OPERATIONAL PERFORMANCE

In 2018, we disbursed R$ 69.3 billion, and there was a 2% decrease in disbursements in comparison with the previous year. This performance is a result of the slow resumption of economic activity.

Even in this retraction scenario, we continue operating to fulfill the financing needs of the Brazilian economy, mainly in the segments where there is greater restriction of credit access.

Support for MSMEs must be highlighted. In 2018, this segment had its largest participation in our total disbursement, reaching 45%. Medium-sized companies alone accounted for 23%.

There was a 13% increase in infrastructure disbursements. In total, 44% of the annual disbursement was allocated to the sector.

SERIES OF TOTAL DISBURSEMENTS (R$ billion)

ALLOCATION OF RESOURCES (DISBURSEMENT AND NUMBER OF OPERATIONS) PER STRATEGIC GUIDELINE

TRANSVERSAL GUIDELINES

<table>
<thead>
<tr>
<th>GUIDELINE</th>
<th>Amount disbursed</th>
<th>Number of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>🕐 INNOVATION</td>
<td>R$ 1.9 BILLION</td>
<td>1,323</td>
</tr>
<tr>
<td>💲 CAPITAL MARKET</td>
<td>R$ 695 MILLION</td>
<td>41</td>
</tr>
<tr>
<td>🍃 SUSTAINABILITY</td>
<td>R$ 17 BILLION</td>
<td>10,464</td>
</tr>
<tr>
<td>🇧🇷 REGIONAL DEVELOPMENT</td>
<td>R$ 18 BILLION</td>
<td>55,944</td>
</tr>
</tbody>
</table>

MSMES 🎨

45% of participation in total disbursements

NEW CLIENTS 🎨

50,000 (approximate number of clients who did not receive funds between 2013 and 2017)

INFRASTRUCTURE 🌞

13% of increase in disbursements
**R$ 69.3 BILLION**

DISBURSED IN

**1,507 DIRECT OPERATIONS**

**INDIRECT OPERATIONS**

**R$ 11.9 BILLION**

GREEN ECONOMY

**R$ 7.2 BILLION**

SOCIAL DEVELOPMENT

**1,507 DIRECT OPERATIONS**

**306,773 INDIRECT OPERATIONS**

**152,887 CLIENTS**

(including individuals and corporate entities)

*Comprise all operations with disbursement in 2018, including those contracted in previous years.

**DISTRIBUTION PER CLIENT SIZE**

- **55% LARGE**
- **23% MEDIUM-SIZED**
- **13% SMALL-SIZED**
- **9% MICRO**

**DISTRIBUTION OF DISBURSEMENTS PER REGION**

- **5% NORTH**
- **14% CENTRAL-WEST**
- **38% SOUTHEAST**
- **26% SOUTH**
- **17% NORTHEAST**

**MICRO**: companies with annual operational gross revenue smaller than or equal to R$ 360,000.

**SMALL-SIZED**: companies with annual operational gross revenue between R$ 360,000 and R$ 4.8 million.

**MEDIUM-SIZED**: companies with annual operational gross revenue between R$ 4.8 million and R$ 300 million.

**LARGE**: companies with annual operational gross revenue above R$ 300 million.

Learn more in the section Our performance > Sustainability (pages 46 and 47)
RESULT

Our net profit reached R$ 6.711 billion in 2018, an increase of 8.5% in relation to the net profit of R$ 6.183 billion registered in 2017. This increase was mainly due to the higher result from corporate stakes and the reduction in expenses with provisions for credit risk, despite a decrease in results from financial intermediation.

RESULTS FROM CORPORATE STAKES

Revenue from dividends and interest on own equity, results from equity equivalence, divestiture of corporate shares, derivatives and equity investment funds, impairment and other incomes mainly from the BNDESPAR portfolio.

The result of corporate stakes in 2018 was positive in R$ 9.857 billion, revealing growth with the gain of R$ 5.130 billion in 2017, and it was mainly due to the 67.91% increase in the result of divestiture of investments and 169.97% in the result of dividends and interest on own capital.

FINANCIAL INTERMEDIATION RESULTS

Results of application of resources in credit portfolios, onlendings and securities, and from cash and cash equivalents.

The reduction of 17.6% in results from financial intermediation in 2018 is due to a reduction in the average return on the securities portfolio and decline in the average credit and onlending operations portfolio, reflecting the maintenance of a scenario of reduced demand for disbursements.

PROVISION FOR CREDIT RISK

Constitution of a provision for credit risk according to criteria established by CVM Resolution 2,682/1999. When additional risks are identified, a supplementary provision to the minimum required by the resolution is constituted.

The decrease of 12.0% in provisions for credit risk in 2018 is basically due to the reduction in the supplementary provision, with a reversal of R$ 475 million.

ASSETS

TOTAL ASSETS

(R$ billion)

CREDIT PORTFOLIO AND ONLENDINGS

It comprises direct financing granted by BNDES, designated credit operations, or indirectly, through an accredited financial institution, called onlending operations, net of provision for credit risk.

The reduction of 9.3% in the net portfolio in 2018 was influenced by liquidations of operations, which exceeded disbursements by R$ 91.478 billion.

PORTFOLIO PER TYPE OF OPERATION (2018)

PORTFOLIO PER SECTOR (2018)
Our default rate reached 2.95% (90 days) on December 31, 2018, an increase compared to 2017 (2.08%) and slightly higher than the default of 2.87% registered by the SFN. Disregarding operations with full guarantee from the Union, our default rate would be 1.67%, which would be lower than the SFN index. The renegotiation index reached 4.43% of the credit portfolio and onlendings in 2018, higher than the 3.62% registered in 2017.

**CORPORATE STAKES**

The corporate stakes portfolio comprises investments in affiliated and nonaffiliated companies, performed through direct investment in public offering or private issuance, or through capital contribution by the National Treasury in the early 1980s and in 2009, and equity investment funds managed by market managers selected through a rigorous process.

The increase of 18.0% in 2018 reflects the appreciation of the equity portfolio in nonaffiliated companies, influenced mainly by Petrobras’s, Suzano’s and Vale’s shares.

**FINANCIAL AVAILABILITIES**

Financial investments made to preserve the value of funds not yet disbursed. The investments in repo operations, backed by Federal Government securities, accounted for 99.0% of the balance sheet on 12.31.2018.

The reduction of 25.8% in 2018 mainly reflected the advance payments of debt with the National Treasury (R$ 130.169 billion) and with the PIS-Pasep Fund (R$ 8.785 billion).

**OTHER ASSETS**

They basically comprise tax credits of Eletrobras/Itaipu, accounting for 76.7% of the balance sheet on 12.31.2018, and receivables from the National Treasury.

There was no relevant variation between fiscal years.
### LIABILITIES AND NET EQUITY

#### OWN CAPITAL INDEX (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.6</td>
<td>3.4</td>
<td>6.7</td>
<td>7.8</td>
<td>11.0</td>
</tr>
</tbody>
</table>

#### NATIONAL TREASURY

Includes onlending operations and instruments eligible to core capital.

The 26.2% reduction in 2018 is due to the advance payment of R$ 130.1 billion of debts, partially offset by the appropriation of interest and monetary restatement. In 2018, there was no funding from the National Treasury.

Considering the early liquidations carried out since 2015, the returns to the National Treasury totaled R$ 308.987 billion at the end of 2018.

#### NET EQUITY

The 26.6% growth in 2018 reflects the effects of the positive equity adjustment of securities and bonds, which reached R$ 11.603 billion in the year, and the net profit of R$ 6.711 billion in the year.

In 2018, there was increase of R$ 2.350 billion in capital stock through the full incorporation of the reserve for capital increase.

#### FUNDRAISING ABROAD

Includes issuance of bonds, green bonds, loans from multilateral institutions and other loans.

In 2018, the highlight was the fundraising from multilateral institutions such as the New Development Bank (NDB) and the IDB.

#### FAT AND PIS-Pasep

Since 1988, the PIS-Pasep Fund has received no further resources, which are now allocated to the Workers’ Assistance Fund (FAT).

Of the total FAT collection, 40% is secured to BNDES by the Brazilian Federal Constitution. The cost is mainly pegged to TJLP and TLP, or to the London Interbank Offered Rate (Libor), plus dollar variation.

In 2018, R$ 18.048 billion of new resources came from the FAT, a volume 10.5% higher than in 2017, all these funds being of constitutional source.

#### OTHER LIABILITIES

The resources from the Merchant Marine Fund (FMM), the FGTS and the FGTS Investment Fund (Fi-FGTS) accounted for 32.7% of the balance sheet of other liabilities on 12.31.2018. In addition, R$ 5 billion is made up of funding in the domestic market, such as debentures, Financial Letters and Agribusiness Letters of Credit.

The increase of 20.0% in 2018 is mainly due to the increase of R$ 2.867 billion in the balance of obligations with repo operations and R$ 5.196 billion in the provision for deferred income tax.

#### REMUNERATION TO NATIONAL TREASURY (dividends and interest on capital)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>99</td>
<td>81</td>
<td>60</td>
<td>60</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>

In accordance with the Dividend Policy approved in 2017, the payment of dividends and interest on capital to the National Treasury is limited to 60% of the distributable net profit.

#### CASH FLOW, PER SOURCE OF RESOURCES (2018)

![Cash flow chart]

- Return on operations: 64.0%
- Net inflow coming from the treasury portfolio: 18.0%
- FAT portfolio: 5.0%
- Inflows coming from the variable income portfolio: 3.0%
- Fundraising (in the country and abroad): 7.0%
- Other inflows: 3.0%
**OUR PERFORMANCE**

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Total Asset (ROA)</td>
<td>1.03%</td>
<td>0.67%</td>
<td>0.71%</td>
<td>0.72%</td>
<td>0.83%</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>21.18%</td>
<td>15.37%</td>
<td>14.78%</td>
<td>12.97%</td>
<td>12.80%</td>
</tr>
<tr>
<td>Coverage rate (provision/defaulted loans)*</td>
<td>36.11</td>
<td>10.87</td>
<td>0.74</td>
<td>1.07</td>
<td>1.48</td>
</tr>
<tr>
<td>Provision/Credit portfolio and onlendings</td>
<td>0.49%</td>
<td>0.67%</td>
<td>2.08%</td>
<td>2.27%</td>
<td>4.39%</td>
</tr>
<tr>
<td>AA-C credit rate</td>
<td>99.73%</td>
<td>99.36%</td>
<td>96.40%</td>
<td>95.80%</td>
<td>94.70%</td>
</tr>
</tbody>
</table>

* Default: from 30 days late.

**REGULATORY CAPITAL**

**INFORMATION PER SEGMENT (2018)**

The methodology for the preparation of the results per business segment was revised in 2018, mainly in relation to the allocation of funding costs based on Asset Liability Management (ALM). In this context, we present the segment information for the year ended December 31, 2018, in accordance with the new methodology.

For more information, see the BNDES System’s consolidated financial statements.

**GENERATED AND DISTRIBUTED WEALTH (2018)**

An important indicator in assessing the social role, the Added Value Demonstration presents, according to a global vision of performance, the company’s contributions to generating wealth for the economy in which it operates, and its effective distribution to employees, the government, financial agents and their shareholders.

The wealth generated and distributed by BNDES in 2018 was of R$14.967 billion, 19.2% higher than the amount generated in 2017, caused by the increase in the result with divestiture and due to the reduction in expenses with losses in investments and provision for credit risk.

Learn more at: www.bndes.gov.br/Financial_Information/
Next, we present our performance related to actions carried out in each of our strategic guidelines.

**INFRASTRUCTURE**

We are committed to improving Brazilians’ quality of life, therefore, investing in infrastructure is our priority. In addition to improving people’s lives by allowing, for example, energy to reach their homes or sewage systems in their cities, the sector also has a direct influence on the integration of the country's regions and on the competitiveness and productivity of companies.

There are four priority areas for action: electricity generation, sanitation, urban mobility and railroads. They were selected for their high impact on the country’s development and for the possibility of BNDES being highly competitive.

Our support for infrastructure can be provided through financing, corporate stakes and project debenture acquisition. We also assist federal, state and municipal governments in structuring privatization projects.

In 2018, our support for infrastructure projects exceeded R$ 30.4 billion.

**ENVIRONMENTAL SANITATION**

In the environmental sanitation sector, we support the universalization of the Brazilian population’s access to potable water supply and sewage treatment services. We also act in relation to the main environmental, social and economic issues arising from the inadequate management of solid urban waste.

The importance we gave to the theme was reflected in a 51.6% increase in our disbursements to the sector in 2018, which reached the value of more than R$ 1 billion, benefiting both public service providers, at the state and municipal levels, and private ones. The total value of operations approved and contracted in the year also showed significant growth compared to 2017, of 202% and 272%, respectively.

In 2018, we supported, for example, the seventh issuance of debentures of Companhia de Saneamento do Paraná (Sanepar), in the total amount of R$ 239.6 million, with the objective of financing part of works of the network expansion, collection system and sewage connections. The investments will benefit a population of more than 411,000 inhabitants – 248,000 with access to the sewage network, and 163,000 to the water network – contemplating a set of 84 municipalities in the state of Paraná.

In addition, we approved financing for the expansion project of the sewage treatment service in the Vitória (ES) metropolitan region and in the countryside of the state, expected to benefit 720,000 people, and for the implementation of the Solid Waste Treatment Center in the Municipality of Guapó (GO), composed of a landfill and an industrial landfill, expected to serve approximately 2.1 million inhabitants of the region.

**URBAN MOBILITY**

The urban mobility sector faces a deficit of investments, which is evident in the long travel times observed in the main Brazilian cities. To minimize these issues, we finance projects aimed at improving passenger transportation by modernizing infrastructure and increasing capacity and transportation alternatives.

Our disbursements for mobility in 2018 totaled R$ 1.2 billion. The year was marked by the completion of important projects, such as the Salvador and Lauro de Freitas subway system, which had its last station (Airport) inaugurated. As a result, it now has 20 stations, covering 32 km and connection with eight bus terminals. The system currently serves about 340,000 passengers per business day.

In Rio de Janeiro, the construction of the VLT Carioca on Marechal Floriano Avenue, the stretch that makes up the third line of the system and which is due to come on stream in 2019, was also completed in 2018. The first two lines transport an average of 80,000 people per business day.

The two systems were co-financed by German development bank KfW through a contract with BNDES in the amount of R$ 1 billion. Based on a jointly developed tool, it was possible to evaluate that only in 2018 the projects avoided the emission of 39 tons of CO₂ – six tons for the use of the VLT and 33 tons for Bahia's subway.

In collaboration with KfW and the former Ministry of Cities, in 2018 we launched the Collective Public Transport Guide (TPC Guide), which aims to guide technicians and public managers in the process of selecting technologies and implementing public transportation systems.

Another project with important deliveries in 2018 was São Paulo city's subway. Six new stations of Line 5 were inaugurated, and only one of the 17 planned stations (Campo Belo station) is yet to be completed. The line has connection with Line 9 of CPTM and lines 1 and 2 of the subway, serving an average of 388,000 passengers per business day.
LOGISTICS AND TRANSPORTATION

In logistics, we have worked to increase the participation in the national transportation matrix of railway, waterway and duct modalities, which are more energy and environmental efficient. This transformation can be driven by a series of measures, such as the expansion of infrastructure assets in these sectors, the interconnection of railway networks, the treatment of logistics bottlenecks, and the improvement of access conditions to these modalities.

There was disbursement of R$ 11.9 billion for the sector, with R$ 10.8 billion for logistics and R$ 1.1 billion for passenger transportation, which includes interstate and international transportation and freightage, among others.

Sustainable logistics

We seek to strengthen sustainable logistics by promoting the replacement of trucks in the transportation of agricultural bulk, fuel and containers. The investments contribute to the reduction of emissions of greenhouse gases, greater energy efficiency and reduction of transportation operational costs. Two projects approved in 2018 deserve to be highlighted:

Grupo Rumo

In the railway sector, our financing for the investment plan of Grupo Rumo, which controls Malha Norte, Malha Paulista, Malha Sul and Malha Oeste railway concessionaires, aims to contribute to improving quality standards for the permanent route and for the supply expansion through construction of new railway yards, railway duplication, acquisition of new locomotives and wagons, among other initiatives.

Investments in the railway, which are already in progress, have been increasing the capacity of transportation of agricultural bulk, mainly between the Central-West region and the Port of Santos. In the comparison between 2018 and 2017, Grupo Rumo had a 15.8% increase in its North operation (Malha Norte, Malha Paulista and Port of Santos) and a 5.4% reduction in the South operation (Malha Sul and Malha Oeste).

Highways

In 2018, we approved financing of R$ 3.64 billion for the Via Paulista highway concessionaire, for execution of an investment plan that includes duplication of 275 km of highways, implementation of 47 km of roadside and 68 km of bikeways, among other services. The project includes stretches of the Rodovia dos Calçados, which crosses 35 municipalities in the state of São Paulo, home to about 2.4 million people. This highway has great regional importance, connecting the southwest with the northeast of the state, and it is used for runoff of the agricultural and industrial production of these regions.

Airports

In addition to land transport modalities, in 2018 we disbursed R$ 713.7 million for airports. We approved two new projects for the modernization and expansion of the national airport infrastructure – airports of Porto Alegre (eight million passengers/year) and Florianópolis (four million passengers/year) – with results expected in 2019.

Jericoacoara Airport (CE)

The new passenger terminal of the Jericoacoara Airport (CE) was inaugurated in 2018, which received our financing and now receives regular flights from Congonhas (SP), Viracopos (SP), Guarulhos (SP) and Confins (MG).
The presence of alternative renewable sources is increasing in our activities. Since 2016, we have focused our support on natural gas renewable and thermal energy, given the country’s commitments to reducing emissions. In the last five years, our disbursements for renewable energy and energy efficiency exceeded R$ 34 billion, contributing to the realization of wind, biomass and solar energy, besides small hydropower projects.

In 2018 alone, our disbursement for energy projects totaled more than R$ 15 billion. Throughout the year, we approved new generation projects that, when ready, will result in a potential of 2,838 MW of electric power, enough to meet the demand of more than seven million homes. For transmission projects, we approved financing that represents an increase of approximately 5,991 km of lines to the National Integrated System (SIN).

**Natural gas thermoelectric plant**

The implementation of a natural gas thermoelectric plant in Port of Açu, in São João da Barra (RJ), project structured along with Euler Hermes, a German export credit agency, and the German KfW IPEX-Bank, and co-financed by the International Finance Corporation (IFC), expects to generate enough energy to supply more than 2.7 million households in a region with high electric demand. The project will also contribute to the development of the local economy, to the diversification of the energy matrix and to energy security during periods of low rainfall.

**Xingu Power Transmitter**

In the transmission segment, the great highlight in 2018 was our support for the implementation of the Xingu-Rio Terminal line, which represents the second bipole for transmission of the energy generated by the Belo Monte Hydroelectric Power Plant. With a total length of 2,534.6 km, the line connects the Xingu converter station, in Pará, with the Rio Terminal station in Rio de Janeiro, transmitting ultra high-voltage direct current energy.

The project includes investments of R$ 8.5 billion, and R$ 5.2 billion of this amount will be financed by us. The first bipole, which connects the substations of Xingu (PA) and Estreito (MG), with 2,092 km of extension, also had BNDES financing and started commercial operation in December 2017.

**Support for energy efficiency and renewable energy**

Contributing to the National Policy on Climate Change and to the Brazilian goal related to the Paris Agreement, we launched two new subprograms. The first of them, under the Climate Fund scope, focuses on the acquisition of machines and equipment with higher levels of energy efficiency or which contribute to the reduction of greenhouse gas emissions. The second, under the BNDES Finame scope, finances solar and wind energy generation systems, as well as solar collectors and heaters. Both are open to individuals and micro and small-sized businesses (such as condominiums, for example).
Free market of energy

As of April 2018, we started providing financing for electricity projects from the Free Contracting Environment (ACL). This new model provides for the application of a long-term price for noncontracted amounts of energy.

Since the financing of projects in this environment is still scarce and predominantly short-term, we decided, in a pioneering way, to estimate and disseminate to the market a long-term reference price threshold, called PLD Support, which was defined in 2018 as R$ 90/MWh.

This amount is now applied to any amount of noncontracted energy during the whole operational horizon of the generators (up to 30 years of grant), allowing the evaluation of cash flow in the long term and the credit sizing with compatible payment term.

Energy generation from urban solid waste

Since 2017, we have been in dialogue with the Ministry of Mines and Energy (MME), the former Ministry of Cities (current Ministry of Regional Development), the Energy Research Office (EPE) and other institutions in order to evaluate institutional and financial alternatives to promote projects from urban solid waste (USW).

A first step was the issuance of an MME ordinance in 2018, with reference values for the contracting of several alternative energy sources. Among them, the energy from USW was referenced with the highest value.

In addition, we promoted in July the workshop Generation of Electric Energy from Urban Solid Waste, gathering landfill managers, government representatives, energy companies and technology developers to discuss hindrances, benefits, technologies and opportunities for Brazil. The main conclusion of the event was the need for an institutional mechanism to contract waste energy in order to ensure the investors a long-term contracting of the generated energy.

TELECOMMUNICATIONS

During the year, we sought to get even closer to the small providers of telecommunication services, such as Brisanet, which offers broadband service in the state of Ceará. In addition to the approval of new financing for the company, we began the process of granting credit to several others in the segment.

We have also raised funds from the Fund for the Technological Development of Telecommunications (Funttel) to finance research, development and innovation projects of systems and equipment manufacturers and telecommunications.
operators. The resources can also be used to acquire equipment developed in the country and innovative solution for internet of things (IoT).

**INVESTMENTS IN INFRASTRUCTURE**

**Debentures of infrastructure**

We operate as an investor in public offerings in the fixed-income corporate bond market – with emphasis on project incentive debentures.

In 2018, we can highlight the José Maria de Macedo Power Transmitter (JMM) issuance, in the amount of R$ 395 million, of which we subscribed to 32% of the issued debentures (R$ 126.4 million), which have a maturity of 18 years from the date of issuance. The project provides for the implementation of five transmission lines between the central region of Bahia and the southwest of Piauí, in addition to the sectioning of a transmission line and the expansion of two substations.

**Credit Funds in infrastructure**

Also in 2018, we approved the possibility of supporting a credit fund in infrastructure, aimed at developing this market, expanding its access to other forms of financing, and attracting other investors.

We supported the acquisition of infrastructure debentures in 2018 through subscription to investment funds focused on sustainable energy projects. This was the case of the subscription of R$ 217 million in quotas of FIDC Vinci Energia Sustentável, which has the renewable energy sector as its priority, and the approval of the investment of R$ 50 million in FIDC BNP Paribas CAFAM Infraestrutura I, which is still in the phase of fundraising and will have operations in the infrastructure sector.

**Investment Fund in Receivables**

We carried out a process to select a manager to structure an Investment Fund in Receivables (FIDC), directed to securitizing part of our project debenture portfolio to market investors. The process was attended by eight managers, and JGP Asset Management ranked first.

FIDC will give qualified investors the opportunity to invest in assets with tax benefits, professional management, diversified portfolio of high credit quality, and liquidity in the negotiation of quotas. For us, this initiative will bring as benefits the release of assets for investment in projects at more challenging stages.

The future FIDC Infrastructure Debentures will have equity of approximately R$ 500 million and should have at least 85% of its assets acquired from our portfolio.

**PRODUCTIVE STRUCTURE**

Our objective in supporting the Brazilian productive structure is to transform traditional business models, inserting the country into the global and knowledge economy. Our priority areas of action in this guideline are agribusiness, pharmaceutical industry and health industry, information and technology, creative economy and defense and aeronautics.

**INDUSTRIAL PLAN**

This plan, elaborated in 2017 by our industry analysts, maps visions for the future regarding the main Brazilian industrial sectors, and points out ways both for our performance and for other public institutions’ performance. The results of this diagnosis were consolidated in a study that received honorable mention in the ABDE-BID 2018 Award.

**INNOVATION AND TECHNOLOGY**

Financing contracted directly in the year for the creative economy and information technology (IT) areas totaled more than R$ 930 million, distributed among 23 projects. Of this total, 18 were initiatives of small and medium-sized enterprises.

**Creative economy**

In 2018, nine projects were directly contracted, including initiatives to develop nine seasons of animation series, two seasons of fiction series and five feature films, as well as the construction of 25 new movie theaters in Brazil’s countryside.

**IT**

In 2018, we approved 14 projects in this area. As a market leader in retail software in Brazil, Linx was one of the listed companies and received our support for investments in research and development, training, marketing and trading, as well as social investments.

**AGRIBUSINESS AND BIOFUELS**

**Agribusiness**

Historically, agribusiness is one of the sectors that receives most of our support. In 2018, our disbursements for the activity totaled more than R$ 20 billion, accounting for almost 30% of the total disbursed in the year. Most disbursements were targeted at small and micro-sized entrepreneurs (about 51%).

Seeking to stimulate exports of products such as milk and tilapia meat, which, despite having relevant production in the country, still have timid participation abroad, we conducted studies in partnership with Embrapa. These studies also involved the main players in the productive sector and government representatives.

Access at: https://web.bndes.gov.br/bib/jspui/handle/1408/15703

Read more at: www.bndes.gov.br/exportacoes-leite and www.bndes.gov.br/tilapia
Our support for UP! Licensing is part of the consolidation strategy of the Brazilian audiovisual industry, which aims to make companies more competitive, including in the foreign market.

The company is part of a group that sells products in more than 2,000 points of sale throughout Brazil and that owns the property rights of the personages of “Bubu and the Owls.” Based on an inverse logic, the company decided to develop an animation series after the success of the characters in the retail market, which is currently broadcast by Disney Channel and TV Cultura in Brazil, and Disney Junior and Playkids in Latin American countries.

The project had our financial support for the business plan, contributing to maintain qualified professionals in the region of the state of Santa Catarina.

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The project had our financial support for the business plan, contributing to maintain qualified professionals in the region of the state of Santa Catarina.

Productive inclusion

- **Rural credit**
  - We operate in rural credit with funds from several of the Federal Government’s agricultural programs, including Pronaf. In 2018, under these programs, credit operations in the amount of approximately R$ 16.2 billion were contracted, directly or through accredited financial institutions.

- **InovaSocial Program**
  - As a result of a partnership with Embrapa, the program is aimed at supporting territorial projects for the generation and diffusion of knowledge and technologies and strengthening networks of family farmers in goat and sheep breeding chains and agroeological seeds, in the semi-arid region of the Northeast and in the states of Goiás and in Rio Grande do Sul. In 2018, five projects were approved, which will be implemented over the next three years.

- **Ecoforte Program**
  - In 2018, two public selection processes launched by the Banco do Brasil Foundation (FBB) were finalized, in partnership with BNDES, under the scope of the Ecoforte Program. Twenty-eight nonprofit entities were authorized to invest in projects of networks of agroecology, extractive activities and organic production in the five regions of the country, with funds from the BNDES Social Fund, Amazon Fund and FBB.

- **Cooperatives of family farmers**
  - In August 2018, we launched, together with the state of Espírito Santo, a public call to support projects aimed at production, agro-industrialization, processing and marketing of projects of associations and cooperatives of family farmers, in order to qualify their productive structure. We also launched a public call in partnership with the National Union of Cooperatives for Family Farming and Solidarity Economy (Unicafes) to select projects with the objective of promoting the reduction of social inequalities, socio-productive inclusion and territorial development.

- **Cisterns in the northeastern semi-arid region**
  - In 2018, 5,356 water cisterns used for food production and animal breeding were installed in the Brazilian northeastern semi-arid region. The project provides for the implementation of 6,821 social technologies in 68 municipalities in the region, distributed through nine states, and includes training of families for water management for agroeological food production and the diagnosis of their agroecosystems.

Biofuels

In 2018, our agenda for the biofuel sector was approved by two unpublished projects in Brazil for the exploitation of biogas from agro-industrial waste, both with Climate Fund resources. The first is the construction of the world’s largest agro-industrial biogas plant in the municipality of Guariba (SP), and the second is the industrial scale validation of biogas purification technology in biomethane, to be used in the replacement of diesel in the truck fleet and tractors.

One of the main advantages of biogas is its negative carbon footprint. This is because not only is it low-emission but it also mitigates the pollution that would be caused by the very waste used as its raw material. Thus, the methane that would go into nature, polluting the soil and the atmosphere, becomes a source of energy.

**PRIMARY AND EXTRACTION INDUSTRY**

We have worked to coordinate initiatives and support projects on new materials in the chemical, mining and metals, and paper and pulp industries, which are the main suppliers of industrial inputs with a high potential for economic dynamism.

In this context, we continue to support RD&I activities through Inova Mineral and...
the Chemical Industry Development and Innovation Plan (Padiq). In 2018, we contracted, for example, a project to develop the process of obtaining rare-earth permanent magnets (didymium-iron-boron), used in wind power generation and in motors for electric vehicles, and a project to develop a new route to obtain carbon fibers based on renewable sources.

**Primary industry under discussion**

In 2018, two articles published in the journal BNDES Setorial brought discussions about the basic industry sector, addressing topics such as the Brazilian bioeconomy and the potential for diversification of the national chemical industry.

In addition, at the end of October, we held the seminar “Mining Rights in Financing Guarantees,” with the objective of approaching strategic partners and presenting experiences and challenges from different perspectives.

**CONSUMER GOODS**

Based on the experience with anchor companies, we have consolidated a standardization that will allow us to carry out new operations aimed at the densification of productive chains drawn by retailers and franchisers.

**LUNELLI**

With our financing, the Lunelli Group, which operates in the textile sector, was able to invest in fashion research, development and prototyping of products and actions to strengthen its brands. The investments were strategic for the group to increase its participation in the market in a moment of low performance of the textile sector in general.

In addition, the resources allowed expansion of the production facility located in the city of Maracanaú (CE), guaranteeing the opening of 178 new jobs in the factory and allowing the reengineering of the unit’s processes and the expansion of the built area in 5,000 m², destined to logistic activities.

**CAPITAL GOODS (BK)**

Support for the companies’ working capital in the segment was important to ensure the continuity of capital goods production, especially made-to-order products, and totaled R$ 73.8 million in 2018, even in an adverse environment.

**Finame Direct**

Approved in mid-2018, the product is in pilot phase. It is a line for the acquisition, commercialization or production of BKs, with reduced terms and more competitive spreads, without transfer bank intermediation.

**ELECTRIC VEHICLES**

In 2018, we contracted two operations to support electric vehicle recharge network projects, in a total amount of R$ 6.7 million. The initiatives, selected through a public call launched in 2016, will receive nonreimbursable funds from BNDES Funtec. They will also have financial support from Embrapii, under a cooperation agreement signed with BNDES in 2017.

The two projects are aimed at developing models of slow (eight to 16 hours), semi-fast (two to four hours) and fast (up to one hour) recharge station models that can be installed in residences, shopping malls, parking lots, petrol stations and highways.
Our Performance

Exports

For Brazilian companies, exports represent a source of demand and income alternatives to domestic activity, also providing gains in productivity and competitiveness. This is because competition in the international market is fiercer and requires the exporter to meet the importers’ specificities and requirements, through more efficient processes and competitive prices. In addition to generating quality jobs, income and foreign currency, the economy also benefits from these gains in productivity and from the supply of higher quality goods and services in the country.

In 2018, we disbursed R$ 4.2 billion for exports, with R$ 3.9 billion in the modality of post-shipment financing for the marketing of products and services, and R$ 267 million in pre-shipment operations to finance production of goods and services. The United States was the main recipient of these exports, and the main sector financed was aircraft manufacturing.

Strategy

The International Insertion corporate project discussed ways to expand incentives to export goods and services and increase Brazil’s relevance in the international agenda.

For this purpose, we reviewed BNDES Exim Automatic pre-shipment and post-shipment modalities, the latter with more than 50% participation of MSMEs, and started their respective digitalization processes, in order to make the approval of their operations more agile and widespread among Brazilian exporters.

Exports of Brazilian goods

In 2018, we approved 146 operations in the amount of US$ 95.1 million and released US$ 60.6 million for the sale of Brazilian goods abroad through foreign banks, within the scope of the BNDES Exim Automatic line.

We financed 46 commercial aircrafts delivered by Embraer in 2018

At the end of 2018, our portfolio consisted of operations of 74 Brazilian capital good exporters from various industrial sectors. More than half of the new operations included companies that had not yet operated with BNDES Exim Automatic and almost 60% of the total exporters supported were MSMEs.

We adjusted the standard of the line to act in a direct way, seeking to enable operations of lower value, besides giving more agility to the process.

Changes in BNDES Exim Pre-shipment in 2018

We changed the financial conditions of BNDES Exim Pre-shipment to make it more competitive. Among these changes, we highlight the extension of the financing term to up to four years and the possibility of dollar-based cost financing. With the change, we approved 18 operations, with a total value of US$ 169 million to support Brazilian exports in 2018.

Commercial aircraft exports

In 2018, 46 out of the 90 commercial aircrafts delivered by Embraer were financed by BNDES, totaling US$ 966 million, which leveraged US$ 1.5 billion in exports of the aeronautics sector. The funding was allocated to four airlines in three countries: USA, Norway and the Republic of Belarus.

Aerospace and defense

In 2018, we published two articles on the aeronautics and defense industry sector. The first addressed the implications for Brazil of Airbus/Bombardier versus Boeing/Embraer partnerships. The second evaluated the different sources of financing for commercial aircrafts and the important role played by the various export credit agencies, especially in times of credit restriction.

MSMEs

Our financing for MSMEs continued to grow, reaching R$ 31 billion in the year, representing 45% of total disbursements, a new record in relation to the segment’s participation in our operations.

Digitalization strategy

The Digitalization corporate project aimed at two main objectives: to improve the client experience and to facilitate access to financing solutions. Some of the initiatives followed by the project are the development of digital channels for clients’ relations, the digitalization of internal processes to ensure more agile response to clients, and the implementation of intelligence in the monitoring of the development activity, among others.

BNDES Card

In 2018, 129,341 transactions were performed with 40,810 BNDES Card clients. Product innovations in the year include:

- introduction of a new modality of accreditation aimed at the regulation of large wholesalers and retailers, which exempts the previous accreditation of the items, transferring to the shopkeepers the responsibility for ensuring compliance with the national manufacturing rules;
- financing of software development services, which includes the development of corporate websites, virtual stores, and made-to-order systems and applications; and
- permission to finance the construction or renovation of turnkey projects – completion of all stages of the project by a single contractor – exclusively for the franchise segment.
BNDES Giro

In 2018, we approved working capital operations in all Brazilian states, through more than 30 accredited financial agents. Approximately 13,000 credit operations were contracted in this modality in the year.

Microcredit

In 2018, we adjusted BNDES Microcredit line to the rules of the National Program of Oriented Productive Microcredit (PNMPO), which allows us to be even more integrated with a public policy that, in addition to providing resources to lower-income microentrepreneurs, offers technical support for carrying out the activities of the projects.

Our disbursements for financial agents in 2018 totaled more than R$ 114 million, and the active operations in our microcredit portfolio benefited more than 122,000 microentrepreneurs, with more than R$ 958 million in resources.

Fintechs

In January 2018, we launched a public consultation to test fintech solutions that could be integrated into the MSME Channel and help in the challenge of credit democratization. A total of 20 fintechs carried out concept tests in the areas of financial education, credit analysis, matching of financial solutions and reverse auctions of credit for financing, which generated inputs for the elaboration of the regulation for the accreditation of fintechs of education and financial management, published in November on our website.

In July, we launched another initiative with the intention of stimulating this market: the BNDES Fintech Challenge, which sought solutions to improve small business access to the credit market. A total of 34 companies participated in the challenge and the top three received cash prizes.

Increase in the limit of BNDES Automatic

In order to increase the credit available through transfer banks, in response to a larger number of clients, we approved a change in the financing of investment projects – BNDES Automatic – to change its limit from R$ 20 million to R$ 150 million per beneficiary for each period of 12 months.

EDUCATION, HEALTH AND SAFETY

The social agenda is extremely relevant for the country’s development. Therefore, education, health and safety are strategic guidelines in our planning. We aim to increase the level of qualification and standards of work productivity, as well as improving health conditions and public safety for the Brazilian population.

Connected education

In 2018, we launched the public call “BNDES Connected Education – Implementation and Use of Digital Technologies in Education” as the first structuring action after incorporating the theme of education into our strategic priorities.

This public call is part of a technical cooperation agreement signed in 2018 with the Ministry of Education to enable, implement, monitor and evaluate basic and vocational education programs and projects, seeking better results in learning, governance, planning and management of public education networks and innovations for education in the third millennium.

The purpose of the public call is to select projects for the incorporation of technology into public education, in order to support – with nonreimbursable resources from the Social Fund – its adoption in primary and secondary schools of state and municipal networks, testing more effective models for its implementation.

After technical analysis and draw, ten projects were selected out of the 26 presented, totaling a support of R$ 40.4 million. Six projects have already been approved (RS, TO, SE, PB, MG and GO), of which the first four are already contracted and predict impact in 269 schools, 105,000 students and 8,100 teachers. Another four (AP, BA, RR and PR) are waiting for budget availability from the Social Fund in 2019.
Qualification and productivity

National Industrial Apprenticeship Service (Senai)

Since 2012, under an R$ 1.5 billion contract, we have financed Senai for investment in labor qualification and productivity and technological innovation in the domestic industry. In 2018, the disbursement totaled R$ 101 million.

The investments comprise three fronts: technical and vocational education; technical and technological services for industry; and research, development and innovation for industry. These fronts are reflected in projects for the implantation, modernization and/or expansion of 19 Senai Institutes of Innovation, 35 Senai Institutes of Technology and 152 vocational training centers, in addition to the acquisition of 85 mobile units of technical education.

Companies’ social investments

Through the Social Investments Line for Companies (ISE Line) we finance investments to improve education in partnership with the United Nations Children’s Fund (Unicef) and the Ayrton Senna Institute (IAS).

We supported the Unicef Seal – 2017-2020 Edition, through social subcredits for Neoenergia and CPFL Energia groups. The project will benefit 55,000 students and more than 5,000 teachers, school administrators and technicians in 26 municipalities of Pernambuco, Ceará and Rio Grande do Norte, by strengthening the capacity of municipal public managers to guarantee education, health and protection rights to children and adolescents.

With the IAS, we supported the implementation of educational projects aimed at reducing the age-grade distortion in four Brazilian cities: Recife, Salvador, Feira de Santana and Natal. The financing is linked to projects of distributors belonging to Neoenergia Group: Celpe, Coelba and Cosern.

Education sponsorship

Reinforcing our belief in education as one of our country’s main development vectors, we included the educational segment in the last review of our Sponsorship Policy. In 2018, with an investment of R$ 2.5 million, we reinforced our support for actions carried out within the framework of the Biennial of Mathematics, gathering national and international events, mobilizing thousands of students and inserting Brazil in the world stage of mathematics, science and of technology.

Cultural heritage

We bet on the rich Brazilian cultural diversity to boost the country’s development. Among the projects approved in 2018, the following stand out:

Mariana (MG)

We have approved a project to implement the Museum of the City of Mariana, through the restoration of the architectural complex of the Igreja de São Francisco de Assis and the Casa do Conde de Assumar, and the project of the Escola de Ofícios de Mariana for vocational training of about 600 young people in specific offices, who can meet the demand of the construction and restoration sectors in the municipality and in its surroundings.

The projects are a step towards the requalification of Mariana with the strengthening of economic activities complementary to mining, such as the tourism-cultural sector, which allows for reducing the dependence of the municipality on the volatility of commodities.

National Museum

In June 2018, we signed a financing agreement in the amount of R$ 21.7 million, with resources from the Rouanet Law, to support the restoration and requalification of the National Museum. Our support was intended for the third phase of the investment plan for the revitalization of the museum, which totals R$ 28.5 million and adds to the R$ 24 million invested in the two previous phases.

The resources would be applied for different purposes, among them: elaboration of an executive project of fire fighting and, by our demand, its effective implantation; removal of the entire collection stored in flammable solution to a building adjacent to the historic building; restructuring of the electric system; physical recovery of the historic building; collection recovery, and strengthening of the management institution, with the creation of an endowment to guarantee the long-term financial sustainability of the museum.

Tragically, in September 2018, the National Museum, Brazil’s oldest scientific institution and one of the most important science museums in the world, was hit by a major fire that destroyed much of the building and the collection. The building housed twenty...
In view of this, we sought to contribute to the effort implemented by various government bodies for the reconstruction of the museum. Two measures are worth highlighting, carried out in December 2018:

- release of approximately R$ 3.3 million to assist in the better organization of the sectors that have been relocated from Palácio São Cristovão to the library area, and in the proper storage and packaging of part of the collection rescued from the fire and with possible recovery.
- authorization of an addendum to the contract signed in June of that year, altering the structure and activities of the initially presented project, which began to have as scope the accomplishment of actions in the scope of the National Museum’s recovery.

Public call for collection security

We launched in 2018, after the tragedy at the National Museum, a public call for selection of projects focusing on security in public cultural institutions guarding memorials. The objective is to select projects for detection, prevention and fire and panic control, electrical installations and protection against lightning in historical buildings such as museums, archives and libraries.

Endowment funds

In 2018, we contributed to the elaboration of the text of the law that regulates the operation of endowments in Brazil. We also participated in the formulation of an operation model for this instrument, which included the design of minimum management and governance requirements.

Throughout the year, the discussion about endowment funds in Brazil evolved in different fronts of action, with emphasis on the debate with cultural organizations supported on the proposals and models of constitutions of endowment funds; meetings with various government and civil society agents on the model of legislation for the regulation of funds in Brazil and the organization of the second edition of the “Cultural Endowment Forum,” held in two events, one in Brasilia (June) and another in Rio de Janeiro (November).

HEALTH

Health is a central theme for our work, for its great influence on Brazilians’ quality of life and its ability to mobilize a broad chain of goods and services with high social and added value. We contribute to changing the health care model, focusing on primary care, integral care and prevention. In addition, we seek to improve the quality of the Unified Health System (SUS), from the point of view both of networks and of the management of service providers. Finally, we have a continuous effort to support innovation related to the Brazilian population’s health needs. In 2018 alone, we disbursed R$ 1.2 billion for the various segments of the health system, with emphasis on service providers and pharmaceutical industry.

Focuses of action

With an ample effort of diagnosis of the main health challenges in the country, three focuses of action were identified:

Management efficiency

We restructured the BNDES Health program in order to promote the improvement of management and governance of philanthropic entities of the sector, with regard to their financial sustainability and the improvement of the provision of health services.

In order to continue the renewal of the program, we are waiting for the regulations related to Law 13,778 of 2018, which will allow more resources to be destined to this end. The law, created in the context of a worsening financial crisis...
our performance

in the segment, approved the possibility of applying FGTS funds in credit operations directed at philanthropic hospitals.

Meanwhile, we are looking for technical partnerships to enable the achievement of our objectives. One example is the cooperation agreement signed with the Sírio-Libanês Hospital (HSL) aiming at jointing efforts to disseminate best management practices in hospitals of the philanthropic segment that seek financial support for debt restructurings.

changing the health care model

In health services, we approved funding of R$ 20.4 million for the Oswaldo Cruz German Hospital (HAOC). The main highlight of this operation is the new business model being implemented in HAOC Vergueiro Referral Center. Traditionally, hospitals have adopted the “open account” model, where each material, drug or item of service used by the patient is added to their account and only at the end of treatment the total cost is known. The Vergueiro Referral Center will be the first to have its packages of services remunerated by type of procedure or illness. This allows greater predictability of costs, in addition to increasing hospital efficiency. If the experience is successful, it can be replicated in other health centers, constituting a relevant initiative to change the model of health care in Brazil.

innovation in line with the country’s health needs

dengue vaccine

The Butantan Foundation is in the last stage of the development of a vaccine against dengue, which has our nonrefundable support of R$ 120 million, through two operations (in 2008 and 2016). In December 2018, the institute licensed the technology to be marketed overseas, receiving an initial payment of US$ 26 million. As a result, for the first time there will be a return of funds applied by BNDES Funtec, since 5% of the revenue obtained in case of vaccine marketing or licensing abroad will be used. However, the exclusivity of exploitation in Brazil by the Butantan Foundation, which will provide the vaccine free of charge to the Brazilian population through SUS, is guaranteed.

innovation in medicines

We supported the action plan of Nortec Quimica S.A. for the triennium 2018-2020, which covers the development of new products, including antidepressants, antiretroviral drugs and treatments for Parkinson’s disease. In addition to investments in physical infrastructure and research and development laboratories, support for the company totaled R$ 26.3 million. Located in the city of Duque de Caxias (RJ), Nortec is the largest national manufacturer of active pharmaceutical inputs and an important Ministry of Health’s partner, providing active principles for the production of drugs for the treatment of AIDS, hepatitis C and some neglected diseases, such as Chagas disease and filariasis.

support for public health

Our investments in public health are applied in several states of the Federation, distributed as follows: 65.94% to support the improvement of hospital infrastructure (expansion and renovation of new hospitals); 12.53% to support the consolidation of the primary and secondary health care network; 9.84% in hospital equipment; and 11.70% in other investments.

Joinville Children’s Hospital is part of the public hospital network of the State Health Secretariat and is the first center already in operation of a group of five hospitals that are subject to expansion and modernization with our support.

The hospital offers care for children and adolescents, and it is a reference for 25 municipalities in the Northern and Northeastern regions of the state of Santa Catarina, besides serving as a reference nucleus in various specialties for children and adolescents in the whole state. The largest demand is for the emergency room, which receives approximately 6,000 monthly visits. In the outpatient area, specialists in more than 25 areas carry out about 5,000 consultations per month. The resized psychiatric area, with adequate spaces and adapted according to technical requirements for this specialty, is a national reference for children and adolescent care.

The services performed with funding resources included, among others, renovation and modernization of existing facilities, adaptation of the hospital to the requirements of the Fire Department, and creation of the hospitalization and psychiatric coexistence wings.

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SAFETY

In order to contribute to the improvement of safety indicators in the country, we have structured guidelines to support investments in public safety in an integrated dimension. We consider not only the articulation of initiatives aimed at police monitoring and intelligence actions, but also the financing of investments to improve the quality of life in cities and improvement of public services, directly correlated with the reduction of critical factors for the growth of violence in the country. Investments in public safety are applied in 19 states of the Federation, distributed as follows:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>64.96%</td>
<td>Tertiary prevention (through support for the expansion of places in the prison system)</td>
</tr>
<tr>
<td>14.11%</td>
<td>Actions to support the improvement of security forces</td>
</tr>
<tr>
<td>13.76%</td>
<td>Equipment for security forces</td>
</tr>
<tr>
<td>7.17%</td>
<td>In other investments</td>
</tr>
</tbody>
</table>

**BNDES Pro-Security**

We launched the BNDES Pro-Security program in May 2018, with an allocation of up to R$ 4 billion. Its objective is to provide equipment to the security forces of the states, Federal District and municipalities, in order to improve the service to the population and increase operational efficiency.

**PRISON SYSTEM OF THE STATE OF SÃO PAULO**

As part of the plan to adapt the infrastructure of the prison system in the state of São Paulo, we supported the construction of 12 prison units, including five women’s penitentiaries, three temporary detention centers, three men’s penitentiaries and a penitentiary progression center. All units are ready, with the exception of one, still under construction. The Guariba Women’s Penitentiary was inaugurated in March 2018, with a built area of 17,000 m², with capacity of 744 inmates in closed regime, as well as a ward of penitentiary progression, with capacity of 108 women.

**RESOCIALIZATION IN PERNAMBUCO**

The project contemplated the completion of the first stage of the Itaquitinga Integrated Resocialization Center. In addition to the construction, we supported the acquisition of more than 2,000 items for the unit’s operation, such as kitchen, computer, medical and general furniture equipment. The work was completed in December 2017 and the unit’s occupation began in June 2018.

**Pacto Brasil Seguro**

In December 2018, we held the seminar “Investment Priorities in the Prison System in Brazil,” along with the IDB. Its objective was to advance in the design of a portfolio of projects and of public and private financing modalities for investments in the prison system.

The seminar is part of a strategic cooperation agenda with the IDB called “Pacto Brasil Seguro” (Safe Brazil Agreement), which aims to strengthen and qualify public security forces and improve the capacity of Brazilian municipalities to implement programs in this area, besides preventing violence.

**INTERNET OF THINGS (IOT)**

The digital era transformations, based on an unprecedented scale of availability and capacity for data analysis, allow the creation of new forms of social interaction and new productive processes, as well as the improvement of existing ones, with profound impacts on the economy. The content generated and shared by people, sensors and machines makes the boundaries between innovation, production, distribution and consumption increasingly less distinct.

Considering that IoT technology will be the basis of this process, we have conducted over the last years an extensive
For the industry, the fourth environment prioritized in the study, a partnership with Senai and Embrapii was established for nonreimbursable support directed at the innovation plans of Senai network’s institutes and technology centers for development of pilot projects.

**BNDES GARAGEM**

In order to stimulate innovation and entrepreneurship as leverage for development, we launched in 2018 the BNDES Garagem project, which complements our traditional ways of support based on two initiatives.

The **Startup Development Program** aims to support the development and growth of this type of business and the strengthening of the entrepreneurial ecosystem. Divided into two modules, one aimed at creating startups and another at accelerating them, the program offers training and qualification to entrepreneurs and emergent companies, with priority for those working in the areas of education, health, safety, financial solutions, creative economy, environment, blockchain and IoT technology (applied to cities, rural and industry environments).

In 2018, we selected the Wayra/Liga Ventures consortium to perform the program in partnership with us and launched a public call to select entrepreneurial groups that will be part of the first phase of the program.

The second initiative is aimed at creating an innovation center that works as an innovative business development environment and a hub to connect the various agents of the ecosystem – startups, medium and large-sized companies, investors, universities and research centers.

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**Main results of the study**

In Brazil, the economic impact of the massification of IoT technologies, according to the study’s estimates, could be of US$ 200 billion by 2025.

In order to take advantage of this potential, the work listed about sixty initiatives that, together, can boost the adoption of technology and which are references to the National IoT Plan, such as the elaboration of a plan to support exports of IoT solutions; stimulus to the adoption of IoTs in small and medium-sized enterprises; increase of technical courses in IoT and programming; and support for pilot projects in four sectors: rural, health, smart cities and industry.

In addition to a series of intermediate and final reports, the study had as a byproduct the launch of the “**IoT in Cities Guide**,“ aimed at mayors, public managers and citizens, and which presents the main benefits of the technology and the steps for its efficient adoption.

**Implementation**

As a first action aimed at implementation, in June 2018 we launched the BNDES IoT Pilots, a public call for the experimentation of IoT solutions for cities, health and rural environments. Aimed at projects that bring together users, technology providers, startups and Science and Technology Institutions (ICT), this public call seeks to demonstrate, through pilot projects, the gains of adopting the technology, proving the potential for increased productivity and quality of life or cost reduction, as well as testing new business models and identifying bottlenecks and challenges. Fifteen out of fifty projects received were selected from all regions of the country for the internal analysis phase.

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**Access at:**
- www.bndes.gov.br/cartilha-cidades
- www.bndesgaragem.com.br/
FINANCIAL INNOVATIONS

Campus Party

During hackathons, we promoted two hackathons: one focused on developing proposals to leverage BNDES businesses through social networks, and the other, with the challenge of finding solutions for combating fake news. Fifty people participated in the events.

Hacking.Rio

In July, we participated in the hackathon, which lasted 42 hours and was attended by over 600 people, including 200 technical mentors and business experts.

During the event, the Developers@BNDES Portal was launched, which provides open APIs for community use and business partners. We sponsored the financial cluster and launched the following challenges: “How to authenticate and identify legal entities online?” and “How to improve the user experience in applying for loans to micro and small businesses?” in order to stimulate innovative solutions for issues that are identified during clients’ operations.

The winning solution, evaluated by a team of expert jurors, was Check-in, an individual and legal authentication platform based on biometrics, document verification, digital certificates and a recommendation system among platform participants.

CAPITAL MARKET

In the scope of the Capital Market corporate project, we concluded the master plan, identifying the main shortcomings in the Brazilian capital market, potential opportunities and externalities, reorienting our performance in variable income and fixed income.

We will support entrepreneurship and innovation with the creation of the BNDES Garagem program. We defined the direct investment strategy, in which we will act focused on scalable medium-sized enterprises or as an enabling agent (through anchoring of offers). We drew up a fund public call plan until 2023, in line with our strategic missions. Additionally, we have redefined our policy of incentives to debentures and identified financial solutions to be developed aimed at boosting this market.

ACTIVE FUND PORTFOLIO

On December 31, 2018, BNDESPAR’s fund portfolio was composed of 42 active funds, with a committed equity of approximately R$ 3.5 billion. The aggregate committed equity of these funds is R$ 17.9 billion, which means that for every R$ 1.00 invested by BNDES, R$ 4.11 are invested by other investors.

The largest number of funds in the portfolio is focused on innovation (14), and the largest volume of investments focuses on infrastructure (R$ 1.4 billion).

In 2018, we approved the possibility of supporting corporate credit funds with the objective of expanding our operations in the financial disintermediation process in the country by investing in funds primarily focused on long-term corporate credit operations.

Angel co-investment fund

In 2018, we selected, through a public call, Domoinvest to manage an angel co-investment fund with the objective of supporting innovative companies – with annual revenues of up to R$ 16 million and great potential for growth – and to develop the ecosystem of national innovation. The initial investments in startups will be up to R$ 500,000 with the same proportion of participation of the investor-angel and/or accelerator.

Venture debt fund

We approved the first national venture debt fund in the year. The fund, which will be managed by SP Ventures, will provide credit to innovative small and medium-sized companies with revenue of a maximum of R$ 90 million. We can invest up to R$ 80 million. The remaining funds shall be raised with other investors, and the total equity expected for the fund is up to R$ 160 million.

Corporate credit fund

We approve the investment in the Pátria Crédito Estruturado FIDC fund in the amount of up to R$ 250 million, limited to 20% of participation in the total equity of the fund. In addition to BNDESPAR, other investors are also supporting the initiative, such as IFC and IDB, as well as several Brazilian and global institutional investors. The fund seeks to serve as a medium and long-term credit alternative for companies that have difficulties in raising funds in the capital market, in the Brazilian debentures market and also in the international securities market.

Equity investment funds

In December, we launched a multi-sectoral public call for up to eight equity investment funds (FIP), and up to four in each category: venture capital and private equity. The assets committed by BNDESPAR in the eight funds might reach R$ 2.2 billion.

Through these investments, we seek to prioritize solutions in education, health, public safety and infrastructure, in line with our strategic planning.

Also in 2018, we invested in funds directed at sustainable energy projects.

DIVESTITURES

Divestitures of the BNDESPAR’s stock portfolio aim to promote the national capital market, always following parameters of profitability and asset maturity. In addition, they guarantee the recycling of the portfolio, generating relevant results and enabling new investments.
Throughout the last decade, we have divested several company shares in initial and subsequent public offerings, seeking to give more liquidity to the assets and democratize the access of small investors to the capital market. These offers totaled more than R$ 20 billion, and BNDESPar’s share portion was R$ 7 billion.

In 2018, divestiture of shares totaled R$ 9.98 billion. The highlights are Petrobras and Vale (R$ 4.5 billion and R$ 3.4 billion, respectively) divestitures, through electronic trading, and Eletropaulo. Due to the appreciation of the assets and the good market moment, even with such divestitures, the balance of our portfolio grew 22.2% in relation to 2017, closing the year at R$ 104.9 billion (market value).

GOVERNANCE

Throughout 2018, we have developed a series of initiatives aimed at improving the corporate governance practices of invested companies, such as the approval of the Corporate Shareholding Policy, the approval of the BNDES System’s Capital Market Socioenvironmental Policy, and the development, along with other institutional investors, of the “Socioenvironmental questionnaire of institutional investors for capital market.”

At the internal level, measures were taken to improve governance processes and practices, such as the creation of the Capital Market Advisory Committee (CCMC) and the Capital Market Deliberative Committee (CDMC).

ELETROPAULO

We sold our stake in Eletropaulo, an electric power distribution company in the state of São Paulo, for the amount of R$ 1.4 billion.

The winner of the auction for the acquisition of the company’s shares – Enel Brasil Investimentos Sudeste S.A. – engaged to capitalize Eletropaulo at R$ 1.5 billion, as well as contributing with technical knowledge to solve the company’s main problems, especially with regard to operational efficiency and quality of service rendered.

We had shares in Eletropaulo’s capital from the end of 2016, through BNDESPar, and helped promote a series of governance improvement measures that culminated in the migration from Eletropaulo to the Novo Mercado in November 2017. Measures were also implemented to create a favorable environment to attract investors and unlock the company’s value.

Between 2016 and 2018, the asset appreciation was of the order of 300%, and the value of our shares jumped from R$ 350 million to R$ 1.4 billion. In the same period, Ibovespa had 30.5% appreciation, and the energy index, 16.3%.

SUSTAINABILITY

We support the migration of the country to the green economy, seeking to make Brazil prominent in this theme. In 2018, we reinforced our commitment to sustainability through strategic direction and operational action.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY (PRSA)

The guidelines for a sustainable performance are defined in PRSA, which guides the integration of the social and environmental dimensions into our strategy, our policies and activities, and the relationship with our various audiences.

In May 2018, the BNDES Board of Directors approved the PRSA implementation plan for the triennium 2018-2020. Incorporation of challenges and opportunities related to climate change and the promotion of SDGs are among the innovations.

This plan seeks to give centrality to the theme of sustainability in the Bank’s strategy and business and in evaluating the effectiveness of our actions. It also intends to improve our
socioenvironmental risk management system, including with regard to prevention and mitigation of impacts of projects supported.

Among the initiatives planned, we can mention: to integrate the climate dimension into the analysis of operations, risk management and transparency practices, and development of new products associated with the promotion of SDGs and that support the transition to a low carbon economy.

**GREEN ECONOMY**

BNDES has a broad portfolio of financial instruments to promote the green economy, offering more attractive conditions to support sectors with capacity to generate positive externalities, such as renewable energy, sanitation, urban mobility and forest restoration.

In 2018, the value of our support related to the green economy was R$ 12 billion, distributed as below.

**CONTRIBUTION TO PUBLIC POLICIES**

We participated in the initiative Adapting Public Investment to Climate Change in Latin America (Ipacc), the result of cooperation between Brazil, Colombia and Peru, funded by the Ministry for Environment, Nature Conservation and Nuclear Safety of Germany (BMUB). The main objective is to stimulate that the risks associated with climate change and the adaptation options to mitigate them are considered in the planning and decision-making processes for public investments, especially in the infrastructure sector. Among the actions carried out in 2018, there was training of employees on the theme and presentation of BNDES on their participation in the initiative in the forum Understanding Risk 2018, in Mexico City.

In December, we participated in the 24th Conference of the Parties (COP), held in Katowice, Poland, during which the “Financing climate futures” study was presented, discussing the role of development banks in financing sustainable infrastructure. The study was carried out by the Organization for Economic Co-operation and Development (OECD), with our collaboration.

We also participated in several national and international initiatives related to green finance, including Unep-Fi, Climate Action in Financial Institutions, International Development Finance Club (IDFC), CEBDS, LAB ABDE-BID, and The Global Lab for Climate Finance.

**CLIMATE ACTION IN FINANCIAL INSTITUTIONS**

Opportunities and challenges related to climate change have generated articulation in the financial sector for mutual learning and development of innovative solutions related to the transition to a resilient and low carbon economy. In this context, we joined the Climate Action in Financial Institutions in early 2018, along with financial institutions around the world to exchange experiences on the subject.

In March, we held the workshop “Climate Dimension in the Financial System,” in partnership with IDFC. The event, in addition to publicizing the initiative for the national financial system, made it possible to share experiences among the institutions present regarding the incorporation of the climate dimension in business.
SOCIAL DEVELOPMENT

Our disbursements for social development were in the amount of R$ 7 billion in 2018, representing about 10% of total disbursements. These figures were slightly higher than those observed in the previous year, with a concentration in urban and regional development.

Social technologies

We launched, in partnership with the Banco do Brasil Foundation (FBB), a call for public selection of projects for reapplication of social technologies. The objective is to select projects that aim to promote the generation of work and income in any part of the country, based on new applications for existing social technologies.

We have received 427 proposals, and 148 were approved in the first stage. The financial resources available should allow hiring the 11 best classified proposals. The other qualified proposals will compose reserve records, obeying the classification order obtained, for a period of 12 months from the publication of the final classification.

Impact business

In 2018, we actively participated in the National Impact Investment and Business Strategy (Enimpacto), an articulation of agencies and entities of the federal public administration, private sector and civil society, aimed at promoting a favorable environment for the development of investments and impact business. Expanding the supply of capital for impact businesses; increasing the number of impact businesses with the dissemination of the socioenvironmental impact assessment culture; and promoting an institutional and regulatory environment conducive to investment are among the strategy objectives.

We also participated in the Financial Innovation Laboratory (LAB), a multi-sector forum that promotes the debate and sharing of experiences among the various agents of the economy, with participation of the public sector, private sector and third sector in structuring financial innovations that support Brazil’s sustainable development.

AMAZON FUND

In 2018, the Amazon Fund completed ten years of existence, consolidating itself as the main worldwide initiative of the payments system for results achieved in reducing deforestation. Donations received amounted to R$ 3.4 billion (94% from Norway, 5.6% from Germany, and 0.4% from Petrobras). In 2018 alone, Norway donated approximately R$ 272 million.

In early 2018, we launched a new and more modern website, with new features that provide the user with easier access to all available information about the fund and projects supported, including an interactive map that allows each project to be found.

Access at: www.fundoamazonia.gov.br/en/home
In 2018, 11 new projects were approved in the fund scope, among them the support for activities of environmental inspection and control of deforestation in the Brazilian Amazon by Ibama, and the support for the consolidation of the Brazil nut production chain, and the strengthening of productive activities related to açaí, cassava flour and natural rubber in two indigenous lands and three extractive reserves in Rondônia.

**Rural Environmental Registration**

Throughout the national territory, the Amazon Fund supports the implementation of the Rural Environmental Registration (CAR), one of the main provisions of the new Forest Code and an important instrument of territorial planning and environmental regulation. The fund supports 19 projects, wholly or partially, destined to activities for this purpose, and five projects are located in states outside the Amazon. An example is the approval, in 2018, of the project to implement CAR in the state of Espírito Santo, with the objective of supporting the registration of 59,000 rural properties and the analysis of 78,000 registrations in the state.

**CIRCULAR ECONOMY**

In November 2018, we held the event “Circular Economy: Pathways for Brazil,” in partnership with Exchange4Change Brazil and the Nucleus of Circular Economy (NEC). The objective was to discuss the advances in Brazil and in the world, as well as evaluating the opportunities of internalization of the knowledge on the subject. The event was attended by members from the Federal Government, NGOs, sectorial representatives and private companies.

The following map compares our disbursements per region and the participation of each region in the country’s total GDP in 2018. Based on this, we can observe the relative decentralization of our presence, evidenced by proportionally larger disbursements in less developed regions. This is the case of the Central-West and Northeast regions, which received a portion of our disbursements higher than their participation in the national GDP.

**CONTRIBUTION TO PUBLIC POLICIES**

Throughout the year, we actively participated in the elaboration of strategic agendas for the development of the North, Northeast and Central-West regions, under the coordination of the Ministry of National Integration (current Ministry of Regional Development), aimed at inserting the regional agenda in the process of preparing the PPA 2020-2023, following the objectives and sectoral axes of the National Policy for Regional Development (PNDR).
The map on the side shows our contribution to dynamizing regions with lower economic density, in line with the Regional Policy and Strengthening of Cities Network (PDRC), which defines as priority territories those with per capita household income inferior to 75% of the national average.

DEVELOPMENT OF STATES AND MUNICIPALITIES

We have specific financing lines for states and municipalities, with the purpose of supporting projects that contribute to territorial development.

In relation to the states and the Federal District, the focus is on supporting the formulation and implementation of territorial development programs of a multi-sectoral, sustainable and integrated character.

In relation to the municipalities, one of the focuses is the support for solutions of structural problems of the urban agglomerates, territories that usually present greater social fragility and lower human development index (HDI).

Investment in urban infrastructure (sanitation, drainage, mobility and public lighting, among others, including risk and sub-housing areas), public facilities (health, education, social assistance, leisure, etc.) and other interventions that can improve the quality of life in a given territorial location.

Support for states and municipalities totaled around R$ 3.6 billion in 2018. Disbursements in operations aimed at public administration modernization totaled R$ 154 million.

Public management

Another financial support focused on territorial development is support for the municipalities’ public management through BNDES Pmat. Its objective is to enable a qualitative increase in management, generating an increase in tax revenue and/or a reduction in the cost of services to the community.

Among the impacts observed by the implementation of the program, we can highlight the increase of municipalities’ tax revenue, reduction in the processing time of processes and provision of information for the citizen, including, in some cases, solutions of problems via web or applications for mobile devices.

Currently, we have 56 BNDES Pmat operations in our portfolio. Together, such operations amount to approximately R$ 1.5 billion, among projects contracted, approved and those under analysis.

Developing Cities campaign

The Developing Cities campaign, a funding action for municipalities held in 2018, resulted in the attraction of several public sector projects to the Bank.

We observed that of the more than 5,000 Brazilian municipalities, we operated directly with only 67. An internal survey was carried out to identify municipalities with the capacity to operate directly with BNDES. Given the limited operational capacity to address all the municipalities surveyed, a population criterion was used to refine the base: municipalities in the South and Southeast regions housing above 100,000 inhabitants and municipalities in the Northeast, North and Central-West regions with over 50,000 inhabitants.

The differentiated selection by region reflected the strategy to provide a more balanced distribution between regions.

After six months of campaigns with the 179 target municipalities, which managed to reach 93% of the public defined, previous consultations were filed regarding 13 new operations, equivalent to about R$ 1 billion. After this period, other operations entered into preparation for prior consultation and there was a multiplier effect on demand, with municipalities that were not the target of the campaign seeking the development agents.