, the line of credit registered 87% of its approval for this group of companies.

In an attempt to increase the automation of credit granting processes of automatic indirect operations and thus reduce the approval terms, contracting and releasing resources, we performed better rationalization and **simplification of lines and programs**, mainly for MSMEs.

Moreover, we advanced regarding actions for launching a relationship environment on our website, exclusive for micro, small and medium-sized entrepreneurs. Through this tool, entrepreneurs will be able to identify the credit lines available for the purpose desired, simulate financing, obtain the result of previous consultations of certificates required by federal legislation, indicate the financial agents of their preference and quickly submit their requests for financing.

We still are developing a new integrated technology platform, searching for automating most part of contracting, reducing costs of transaction and attributing greater reliability to processes.

By the end of 2018 the goal is to reduce the average terms of internal processes from thirty to up to two working days.

Learn more in the section
Our strategy

Learn more in the section
The Brazilian development bank

In order to gain a better client view and to add more transparency to the market, we amplified the forums with **financial agents**, in which we divulged the performance of the credit lines and the actions in progress, as well as collecting suggestions for improvement and market perceptions in relation to the processes.

In 2016, we approved the extension of the limit for a company's classification as MSMEs from R\$ 90 million to R\$ 300 million, based on the gross operational revenue. This change reflects a new BNDES' concept of classification of companies according to size, in line with standards used by financial agents and the General Law of Micro and Small Companies (Law 155/2016). Thus, in 2017, approximately 1,500 companies will have better financing options.

In addition, to serve this public, we have worked on the structuring of financing operations with the participation of anchor companies, which, by establishing networks or strategic alliances with MSMEs can help mitigate one of the typical constraints for smaller companies' growth: the access to long-term credit.

BNDES Card

At the end of 2016 the **BNDES Card** totaled a disbursement of R\$ 5.6 billion in 422,268 operations. In order to expand the automation and give more agility to the card operation, in 2016 we concluded an important action of integrating with the database of the Internal Revenue Service. This solution allows obtaining reliable register data for CNPJs (Corporate Taxpayer Identification Number) and CPFs (Individual Taxpayer Identification Numbers); register updating of users with Federal Revenue's data from the CPF; automatic periodic updating of companies' data with

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Federal Revenue's data from CNPJ and direct presentation of the Federal Revenue's information on consultation screens and analysis of manufacturers' accreditation.

BNDES FGI

In 2016, we reached the mark of 30,000 operations guaranteed by the Investment Guarantee Fund (BNDES FGI), which has been consolidating itself as an important financial inclusion instrument for MSMEs, totaling more than R\$ 5.7 billion in guaranteed financing.

From the second semester, BNDES FGI started offering greater percentage of coverage in financing operations performed in the scope of the lines of accredited financial institutions, besides introducing an option of guarantee for operations directed exclusively to working capital, in addition to the guarantee for operations of investment, which was already subject to contracting.

We also highlight the continuity of BNDES FGI's onlending operations focused on innovation. In 2016, the program BNDES Innovative MSME had 61% of its contracting made available with support from guarantee.

MICROCREDIT

In order to expand distribution channels and expedite financial support granting, at the end of 2016 we began reviewing our instrument of support for formal and informal microentrepreneurs, generally without access to credit in the traditional financial system. Support is given indirectly through agents that transfer resources to the microentrepreneur.

Since 2005, we disbursed more than R\$ 1 billion for the segment, with a multiplier effect amounting to R\$ 4.5 billion. The resources allowed performing 1.3 million operations. In 2016 alone we

supported some 250,000 individuals and micro and small companies through the BNDES Microcredit.

INFRASTRUCTURE

In 2016, we disbursed R\$ 25.9 billion for infrastructure projects. Advances in this sector promote the improvement of the quality of life of the population, integrate regions and increase the competitiveness and productivity of companies in all economic activities.

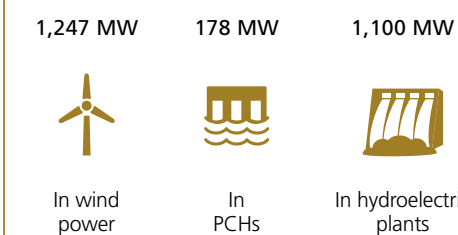
In addition to operating in the sector through financial support, we also conducted the process of concessions and other forms of privatization of assets in the sector, in the scope of the **Investment Partnership Program (PPI)** structuring projects aimed at attracting private partnership, offering technical support, identifying opportunities and conducting all the activities involved.

Energy

Last year, we approved 22 projects to support the generation, transmission and distribution of energy, with emphasis on the **Sinop hydroelectric plant (MT) and Santa Mônica wind power complex (CE)**.

The investments in renewable electricity generation in 2016 totaled 2,525 MW. Moreover, we approved credits for new transmission projects, representing 3,000 km of lines added to the system.

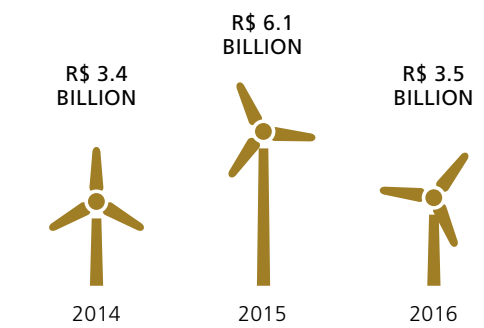
INVESTMENT IN GENERATION OF RENEWABLE ELECTRIC ENERGY (2016)



This capacity will serve
6.3 MILLION HOUSEHOLDS

Learn more in the section
Making a difference

SERIES OF DISBURSEMENTS TO WIND POWER



Since 2005, we have supported a number of wind power projects with capacity of 10,240 MW, serving 21.3 million households. In ten years the wind power source has reached the mark of 9,800 MW in expansion of capacity installed, surpassing the small hydroelectric plants (PCH) and approaching the capacity of generation by biomass.

In the second semester, we reformulated our **operational policies**, including specific orientations for the electricity sector. The best financing conditions were allocated to energy efficiency and solar projects, with up to 80% participation in the eligible items with costs in **TJLP**, and projects for alternative sources of energy, with up to 70% participation in **TJLP**. Since 2014, when we started promoting the solar energy sector, we have collaborated to the success of contracting 2,652 MW of power in auctions, by divulging specific conditions of support for the sector, which can be requested later by the winners.

The changes applied to our operational policies contribute to Brazil's compliance with the voluntary marks for reducing greenhouse gas emissions and expanding alternative renewable sources announced at the 21st Conference of the Parties (COP 21) in Paris, and ratified by the country last year in **Marrakesh**.

Learn more in the section
Socio-environmental responsibility

Learn more in the section
The Brazilian development bank - Structuring of projects

Learn more in the section
Our strategy

Besides, in 2016 we incentivized greater use of debentures in the financing for energy projects. Of the projects approved last year, 16 provide for the issuance of debentures, with guarantees shared between the debenture holders and us. The issue enables an additional leverage of 10% on average, thus creating a complementarity between our long-term financing and the funding of the capital market, through debentures of infrastructure.

Concessions in the sector

CELG

In November 2016, the privatization auction of Celg Distribuição, an electric power company operating in the state of Goiás, was conducted. The shareholder control of the distributor was sold to Italy's Enel Brasil S.A. for R\$ 2.2 billion, 28% of premium over the stipulated minimum price of R\$ 1.70 billion.

BID NOTICE FOR CONTRACTING OF STUDIES

Also in November we published the bid notice for contracting economic and financial valuation services needed for sale of the controlling interest of Eletrobras' six electric power distributors. In addition to the evaluation itself, the bid notice includes sales modeling, legal, accounting, technical-operational, and other specialized professional services.

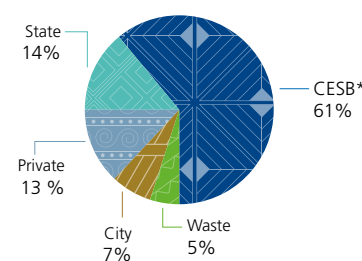
SECOND PHASE OF THE TRANSMISSION AUCTION 13/2015

We collaborated directly with the Brazilian Electricity Regulatory Agency (ANEEL) for the success of the new electric power transmission concessions. We have made an evaluation of the impact of the financing conditions offered by us in determining prices and reference revenues for the auctions. Because of this initiative, ANEEL determined new reference revenues to provide

greater viability and attractiveness for investors. Thus, in the second stage of the Transmission Auction 13/2015, 21 out of the 24 auctions of concession of transmission lines succeeded. In total, 6,126 km were tendered with an average discount of 12.07% and associated investments of R\$ 11.6 billion. This result indicates the resumption of confidence in the energy transmission segment, with the return of former investors and the emergence of new ones.

Sanitation

In 2016, regarding the area of sanitation, we disbursed R\$ 700 million in different projects, focusing on interventions that directly influence the quality of life of the Brazilian population. These resources were distributed as follows:



*CESB: basic sanitation state companies.

It is worth mentioning the approval of R\$ 158.5 million in financing, as form acquisition of debentures, supporting the investment plan that will allow the expansion of networks and implementation of land connections in water supply and sewage systems in the municipalities of the metropolitan region of Belo Horizonte and the countryside of the state of Minas Gerais, with an expected impact on more than 1 million of users.

Public-private partnership for sanitation projects

We sought to develop projects of partnerships with the private initiative for granting investments in water supply and sanitary sewage, which will bring the country closer

to the objective of universalizing these services at a faster pace.

The program of state concessions of the sanitation sector is a priority agenda, with potential positive impacts on health, quality of life, school and work productivity, recovery of water bodies, tourism, economic activity, and generation of employment.

We will act as project office of the state governments, contracting advisory firms to diagnose the sanitation situation in the Federation's units, conduct technical studies and propose appropriate modeling for each case. Up to the end of the year, 17 states had shown interest.

In November we published the notice of technical and legal pre-qualification for the qualification of specialized consultants interested in elaborating technical studies of structuring sanitation projects. Qualified companies will be able to compete in the bidding processes for contracting technical studies in each state adhering to the program.

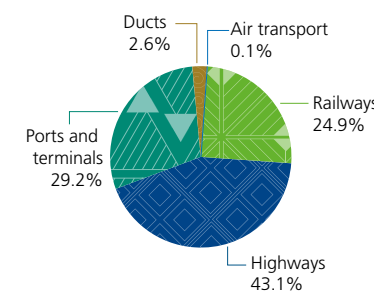
Urban mobility and logistics

The need for investments in new alternatives of high capacity collective transportation has been reflected on more favorable financial conditions offered to the segment. In 2016, our **support for urban mobility projects** had Rio de Janeiro as highlight, due to the Olympics; Salvador, with support for Bahia's subway and São Paulo, especially with the continuity of support for the subway works.

Equally relevant is the equation of the Brazilian transport matrix and the increase of efficiency, the main objectives for the country's long-term logistics. We promoted actions that stimulate a more intensive use of modalities of lower unit cost (rail and waterway), as well as the development of logistics service providers for greater efficiency of operations.

Learn more in the section
Making a difference

Our disbursements in logistics and transportation in 2016 were R\$ 3.25 billion, distributed according to the chart:



The largest portion was in the road sector, segment in which there was great launch of projects under the Federal Government's Logistics Investment Program (PIL). In total, we approved the financing for construction of 5,177 km of roads.

Throughout the year we continued to support projects for road concessions integrating the national territory, located in the countryside, outside the traditional South-Southeast and coast axis. They are works for improving, recovering, conserving and duplicating roads, aimed at offering greater safety and fluidity to drivers, passengers, and pedestrians.

The second in participation was the sector of ports and terminals, with support for 20 projects of implementation and/or capacity expansion. This sector encompasses support for waterway transport as well as logistics operators. The highlight was the start of operations of the **Hidrovias do Brasil S.A.** project in Pará. The railroad sector, which receives our support in more than 21,000 km of extension, had a participation of 24.9% in the disbursements of the year.

INDUSTRY

The political and economic uncertainties continued to affect the performance of the Brazilian

Know the project in the section
Making a difference

industry in 2016. In spite of the unfavorable scenario, we had relevant initiatives to promote the sector.

Within this context, at the end of the year we made the refinancing of installments due from operations that counted on resources equalization by the National Treasury available, with emphasis on those contracted under the Investment Maintenance Program (BNDES PSI). The expansion of the scope of the program is in discussion in order to cover overdue installments as well.

In 2016, we signed an important cooperation agreement with the National Confederation of Industry (CNI), seeking to increase the access of companies (especially micro, small and medium-sized enterprises) to our financing lines and promote investments that increase productivity, sustainability and competitiveness of the Brazilian industry.

Technology

Recognizing that the growth of the Internet of Things (IoT) will bring challenges to the Brazilian productive chain, we approved the preparation of an independent technical study to make a diagnosis and propose public policies related to the theme. The objective is to allow Brazilian companies to enjoy the opportunities offered by this new trend, while remaining competitive. The study will be used as input for the National IoT Plan, an initiative that will be launched by the Ministry of Science, Technology, Innovation and Communications (MCTIC). On December 12, 2016, president Maria Silvia and minister Gilberto Kassab signed a Technical Cooperation Agreement between BNDES and MCTIC to build a strategic agenda for the country on IoT.

We also supported two important investments in digital infrastructure in the country: the construction of 400 new mobile towers in several regions

of Brazil to improve the coverage and quality of telecommunications services (Project of T4U Brasil Ltda.), and the implementation of more than 10,000 km of fiber optic in the semi-arid Northeastern region, giving access to broadband Internet to more than 30,000 households (project of Brisanel).

Economy of culture and tourism

The strengthening of productive chains intensive in knowledge is considered strategic due to the benefits related to the training of a skilled workforce and generation of intellectual property (IP); thus, companies of the cultural economy are part of our scope of operation. In this line, in 2016 the first financing earmarked for a company in the electronic gaming segment was approved, an industry that has high growth potential, intense Brazilian IP generation and strong insertion capacity into the international market. The project consists of a plan for developing multi-platform digital games, as well as corporate and marketing investments, of Aquiris Games Studio S.A., a small company installed at the Tecnopuc technological park, in Porto Alegre (RS).

Still regarding **support of the economy of culture**, in order to seek new funding and increase the governance of productive chains, we encouraged the formation of endowments, as it is already done in other countries. Endowments are based on own resources and managed as the investments funds available in the financial market, within the legal rules, which require good management and governance practices. Their return is used by the institution for its maintenance and development of projects with objectives in line with the strategies

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Socio-environmental responsibility

of each institution. Considering the potential of such instrument, in 2016 we sponsored the Endowments Forum, a technical event that gathered representatives from the financial market, governments, public equipment managers and scholars to discuss how Brazil can explore the use of long-term equity funds for the cultural area.

Finally, it is worth mentioning our support for the hotel sector of Rio de Janeiro aiming to expand the offer of rooms for the Olympics 2016.

The projects represented investments of R\$ 2.2 billion, of which R\$ 754 million were financed by us, resulting in an increase of 1,836 new housing units in the city.

Farming

In 2016, we consolidated ourselves as the main financier for investing in rural credit in Brazil, with emphasis on the sectors of agricultural machinery and implements, sustainable agriculture, rural production cooperatives and support for family agriculture.

Still in 2016, we approved the support for a project in partnership with EMBRAPA, aimed at the technological development needed for the sustained growth of the aquaculture sector, whose use is restricted due to the lack of a well-structured productive chain, despite all the natural potentialities of the country.

Primary industry

In partnership with Finep and the National Institute of Industrial Property (INPI), we launched two stimulating plans for the primary industries segment: the Chemical Industry Innovation and Development Plan (PADIQ), which aims to promote innovation projects in this segment, in

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Socio-environmental responsibility

which Brazil presents clear competitive advantages and the Development, Sustainability and Innovation Plan for the Mining and Mineral Transformation Sector – **Inova Mineral**.

In the oil and gas sector, we promoted the production of submarine equipment, stimulating the absorption of new technologies for the country, and contributed to improve policies to stimulate the local suppliers' chain in the scope of the Program to Encourage Productive Chain Competitiveness, Development and Improvement of Suppliers of the Oil and Natural Gas Sector (PEDEFOR). We can also highlight the support for the naval sector, through the transfer of funds from the Merchant Marine Fund (FMM) to projects of development and construction of vessels.

Biofuels

In the biofuels segment, our support allowed Brazil to assume the world leadership in the technology of **second-generation ethanol (E2G)**. Through the Program for Supporting Industrial Technological Innovation in the Sugar-based Energy and Chemical Sectors (PAISS), launched in 2011, we supported the implementation of plants of E2G production from bagasse and sugar cane straw. In 2016, after overcoming several obstacles inherent in a technological innovation, two of the plants supported started producing ethanol continuously for the first time.

EXPORTS

The disbursements of our lines of **support for exports** in 2016 more than doubled in relation to the previous year, reaching US\$ 4.1 billion. The financing

operations for exports of capital goods were the main highlight, corresponding to 80% release. Our support accounted for 11% of total exports of capital goods in Brazil.

During the year, we disbursed US\$ 2.6 billion in pre-shipment operations and US\$ 1.5 billion in post-shipment operations. Every year, amortizations and interest of financing in post-shipment represent a stable source of foreign exchange currencies for Brazil. In 2016 alone, US\$ 2.1 billion in payments were received for this type of operation.

In line with the strategic guidelines for amplifying access to credit and qualified insertion of domestic companies in foreign trade, in 2016, the BNDES Exim Automatic line supported a larger number of Brazilian exporters, expanded its network of partner banks abroad (11 new institutions started operating it) and simplified its operational process. The average amount of financing in the period was US\$ 600,000, half of the historical average, which indicates its increasing capillarity. The main sectors supported were agricultural machinery and implements, buses, trucks, industrial and construction machinery.

Among highlighted projects is the support for exports of Alstom's hydromechanical equipment with operations contracted amounting to US\$ 111.4 million. This equipment will be manufactured in Brazil and used for the construction of the Ituango Hydroelectric Plant, located in the Colombian department of Antioquia.

We also continued our support for Embraer's exports to SkyWest by contracting two new financing operations in the amount of up to US\$ 1.5 billion, corresponding to up to sixty E175 aircraft, for

deliveries between March 2016 and December 2017. This number of aircraft represents approximately 35% of Embraer's expected production for the period.

It is also worth mentioning the Innovative Trading Award we were given as recognition for the first operation of financing for exports of aircraft in on-lending modality, performed with The Export-Import Bank of China.

Support for engineering services

The involvement of client companies in the Operation Car Wash culminated in a Parliamentary Inquiry Commission in 2015-2016 and in a number of audit and investigation procedures regarding our exports support operations by control agencies, such as the Ministry of Transparency, Supervision and Office of the Federal Comptroller General of the Union (CGU), the Federal Court of Accounts (TCU), in addition to the Public Ministry and Federal Courts.

Despite the absence of any involvement of the Bank in illicit transactions in the scope of these investigations, we reevaluated the active portfolio of post-shipment operations of exports of engineering goods and services, comprised of 47 projects in several processing stages, of which 25 contracted parties had disbursements temporarily suspended in May 2016.

We also improved the process of granting of financing, defining new criteria, taking into account consultations with the Office of the General Counsel for the Federal Government (AGU) and other bodies of the official export support system, as well as the recommendations made by the TCU in the scope of its audits. One of the advances was to make the formal

ratification of exporters and debtors mandatory by means of signing a compliance term, of fulfilling the purpose of the application of the resources financed by the Bank.

Finally, in December we held a seminar with partnership between the Brazilian Trade and Investment Promotion Agency (APEX-Brasil) and the Brazilian Association of Engineering Consultants (ABCE) to discuss a medium-term plan to finance the exports of engineering consultancy services by Brazilian companies.

CAPITAL MARKET

One of our strategic priorities has been to contribute to improve the corporate governance of Brazilian companies. In this sense, last year we renewed the technical cooperation agreement with the Brazilian Institute of Corporate Governance (IBGC), besides, in partnership with BM&FBovespa, performing the Novo Mercado (New Market) reform.

Another measure to stimulate advances in corporate governance was the creation of a BNDES nominations policy regarding advisory and fiscal councils of companies in which BNDESPAR holds equity interest. Among the most relevant changes is the nomination of independent directors to be BNDES' representatives.

Conciliating two other strategic priorities – the emphasis on alternative energies and the fostering of capital market – we approved the creation of the Sustainable Energy Fund, aiming to invest in encouraged debentures for infrastructure projects, assets primarily related to the low-carbon economy.

This fund will be stimulated, assuring exemption for individual investors and will count on a

Learn more about our operation
in variable income in the section
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maximum BNDESPAR participation of 50% as shareholder. It is the first partner of the Climate Bonds Initiative in Brazil, a non-profit initiative that seeks to promote the creation of financial instruments to support solutions for the climate change issue. Thus, we hope to contribute to form a green securities market in Brazil, increasing the investor basis and increasing the liquidity of the infrastructure securities.

Internally, we developed a methodology for monitoring and evaluating the efficacy and effectiveness of the results of variable income, which will be used in further investments.

We also approved an internal resolution to establish new rules to monitor participations, in accordance with the TCU's and CGU's recommendations, in order to assure greater transparency and operational efficiency and demonstrate operation effectiveness and efficacy. This standard is also in compliance with **Law 13,303/2016**, internalizing the standards set forth by it and allowing the registration of monitoring already carried out by our teams.

Lastly, another important fact was the publication of broad information about our investments in variable income – encompassing the 2007-2016 period on our **website** Transparency page.

We made interactive charts and tables showing invested companies, investment year, asset type, sector, objective of the operation, description and amount disbursed available. We also published the list of assets that integrated the portfolio at the end of each year, with percentages of participation in companies and funds invested and the amounts of debentures in portfolio.

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Governance, control and transparency

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Governance, control and transparency

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Our relationships