

## CHALLENGES

The year 2016 was marked by many challenges, mainly due to the continuity of the economic crisis combined with political and fiscal crises; change in economic policy orientation; reduction in investment levels; and the increase of the credit risk.

One of the strategic objectives drawn internally for 2016 was the expansion of access to credit, especially for smaller companies. With the economic-financial deterioration of Brazilian companies and the growing banking concentration, it was necessary to seek new solutions to pursue this objective without affecting the quality of our credit portfolio.

The decline in economic activity and increased risk aversion by financial agents led to a decline in the performance of some of our main programs and automated lines directed to smaller companies.

In this context, we started looking for new models that will bring us closer to our final clients, especially MSMEs. For this purpose we structured a digital action plan with deliveries up to 2018, such as the use of alternative distribution channels, which can expand our capillarity; an environment on the website earmarked for micro, small and medium-sized entrepreneurs and automatic approval of indirect operations. Besides this, we worked to simplify, standardize and improve the treatment of this segment, seeking to strengthen it, understanding its importance for the resumption of economic growth and the maintenance and generation of employment and income. We are also studying ways to reduce deadlines for direct operations, with a goal of 50% of approvals occurring up to 180 days.

In mid-2016, we launched an incentive instrument for the

revitalization of productive assets intended to support the transfer of productive assets, held by companies in economic-financial crisis, to healthy companies. In response to financial difficulties faced by national companies the initiative seeks to stimulate economic activity and companies' social function, preserving jobs and generating income.

Seeking to stimulate the participation of other sources of financing in infrastructure projects, since September 2016, we have not granted bridge-loans anymore. For the energy, railroad and airport sectors we launched new support conditions, incorporating important governance criteria. The sanitation and urban mobility areas were also affected due to the scenario of fiscal restriction of municipalities, states and Union. Seeking to contribute to this agenda, we became responsible for conducting the concession process and other forms of privatization of PPI assets. Seventeen states showed an interest in participating in the area of sanitation. This action is being extended to gas and public lighting concessionaires.

Our mission of assuring Brazilian exporters support compatible with that existing in the international market also faced challenges in 2016.

The involvement of clients in the Operation Car Wash culminated in the installation of a Parliamentary Inquiry Commission (CPI), completed in 2016, and in several auditing and investigation procedures by the supervisory body. Even without any evidence of illegal involvement we reevaluated our active portfolio of post-shipment operations related to the exports of engineering goods and services, based on determinations

and recommendations from the investigations and audits.

In this sense, we highlight the improvement of the analysis of the financing process granting, encompassing aspects of the project beyond the national content exported and financed, such as the impact on the national supply chain, especially on micro, small and medium-sized enterprises and the structure of their budget, involving assessment of the adequacy of the cost, equation of other sources of resources and socio-environmental aspects.

In addition, our support for exports also started being subject to new compliance measures directed to exporters and importers, such as the requirement to sign a specific commitment term for each operation, which provides additional mechanisms for control and punishment.

Here it is worth mentioning the emphasis on improving our processes and policies. Our efforts to adapt the conditions of financing contracting to the current country context and the fulfillment of our institutional mission were not restricted to our support for export operations. Thus, contractual clauses were reviewed to include both compliance and socio-environmental aspects. Regarding another aspect, we also sought greater approximation and dialogue with control bodies and sectoral entities.

Finally, we made efforts to improve the process of monitoring results coming from our financial support and dissemination of these techniques to our personnel, which will allow us to improve the evaluation of our performance and our rendering of accounts to society and other interested parties.

## VISION FOR THE FUTURE

In the face of current challenging economic, political, social and environmental contexts, we reaffirm our **commitment to development**, seeking to stimulate and support the growth of a diversified, integrated, dynamic, inclusive, sustainable and competitive production structure.

Moreover, in the first half of 2017, we will hold a seminar in partnership with the World Bank, with the presence of several development banks to discuss the role of institutions such as ours, in stable economies. This event will be the starting point of a participatory process for constructing a 2018-2023 Business Plan and a broad strategic reflection regarding the 2030 horizon.

In a more immediate vision, in 2016 we established some priority areas for our work in the 2017-2018 biannual period.

As already explained in the change made in our operational policies, our TJLP resources will be allocated to projects with greater social rather than private returns, privileging the project themselves rather than the industry in our analysis.

Socio-environmental development will be our cross-cutting guideline, reflecting our commitment to highly effective projects that combine economic, social and environmental impact and sustainability. We will focus more directly on alternative energies, environmental protection, health and education.

We will assume other roles besides that of long-term financier, providing guarantees, structuring operations in the capital market and coordinating processes of privatization. In this sense, the expansion of the scope of the Investment Guarantee Fund

(BNDES FGI) is under analysis, with more potential beneficiaries and alteration of the limits of exemption from requirement of real counter-guarantees.

We will continue our work to expand access to credit focusing on increasing the competitiveness of micro, small and medium-sized enterprises, and on economic and social inclusion through microcredit. For this purpose, in 2016 we began studies and articulations for structuring new distribution channels. We also started developing and implementing changes in the internal concession processes in order to expedite and facilitate the dialogue with our clients, seeking a drastic reduction in the deadline for the Bank's projects and automating processes. An exclusive environment is also under development on our website for micro, small and medium-sized enterprises that will facilitate the access and the processing of this audience's requests. These actions are part of a digital agenda, with deliveries expected through 2018. Other important steps are the expansion of the BNDES Card for individuals and the revision of BNDES Finame accreditation rules.

Another focus that remains a priority due to its characteristics of great externality and impact on increasing the country's competitiveness and productivity is our support for infrastructure, especially sanitation and transportation projects. In addition to the financial support, we will assist the states and municipalities in articulating and structuring projects and we will conduct the process of concessions and other forms of privatization of

assets of the Federal Government's Investment Partnership Program (PPI).

As far as industry and services are concerned, we will focus on initiatives aimed at increasing productivity and competitiveness, helping to integrate Brazilian companies into global value chains. Operations such as the Inova Mineral plan, associated with the formation of innovative environments will be encouraged by us, and we will strengthen our support for developing and disseminating technologies and capabilities. An example is the hiring of a study on the Internet of Things (IoT), which will be used as input for the National IoT Plan.

We will continue to seek to develop and strengthen the market as a source of capital access as well as the promotion of good practices of corporate governance, compliance and socio-environmental responsibility. For this purpose, we developed new products for financing infrastructure, such as the Sustainable Energy Fund and the use of green bonds, which contribute to mitigate market failures, such as low liquidity and high concentration in individual investors. We also structured the first Brazilian venture debt fund to support innovative small and medium-sized companies with high growth potential. Finally, acting in the induction of national sustainable development, we will seek to recover the strength of our role as thinkers, formulators and influencers of development policies.

After a year of transition, with changes of direction in the economy and revision of internal processes, we will be able to perceive the results achieved from 2017 onwards with greater intensity.