

CHALLENGES AND VISION FOR THE FUTURE

Since its inception in 1952, BNDES has been a true agent of transformation, financing projects and enabling ventures for the development of Brazil. For more than six decades, the Bank has played a significant role in the country's economic, social and environmental development in several segments: infrastructure, production structure, social and regional development, sustainability, innovation, capital market development, among others. During this period, Brazil faced many challenges and advanced in many aspects.

In recent years, our economy has faced a long and deep recession and Brazilian GDP has returned to the level observed in 2010. This context led to a circumstantial decline in the demand for BNDES funds, largely reflecting an overall reduction of investments in the economy. At the same time, profound changes are occurring in the environment in which BNDES operates. These changes range from financial conditions to more structural issues. These include: (i) the convergence between BNDES rates and market rates; (ii) a decrease in the availability of public funding; (iii) ongoing changes in the banking sector, based on new technologies; (iv) new challenges for the Brazilian economy, such as population aging, which aggravates the need to increase productivity; (v) the sustainability agenda; (vi) disruptive technological advances with broad consequences, including on employment, which demand education and professional qualification initiatives. All of these issues present relevant challenges, while creating opportunities and requiring a repositioning of BNDES in various fields.

Looking ahead, the future imposes changes and challenges on us. The world economy becomes ever more knowledge-driven, and the importance of the management of intangibles, innovations and sustainable development are ever greater. The advancement of communication technologies and the convergence of the real world and virtual reality – driven by the progress of the Internet of Things and Big Data – is transforming traditional industrial processes. To act in this new scenario, we need new strategies and models.

In addition, it is fundamental to not only position ourselves to carry out effective and beneficial actions for the country, but also to record such actions, with transparency and accountability, constructing new measures to assess their effectiveness and developing a new approach to communication and institutional relationships.

In this context, in 2017 we began a broad process of strategic planning and reflection that included conducting various internal and external evaluations, a review of our identity and the development of a medium-term plan (2018-2023) and long-term guidelines (2030).

In this broad process of identity review, we (re)affirm that it is our purpose: "To transform the lives of generations of Brazilians, promoting sustainable development." We recognize our mission as "to facilitate financial solutions that contribute to investments for the sustainable development of the Brazilian nation." Our vision for the country is: "making Brazil a developed country by

2035," aiming in this process (vision – institutional perspective) to be recognized as Brazil's development Bank due to its relevance and effectiveness.

The implementation of our new strategy presupposes the consolidation of a new management model, which includes the evaluation of the current structure, allocation of human resources and forms of governance, for example, to define new models and initiatives, changes in processes, and construction of new skills.

The recent changes in funding and resource availability, coupled with the prospects for a resumption of the Brazilian economy, point in the near future to a greater need for market funding and a securitization of exposures. There will also be a need to develop new financial instruments that have greater capacity to leverage resources, such as the provision of guarantees, and a renewed pricing approach. It will also be fundamental to review internal processes that allow us to increase our agility in the granting of financing, in a simplification effort.

The increase of the MSMEs' participation in our portfolio, the consolidation of digital channels as a basis for the evolution of our business and a more intensive action in the capital market (for example, by increasing the participation in funds for innovation financing) are some of the guidelines set out in the scope of strategic planning.

We need the rise of investments and innovation to reduce regional and social inequalities, develop social and urban infrastructure, and sustain consistent productivity increases to ensure the

competitiveness of the Brazilian economy. We need to promote Brazilian exports, especially of high added-value goods and services, counting on the international integration of the Brazilian economy and promoting socioenvironmental sustainability. We need to devote more attention to micro, small and medium-sized enterprises and to ensure greater access to credit, so that we can scale up businesses and renew the Brazilian business landscape. We need to

contribute to projects that can reduce poverty in Brazil and inequalities in all its forms. Among other initiatives, we underscore the development of a new approach for regional insertion, drawing up action plans that consider the opportunities and vulnerabilities of each region and consolidating regional business visions.

None of this can be done without strengthening our financial and risk management model, pursuing greater efficiency, modernity and cost reduction.

To help achieve these goals, we have structured 12 corporate projects for 2018.

The definition of our new strategy is, however, only the starting point. More than ever, it will be imperative to count on the commitment of all Brazilians and various institutions, so that together we can shape not only the future of the BNDES but the future of the country, keeping alive the achievable dream of making Brazil into a developed nation.

12 CORPORATE PROJECTS

