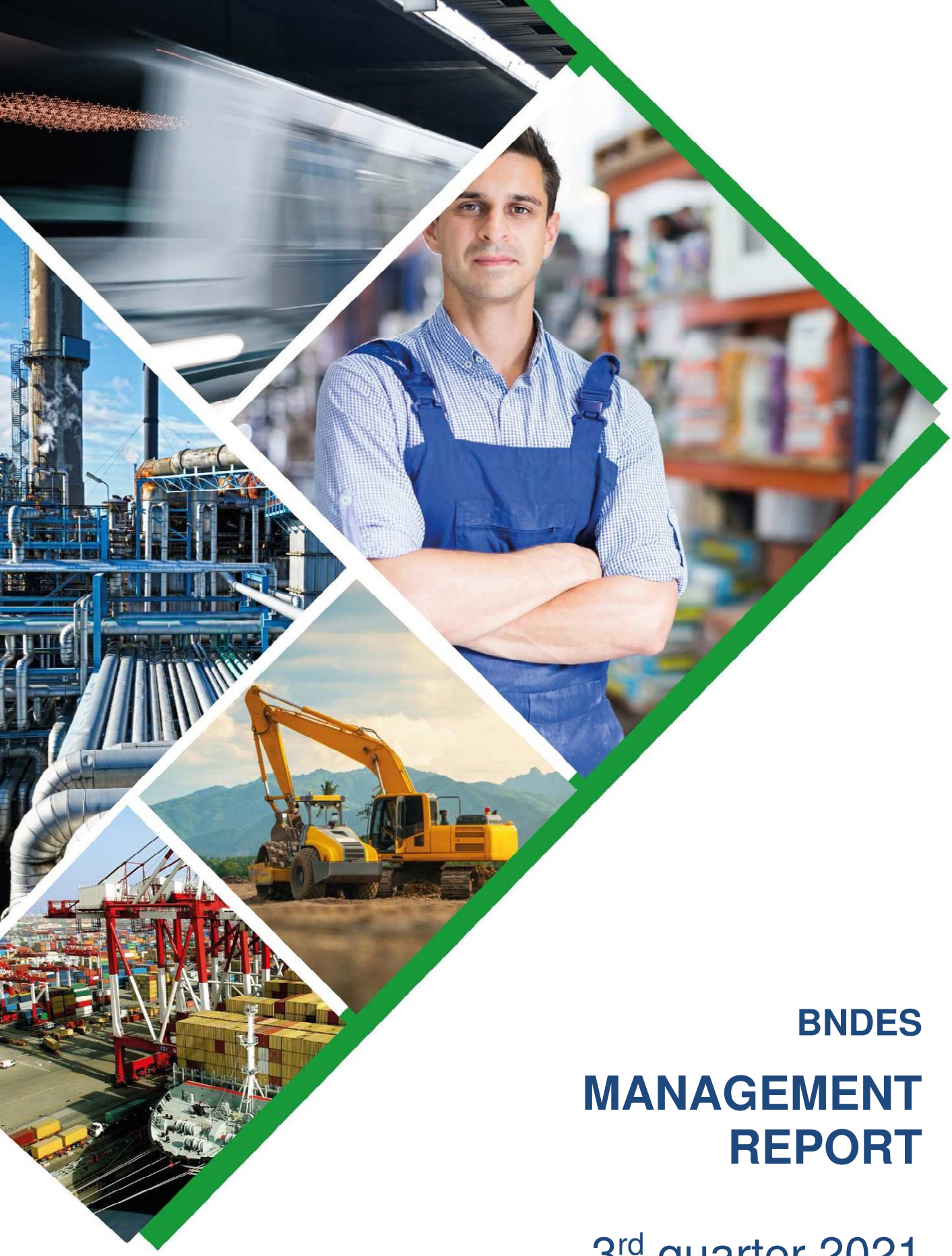

BNDES

MANAGEMENT REPORT

3rd quarter 2021

BNDES

SUMMARY

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To shareholders and other interested parties:

In line with the principles of BNDES´ Transparency Policy, we present the Management Report of the BNDES System for the quarter ended on September 30, 2021.

1. MACROECONOMIC SCENARIO

Continuation of the economic recovery process was the global keynote in the third quarter of 2021, with the resumption of dynamism prevailing despite the setbacks brought on by the spread of the delta variant of the new coronavirus. Contagion containment measures were reinstated throughout the period in the United States, Europe, and Southeast Asia, including limitations on the circulation of people and economic activities. Nevertheless, with the progress made in vaccination campaigns in most countries, the pandemic figures indicate a less acute prospective scenario.

Even with the slowdown brought on by the delta variant and the real estate crisis, the USA and China continue as the main drivers of the world economy, with growth projections for 2021 of 6% and 8% respectively. The projections for Europe registered an advance in recent weeks, with control of the pandemic and productivity gains allowing a faster recovery in the continent, around 5% this year. Estimates of FMI, the World Bank, and OECD for global GDP in September projected a 6% growth in 2021, followed by a 4.5% advance in 2022. For Latin America, these projections are 6% and 3.5%, respectively.

In Brazil, with increasing vaccination and a slowdown in the numbers of Covid-19 cases and deaths, available activity data for the third quarter suggest that activities continue to normalize, but that supply bottlenecks have proved more relevant than previously thought. That said, it is still difficult to know the underlying pace of activity after the normalization process. In any case, the idleness of the economy (in the factor market, especially in the labor market) will remain relevant until 2022. On October 8, 2021, Banco Central´s Focus Report indicated expectation of GDP expansion of 5.0% in 2021, and 1.5% in 2022.

Inflation continues to be under pressure and is surprisingly on the upside. Administered, food and industrial prices have remained high and services have accelerated as the economy normalizes. Energy inputs in particular, especially gasoline and electricity, have registering intense increases in order to keep up with the exchange rate and international oil prices and to accommodate the context of limitations in the availability of hydroelectric energy currently in effect, impacting the administered prices. Industrial prices also remained pressured by the margin recomposition process and by the bottlenecks in the supply chain that make it impossible to replenish inventories on time. Inflation measured

by the IPCA was 1.16% in September, reaching 10.25% in 12 months, well above the upper limit of the 5.25% inflation target. The expectation for the IPCA in 2021 is 8.59%[1]. To contain inflation, Banco Central raised the Selic rate by 1 percentage point in September and another 1.5 percentage points in October, reaching 7.75% per year. Market analysts expect the gradual increase in interest rates to continue throughout 2021, with a Selic rate of 8.75% by the end of the year.

The labor market continues to be impacted by the adverse effects of the pandemic, but has been showing improvements over the past few months. Unemployment remained at 13.7% in the quarter ending July 2021, the latest available figure from IBGE, with 14.1 million people unemployed. The figure means a drop of 1 percentage point from the unemployment rate of the previous three months and is the lowest unemployment rate of the year. The result also represents a slight improvement over the unemployment rate in the three months ended July 2020, when it was 13.8%. The number of employed people reached 89 million, with the occupation[2] level reaching 50.2% in the July quarter, surpassing the 50% level for the first time since the pandemic. All activity segments showed an increase in the employed population, with the construction (positive variation of 1.3 million workers) and commerce (1.2 million more) sectors standing out. Informal work was the main cause for the increase in the employed population: self-employed workers (3.7 million more) were the category that expanded the most in the variation in a year, followed by employees without a signed contract (1.6 million more). In the sequence comes the increase in workers with signed labor contracts (1.3 million more). Still examining the category, there was only a decline in the number of public sector workers (down 329 thousand) and in the number of employers (down 192 thousand).

The consistent recovery of the Brazilian economy involves product growth with the desired generation of higher quality and better paying jobs with expansion of formal employment levels. The Federal Government's initiatives in concessions and privatizations and in favor of improvements in the business environment have been contributing to the expected level of investment in Brazil's infrastructure sectors, which brings with it gains in productivity and systemic competitiveness. Furthermore, investments in new technologies, machinery, equipment, materials and production methods in Brazilian companies bring gains in capacity and sectorial competitiveness in addition to jobs generated by large companies as well as by MSMEs. BNDES credits are intended for all these initiatives. It is therefore expected that the demand for the Bank's resources will remain high in the coming quarters.

[1] Focus Report 10/08/2021.
[2] Proportion of employed people among the working-age population.

2. THIRD QUARTER HIGHLIGHTS

2.1 Generation of Public Value for the Society

BNDES ACTS IN VARIOUS SECTORS IN THE ECONOMY,

always seeking to finance projects that generate value for society.
deliveries related to projects commissioned up to 9.30.2021:

Telecommunications

300 thousand

structuring projects to provide sanitation services to people currently unserved

Sewage

7,033 thousand

structuring projects to provide sanitation services to people currently unserved

Health

393

SUS [Brazilian public health care network] units to be benefitted by support from BNDES

Energy

1.3 GW

of expected increase in renewable energy generation capacity

Natural gas

475 Km

of natural gas distribution network implemented

Jobs

605 thousand

jobs generated or maintained during the implementation phase of the supported investments

MSMEs

105 thousand

Micro, small and medium enterprises supported

2.2. Management

BNDES coordinates sale of state´s participation in CEEE-T

The company CPFL Comercialização de Energia Cone Sul, represented by Itaú Corretora, won the privatization tender for Companhia Estadual de Transmissão de Energia Elétrica (CEEE-T). The minimum economic value of disposal of all shares controlled by the state of Rio Grande do Sul was approximately BRL1.7 billion. The event had six interested parties qualified to participate.

With Gás Natural Açu (GNA), The Bank carries out the 1st infrastructure debenture structuring

In August, the Bank carried out its first debenture structuring, participating in the total issuance of Gás Natural Açu (GNA), of BRL 1.8 billion. The operation includes BTG Pactual as lead coordinator, in addition to BNP Paribas, Bradesco and ABC Brasil as coordinators in the syndicate. The structuring is innovative in BNDES' history and is part of the strategy of working in partnership with the capital market to encourage and leverage the potential impact of loans.

The Bank adheres to the UN Global Compact, strengthening transparency of socioenvironmental measures

The Bank has formalized its adherence to the Global Compact Network Brazil, an initiative of the United Nations (UN) to promote ten principles in the areas of environment, human rights, labor and anti-corruption and for the involvement of companies in the advancement of the Sustainable Development Goals (SDGs). The commitment to the Compact facilitates the communication of BNDES's performance in the sustainability agenda with the various audiences that monitor its performance, especially investors who are aware of our activities and the impact we have on the Brazilian economy.

The Bank and CNI sign agreement to promote business innovation

The Bank and CNI signed a Technical Cooperation Agreement that aims to stimulate business innovation in Brazil. The agreement foresees, among other items, studies to formulate new BNDES instruments to support the sustainability agenda and open innovation for Brazilian companies and startups.

In the concession modeled by BNDES, consortium led by Equatorial wins the tender and will universalize water and sewage services in Amapá

The Marco Zero Consortium, formed by the companies Equatorial Participações e Investimentos and Sam Ambiental Engenharia, won the concession tender to provide public water supply and sanitary sewage services in the municipalities of the state of Amapá - currently provided Companhia de Água e Esgoto do Amapá (Caesa). The group presented a proposal with a 20% discount in relation to the reference tariff, in addition to granting BRL 930,008,000.00, 1,760% above the minimum amount stipulated in the request for proposals.

BNDES is among the best rated companies in the global sustainability ranking

BNDES is among the best rated companies in the world by Vigeo Eiris (V.E), a rating agency associated with Moody's Corporation that rates the performance of organizations according to environmental, social, and governance (ESG) criteria. Among the 4,913 companies participating in the world ranking, BNDES is number 86. In emerging markets, among the 848 organizations analyzed, the Bank ranks 4th.

With support from BNDES, the Government of RS opens concessions of the Caracol, Tainhas and Turvo parks up to the public

The Government of the state of Rio Grande do Sul has now opened the Concession of the Caracol, Tainhas, and Turvo State Parks up to the public. The project, with an estimated investment of almost BRL 800 million in management, infrastructure and conservation for the set of parks, was modeled by the Bank and Consórcio Araucárias.

Alagoas and BNDES release request for proposals for new sanitation concession

With the Bank's support, the state of Alagoas published a request for proposals for new water supply and sanitary sewage concessions.

The 61 municipalities will be divided into two regional units: block B (Agreste and Sertão) and block C (Litoral and Zona da Mata), which have around 1.3 million inhabitants, equivalent to 39% of the state's total population. In September 2020 the first tender was held in the state, for the provision of block A services, composed of 13 cities in the metropolitan region of Maceió.

BNDES signs UN´s Energy Pact to decarbonize the Amazon

BNDES and Eletrobras have signed an Energy Compact to work together in the search for solutions that generate renewable energy in the Amazon. The Compact is part of the United Nations (UN) global call for "Energy Compacts", which were formalized during the UN´s High-Level Dialogue on Energy, an event held between September 22 and 24.

BNDES will structure the privatization of ES Gás

The Bank, the Government of the state of Espírito Santo and Vibra Energia (formerly BR Distribuidora) signed a contract in September to structure a privatization project, representing the sale of at least 51% of the common shares of Companhia de Gás do Espírito Santo - ES GÁS.

BNDES *Garagem* selects 25 startups with socioenvironmental impact

The Bank, in partnership with the AWL consortium (Artemisia, Wayra, and Liga Ventures), selected 25 startups that will receive free support to leverage their businesses. They are part of a group of 1,366 enterprises that registered for BNDES *Garagem* - Businesses with Impact program. The program aims to contribute to the creation and acceleration of solutions with social and/or environmental impact, stimulating entrepreneurship and developing companies that deliver positive impact returns to society and the market.

BNDES approved over BRL 12 billion in the first 3 months of the 2021/2022 Harvest Plan

Between July and September, the Bank approved BRL 12 billion, distributed through around 59 thousand credit operations. For each harvest plan, the volume of resources made available by the Bank in the Federal Government's Agricultural Programs (PAGFs) has been around BRL 20 billion.

The Government of Rio and BNDES open new sanitation concession up to the public

The State Government of Rio de Janeiro and BNDES have opened the request for proposals and other documents that constitute the modeling of the new sanitation concession up to the public. The goal is for civil society to collaborate in drawing up the document. It will be open to the public between September 30 to October 30. The request for proposals is planned to be announced in November and the tender is scheduled for the end of December.

The Bank uses the Impact Scoring tool to analyze investment projects

The Bank will adopt a tool to measure the impact of its operations. As of November 23, the SIM Tool - an acronym that corresponds to the abbreviation of Impact Scoring - will seek to identify, prior to the approval of BNDES' financial support, the economic, social, and environmental impacts of the supported projects, in order to assign a score that reflects the merit of the project in relation to its impacts on society.

Tools of this type are used by international development banks such as BID, the World Bank, and KfW. This is good practice for institutions whose purpose is similar to that of BNDES. It will be applied to all operations, reimbursable or not, that present investment projects and that are operationalized within the Corporate, Project Finance, and Non-Reimbursable support channels.

3. SOCIOENVIRONMENTAL PERFORMANCE

The central role of BNDES in promoting sustainability is expressed in our vision, and guides the strategy and operations of the Bank which, since the 1990s, has incorporated environmental aspects into its policies and procedures.

Since then, the structures – both organizational and normative - have been constantly evolving to incorporate nascent themes in the ESG agenda as such discussions advanced in society, covering social, transparency, relationship and, more recently, climatic factors.

Continuing the actions initiated in 2020, when new units were included in BNDES´ ESG agenda, reinforcing the transversal character of this theme in the Bank, 2021 has been a remarkable year in this evolution. The year began with the launch of a specific corporate project to focus and accelerate advances in the axes of policies, systems, solutions in products and services, investors, training and communication.

In the third quarter of 2021, new deliveries linked to this project were concluded, among which we highlight the revision of the restrictions on financial support due to socioenvironmental criteria ("Exclusion and Conditional Support List"), which broadened the scope of non-supportable activities and enterprises, and contemplates advances in critical sectors in terms of socioenvironmental risk. The new List consolidates all the activities, undertakings, and items that cannot receive support from BNDES and allows for broader and more transparent communication of the Bank's socioenvironmental commitment[3].

[3] More information can be found at https://bndes.gov.br/wps/portal/site/home/financiamento/guia/lista-exclusao-atividades-e-itens-nao-apoiaveis-pelo-bndes/.
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In section 4. Operational Performance, we present a set of improvement actions in the Bank's portfolio of support instruments, which include highlighting the Socioenvironmental Agenda.

Green Economy and Social Development

In the first nine months of 2021, BRL 5.7 billion were disbursed for projects related to the Green Economy, which includes sectors such as energy efficiency, renewable energy, forests, water and sewage management, and agricultural improvements.

The main highlight remains the renewable energy segment, which received BRL 4.0 billion, approximately 70% of disbursements in the period, followed by agricultural improvements (BRL 762 million), water and sewage management (BRL 362 million) and public passenger transport (BRL 212 million).

The education, public management, urban and regional development, productive inclusion, social responsibility and health sectors make up the social development indicator, which received BRL 8.2 billion in disbursements in the first nine months 2021.

In this segment, the main focus in the period were projects linked to urban and regional development, for which BRL 6.7 billion were disbursed, about 82% of the total indicator, followed by the health sector, with BRL 1.0 billion.

Together, the green and social economy segments account for 53.6% of the balance of BNDES's non-automatic direct and indirect operations portfolio, same level as the close of the 1st semester, once again confirming our commitment to the sustainable development of Brazil[4].

[4] More information about the Green Economy and Social Development indicators can be found at https://www.bndes.gov.br/wps/portal/site/home/quem-somos/responsabilidade-social-e-ambiental/nossos-resultados/desembolsos-economia-verde-desenvolvimento-social.

Sustainable Development Goals

Since 2019, BNDES has also monitored its operational performance in relation to contributions to the achievement of the Sustainable Development Goals (SDGs). In May/2021, reinforcing the Bank's commitment to transparency, the "Methodology for identifying the contribution of BNDES to the sustainable development goals (SDG)" was published[5], a technical note in which the methodology developed by BNDES to explain its contribution to the implementation of the 2030 Agenda of the United Nations (UN) is explained.

In the first nine months of 2021, 131.4 thousand operations received disbursements linked to at least one of the SDGs, which totaled BRL 38.6 billion – 84% of total disbursements in the period. Among the SDGs, the most prominent ones in the half year were Industry, Innovation and Infrastructure (SDG 9, BRL 21.5 billion), Decent Work and Economic Growth (SDG 8, BRL 17.6 billion), and Clean and Accessible Energy (SDG 7, BRL 13.3 billion)[6].

These disbursements result in deliveries to society, which directly benefit the lives of Brazilians. Since the beginning of the year, new contracts for operations associated with the SDGs have been entered into, for example: (i) support for around 41 thousand small-scale farmers through the National Program to Strengthen Small-scale Farming (Pronaf), and (ii) expand solar power generation capacity by 719 MW, delivering 8% more than the same generation segment in the whole of 2020 and cutting carbon emissions down by 4.5 million tons.

During this period, BNDES also worked to preserve Brazilian heritage and memory, with deliveries that will modernize electrical installations and fire prevention and fighting at the Imperial Museum in Petrópolis (RJ) and at the Rui Barbosa House in Rio de Janeiro (RJ), in addition to supporting Instituto Musica Brasilis, to build a digital collection of about 5,000 scores of Carlos Gomes and other Brazilian classical composers, with universal access to the works on the Internet.

Learn more about BNDES´ disbursements for the SDGs at https://www.bndes.gov.br/wps/portal/site/home/transparencia/estatisticas-desempenho/ods.

Learn more about the deliveries to society linked to the SDGs at https://www.bndes.gov.br/wps/portal/site/home/transparencia/resultados-para-a-sociedade/efetividade/entregas-associados-ods.

[5] Available at https://www.bndes.gov.br/wps/wcm/connect/site/69bfec19-dee3-4cae-a00d-3d8629bf934e/BNDES_NOTA+TECNICA_ODS_1405.pdf?MOD=AJPERES&CVID=nBXJOJp.
[6] The same operation can be linked to more than one SDG.

4. OPERATIONAL PERFORMANCE

4.1. Operational Policy

In the 3rd quarter of 2021, a set of improvement actions were approved in the Bank's portfolio of support instruments, with emphasis on the Socioenvironmental Agenda and the Agricultural Sector, in addition to the revision of the Basic Guidelines of the Operational Policies, which opened up a space to support new customer segments.

In the Socioenvironmental Agenda, we highlight the creation of BNDES´ ESG Credit Program, aimed at fostering improvements in companies' environmental and social indicators. The Program provides support to five sectors/segments: (i) wood chain focused on reforestation; (ii) equipment manufacturers for the renewable energy chain; (iii) connectivity; (iv) mining; and (v) steelmaking. The idea is that such sectors, selected because they are clearly linked to the ESG agenda or because they need support in making the transition to cleaner technologies, will be pilots for a possible future expansion of the program.

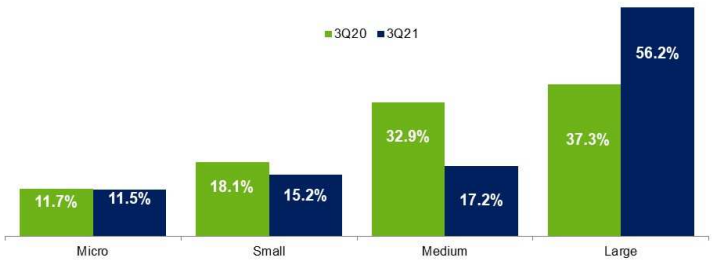
In the agricultural sector, we highlight the renewal of the Federal Government's Agricultural Programs - INOVAGRO, MODERAGRO, MODERFROTA, PCA, PROCAP-AGRO, PRODECOOP, PROGRAMA ABC, PROIRRIGA, PRONAF and PRONAMP - with rates equalized by the Federal Government and destined to finance the 2021/2022 Agricultural Year.

Other highlights include enhancement of the Operational Policies by means of the Revision of the Basic Guidelines, with the inclusion of new parameters, standardization, simplification and correction of outdated terms and rules, as well as the revision of the activities that are eligible for support and the introduction of the Exclusion List, an attachment that consolidates all the activities, undertakings, and items that are not eligible for support from BNDES in a single document.

4.2 Disbursement Profile

Disbursements by Size (BRL million)

Below we present the disbursements by size, whose classification allows BNDES to act according to the characteristics of each segment, by offering specific lines, programs and conditions. The support to micro-, small- and medium-sized enterprises, considered a priority by BNDES, offers special conditions to facilitate the access of these companies to credit.



Classification by size*:

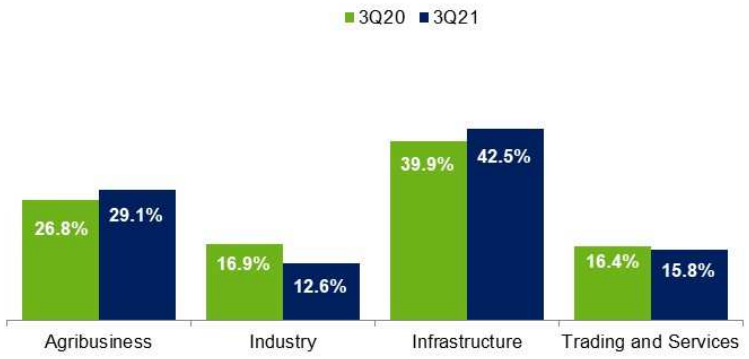
- ✓ Micro: less than or equal to BRL 360 thousand
- ✓ Small: greater than BRL 360 thousand and less than or equal to BRL 4.8 million
- ✓ Medium: greater than BRL 4.8 million and less than or equal to BRL 300 million
- ✓ Large: greater than BRL 300 million

*Classification according to the annual gross operating revenue of corporate customers or according to the annual income of individual customers.

The Bank's disbursements in the first quarter of 2021 accumulated BRL 21.8 billion, an increase of 13.0% compared to the same period in 2020.

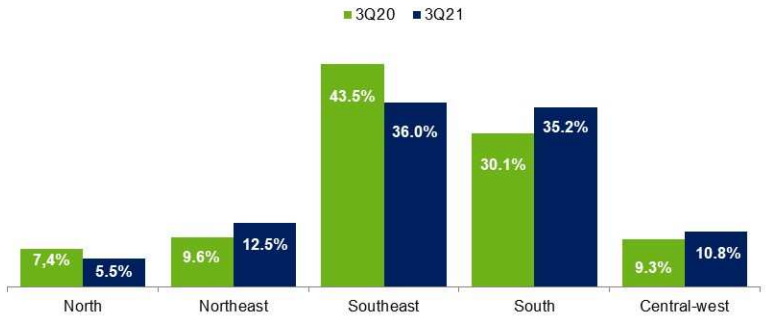
The number of operations reached 72,977 in the quarter, a reduction of 5.6% compared to 77,284 operations in the third quarter of 2020. The number of operations with large companies increased by 95.6% between the periods, while that with micro companies was practically stable and there was a 26.3% drop in operations with medium-sized companies and 13.5% of operations with small companies.

Disbursements by Sector (BRL million)



In the third quarter of 2021, in the infrastructure sector, electricity (67.4%) stands out and in the industrial sector, disbursements to the transportation material (33.4%) and food and beverage (23.1%) segments stand out.

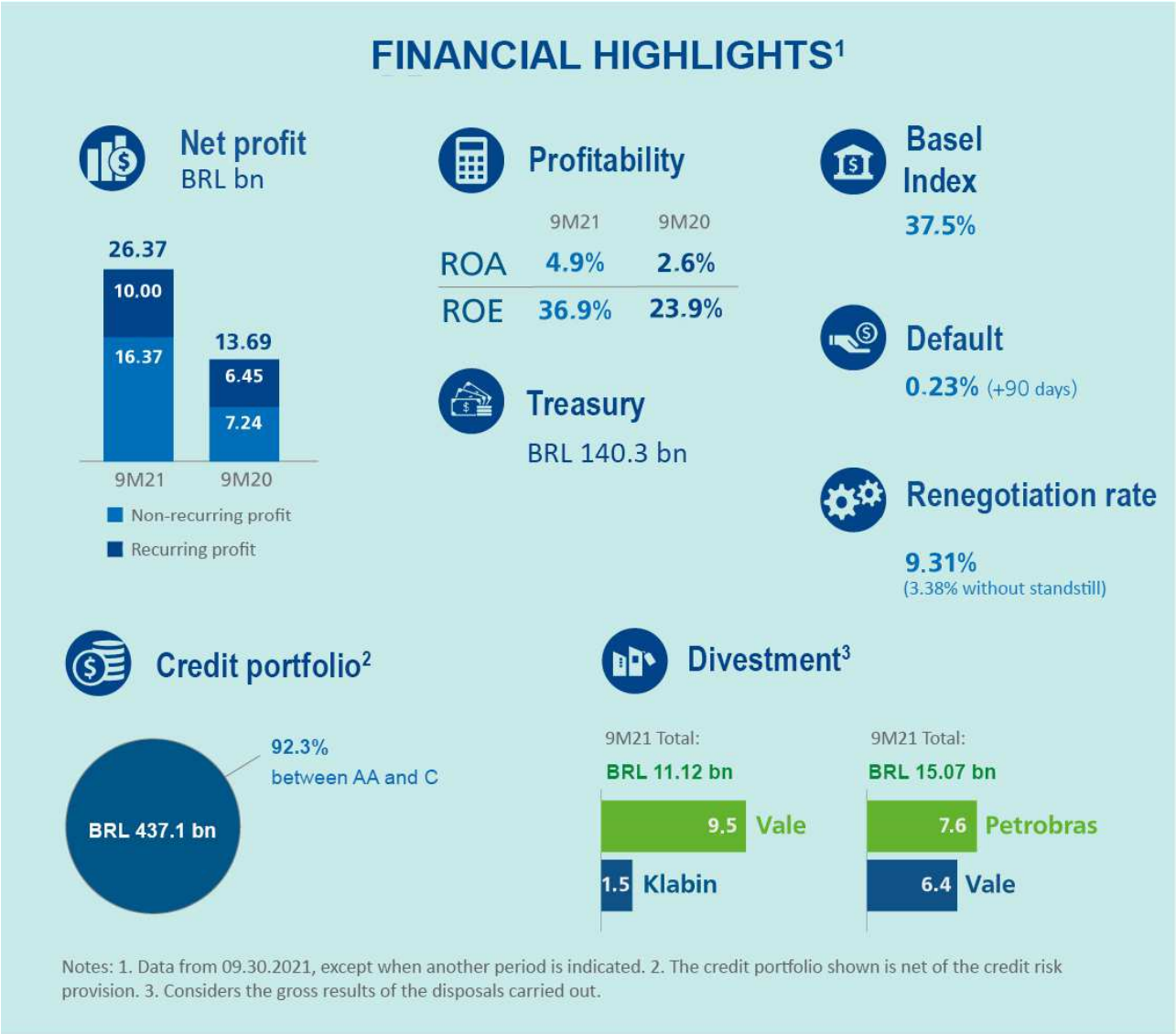
Disbursements by Region (BRL million)



In the third quarter of 2021, the states of São Paulo (62.3%), Pará (56.6%), Mato Grosso (50.2%), Rio Grande do Sul (42.0%), and Bahia (27.1%) stand out in their respective regions.

5. ECONOMIC AND FINANCIAL PERFORMANCE

The BNDES System recorded a net income of BRL 11.255 billion in the third quarter of 2021, an increase of BRL 2.529 billion (29.0%) in relation to the same period of 2020. Below are the main financial highlights of the period.



The growth in profit between the periods was mainly influenced mainly by the effects of the reversal of the provision for impairment losses of BRL 5.4 billion from Petrobras[7], the product of financial intermediation in the amount of BRL 4.4 billion, in addition to income from dividends/interest on capital in the total amount of BRL 2.1 billion and the reversal of the provision for credit risk in the amount of BRL 699 million.

In the accumulated nine months, net income totaled BRL 26.371 billion, an increase of BRL12.683 billion (92.7%) in relation to the same period of 2020, influenced mainly by the growth of BRL 7.499 billion (45.6%) in the result with equity interests and of BRL 4.491 billion (41.0%) in the product of financial intermediation, attenuated by tax expenses.

In terms of recurring result, in the first 9 months of 2021, recurring profit was BRL10.383 billion, BRL 3.935 billion higher than in the same period of 2020. The increase reflects,

[7] Gross effect. The net effect, after discounting deferred taxes, is BRL 3.5 billion.

basically, the higher revenue with dividends/interest on capital, a tax benefit of BRL 0.9 billion, due to the intermediary interest on the profit of the first semester, and an increase in the Product of Financial Intermediation.

Total assets reached BRL 724.545 billion on 09/30/21, a reduction of BRL 3.915 billion (0.5%) in the quarter, explained mainly by the early liquidation of BRL 16.5 billion in resources from the National Treasury, partially offset by the appropriation of interest and exchange variation from the credit and onlending portfolio, in addition to the inflow of BRL 5.8 billion from the FAT.

Regarding the sources of funds, FAT and the National Treasury account for 45.9% and 18.5% of the total liabilities on 09/30/21, respectively, with emphasis on the already mentioned early liquidation of National Treasury resources.

The reduction of BRL 3.238 billion (2.6%) in shareholders' equity in the quarter resulted mainly from the negative adjustment of equity valuation of BRL 5.9 billion and the declaration of BRL 8.6 billion in interim dividends/interim paid-in capital on the result for the first half, partially offset by the profit of BRL 11.3 billion for the period.

5.1 Main Economic and Financial Indicators

BRL million, except percentages

	9M21	9M20	Δ(%)	3Q21	3Q20	Δ(%)
Result						
Product of Financial Intermediation	15,429	10,939	41.0	4,392	3,884	13.1
Allowance for Loan Losses	1,743	(1,801)	(196.8)	699	469	(49.0)
Equity Investments	23,954	16,455	45.6	9,913	9,087	9.1
Tax Expenses[1]	(12,673)	(9,475)	33.8	(2,967)	(4,077)	(27.2)
Other Expenses, net	(2,082)	(2,430)	(14.3)	(782)	(637)	22.8
Net Profit	**26,371**	**13,688**	**92.7**	**11,255**	**8,726**	**29.0**

[1] Includes taxes on profit.

Financial Position	09/30/2021	12/31/2020	Δ(%)	09/30/2021	06/30/2021	Δ(%)
Total Assets	**724,545**	**778,342**	**(6.9)**	**724,545**	**728,460**	**(0.5)**
Loan Portfolio, net	437,116	446,946	(2.2)	437,116	428,514	2.0
Securities[2]	110,688	121,429	(8.8)	110,688	101,215	9.4
Equity Investments	67,824	77,946	(13.0)	67,824	69,260	(2.1)
Non-Associated Companies	52,472	64,785	(19.0)	52,472	54,544	(3.8)
Associated Companies	12,339	10,869	13.5	12,339	11,335	8.9
Equity Investment Funds	3,013	2,292	31.5	3,013	3,381	(10.9)
Cash and cash equivalents	77,172	97,121	(20.5)	77,172	96,352	(19.9)
Other Assets	31,745	34,900	(9.0)	31,745	33,119	(4.1)
Total Liabilities	**724,545**	**778,342**	**(6.9)**	**724,545**	**728,460**	**(0.5)**
Third-party Funds	**605,477**	**665,339**	**(9.0)**	**605,477**	**606,154**	**(0.1)**
FAT	333,116	314,989	5.8	333,116	326,443	(11.4)
National Treasury [3]	134,052	195,259	(31.3)	134,052	151,246	2.0
International Funding	33,929	35,398	(4.1)	33,929	32,717	(1.4)
Other Government Funds	32,111	34,679	(7.4)	32,111	32,570	3.7
Repurchase operations	31,007	40,522	(23.5)	31,007	29,392	5.5
Other Liabilities	41,262	44,492	(7.3)	41,262	33,786	22.1
Shareholders' Equity (SE)	**119,068**	**113,003**	**5.4**	**119,068**	**122,306**	**(2.6)**
SE/TA	16.4%	14.5%		16.4%	16.8%	

[2] Except investments in non-affiliated companies and equity investment funds, classified under "Shareholdings".
[3] Includes transfers and instruments eligible for principal capital.

Credit	09/30/2021	12/31/2020	09/30/2021	06/30/2021
Default Ratio (30 days)[4]	0.23%	0.03%	0.23%	0.39%
Default Ratio (90 days) [4]	0.23%	0.01%	0.23%	0.19%
Provision/Credit and Transfers Portfolio	4.37%	4.29%	4.37%	4.52%
Coverage Ratio (30 days)[5]	19.04	126.83	19.04	11.70
Coverage Ratio (90 days)[5]	19.04	690.38	19.04	23.96
Renegotiation Ratio [6]	9.31%	51.26%	9.31%	19.66%

Prudential Limits	09/30/2021	12/31/2020	09/30/2021	06/30/2021
Basel Index	37.5%	41.2%	37.5%	38.5%
Common Equity Ratio	28.8%	31.1%	28.8%	29.8%
Tier 1 Capital Ratio	28.8%	31.1%	28.8%	29.8%

[4] Defaulting credits/total portfolio.
[5] Provision/Delinquent credits.
[6] Credits renegotiated in the last 12 months/total portfolio. Considers renegotiations under COVID19 standstill, which were equivalent to 5.93% of the total portfolio as of 09/30/2021. Additional renegotiations accounted for 3.38% of this portfolio.

	9M21	9M20	3Q21	3Q20
Profitability[7]				
Return on Assets (LL/TAaverage)	4.89%	2.60%	6.45%	4.83%
Return on Shareholders' Equity (LL/SEaverage)	36.89%	23.86%	43.94%	43.73%

[7] The calculation of returns considers an average of assets and net equity of the sum of the initial and final balances of the respective periods divided by 2, excluding the adjustments to the fair value of interest in non-related companies, net of tax effects.

5.2 Financial Position

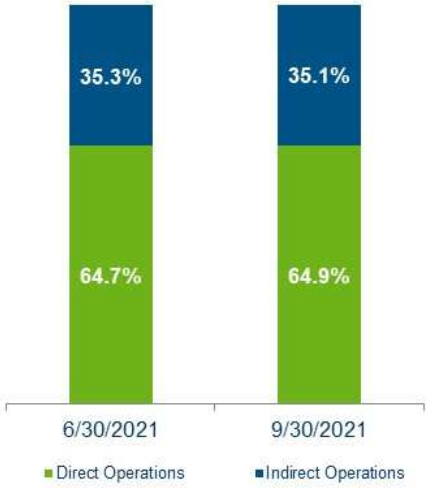
Credit Operations and Transfers

This comprises the financing granted by BNDES directly, called credit operations, or indirectly, through an accredited financial institution, called transfer operations.

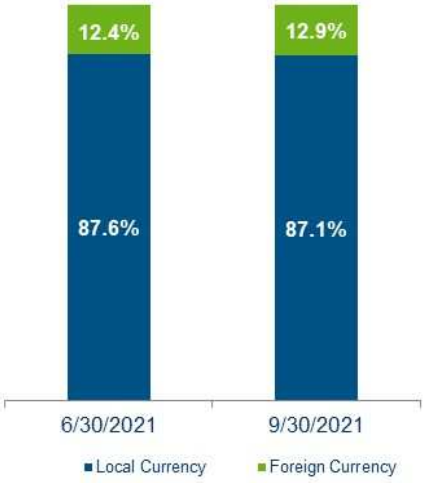
The gross portfolio of loan and transfer operations totaled BRL 457.075 billion on 09/30/21 which, net of provision for credit risk, in the amount of BRL 19.959 billion, accounted for 60.3% of total assets on the same date.

The net portfolio presented an increase of BRL 8.6 billion (2.0%) in relation to the closing of the first semester, mainly due to the appropriation of interest of BRL 8.4 billion and the positive effect of the exchange rate variation of BRL 4.8 billion, these effects being partially offset by the return on credit operations and onlendings higher than the disbursements in BRL 5.0 billion.

Profile of the Gross Credit and Transfers Portfolio



Transfer operations are not charged risk spread, but a minimum financial intermediation rate of 0.15% p.a. (operations contracted after May 09, 2018).
In these operations, the risk is held by the financial institution that transfers BNDES´ resources.



TJLP/TLP and the US Dollar are the main indexes of the loan portfolio, accounting for 69.1% of the portfolio in local currency and 97.7% of the portfolio in foreign currency on 09/30/21, respectively.

Quality of the Credit and Transfers Portfolio

BNDES continuously monitors the quality of its credit portfolio, with the strategic purpose of improving its risk and return management. The financing granted is subject to permanent monitoring and requires guarantees that cover the debt position over the life of the contracts.

Classification of the credit and transfer portfolio by risk level follows CMN Resolution no. 2.682/99, which determines the classification of credits between levels AA, lower risk, and H, higher risk, and the percentage of provision to be constituted for each level. On 09/30/21, the allowance for loan losses reached BRL 19.959 billion, representing a reduction of 1.7% in relation to the end of the first half. Loans classified between levels AA and C, considered low risk, accounted for 92.3% of the total portfolio on 09/30/21, higher than the average of 91.7% of the SFN on 06/30/21, as can be seen in the table below:

Risk Classification of the Credit and Transfer Portfolio as of September 30, 2021

Risk Levels	BNDES System	SFN[1 2 3]	Private Financial Institutions [2 3]	Public Financial Institutions [2 3]
AA-C	92.3%	91.7%	92.0%	91.3%
D-G	5.2%	5.7%	5.6%	5.7%
H	2.6%	2.6%	2.4%	3.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

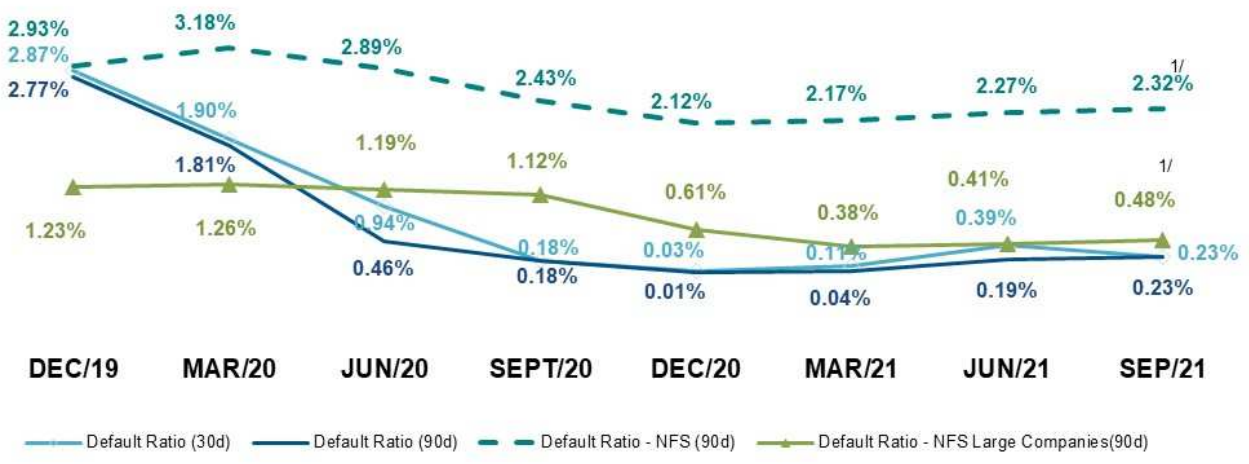
[1] National Financial System.

[2] Source: BACEN.

[3] On June 30, 2021. Last available information.

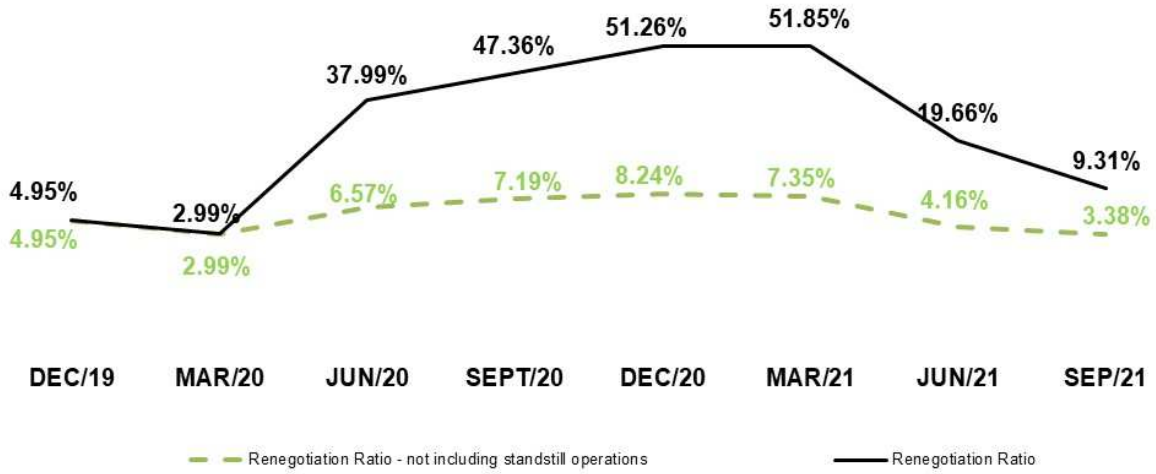
The coverage ratio, a ratio that represents the number of times the provision for credit risk covers defaulted credits (30 days), remains very comfortable, with an increase in the third quarter of 126.83 on 12/31/20 to 11.70 on 06/30/21, due to the decrease in the level of default to 0.23% on 09/30/21, as shown in the following chart:

Default and Renegotiation (%)



1/ In August. Last available data.

The renegotiation index showed a drop in the quarter, still impacted by the Standstill - COVID-19[8], although to a lesser degree than in recent quarters. The indicator of 9.31% in September 2021 becomes 3.38% when these operations are disregarded.



Securities (TVM)

This basically comprises federal government bonds and debentures, which represented 86.2% and 6.2%, respectively, of the portfolio of BRL 110.688 billion on 09/30/21.

The federal government securities portfolio increased by BRL 6.413 billion (7.2%) in the quarter, mainly due to the acquisition of securities. The debenture portfolio remained stable in the period.

Shares

The shareholding portfolio comprises investments in associated and unrelated companies. Of the total portfolio as of 09/30/21, 77.4% represented investments in unrelated companies, 18.2% in related companies, and the remaining 4.4% investments in mutual funds for investments in shareholdings.

The shareholding portfolio, net of provision for losses, reached BRL 67.824 billion on 09/30/21, a reduction of BRL 1.436 billion (2.1%) in the quarter, mainly due to the devaluation of Petrobras and Eletrobras.

Equity funds[9] reduced by 10.9% in the quarter, mainly due to the flow of net divestments.

[8] More information about the payment suspensions can be found at: https://www.bndes.gov.br/wps/portal/site/home/financiamento/suspensao-de-pagamentos.
[9] The investment funds in which BNDES, through BNDESPAR, holds a stake are presented in Note 6.3 to the BNDES Financial Statements for the period ended on 09/30/2021.

Cash and cash equivalents

The BRL 19.180 billion (19.9%) drop in the quarter is mainly due to the early liquidation of BRL 16.5 billion to the National Treasury.

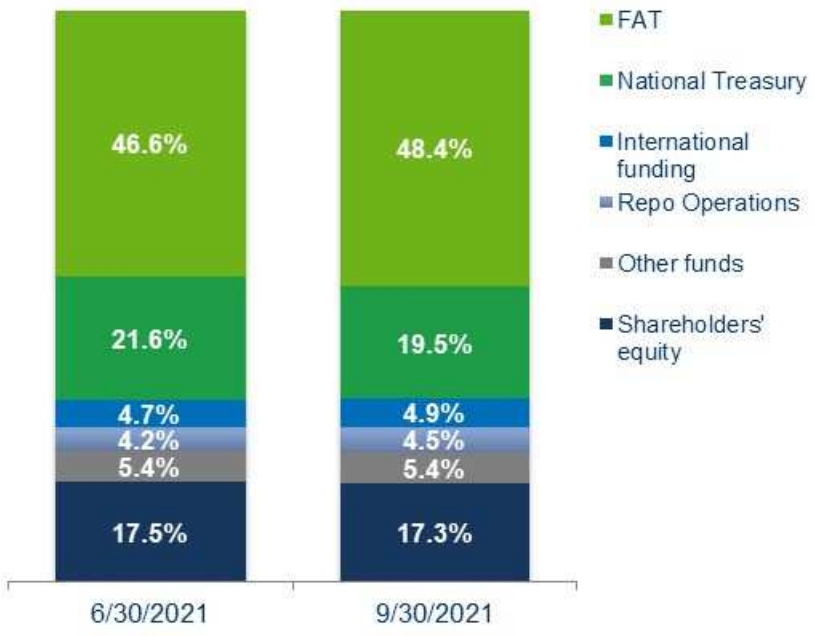
Other Assets

With a balance of BRL 31.745 billion on 09/30/21, mainly composed of tax credits/taxes recoverable (BRL 20.722 billion) and Eletrobras/Itaipu receivables (BRL 6.014 billion), the 4.1% reduction in the quarter was mainly influenced by the amortization of Itaipu receivables, according to the contractual flow.

Funding

Government sources, such as FAT and the National Treasury, represent a significant portion of the BNDES funding[10] structure, accounting for 67.9% of the funding as of September 30, 2021 (68.2% as of June 30, 2021). This calculation does not consider non-onerous liabilities, which represent 5.0% of BNDES's total liabilities at the end of September.

It is important to highlight in the period the early liquidation of resources to the National Treasury, which reduced the representation of this source in the BNDES funding structure.



5.3 Result

Result of Financial Intermediation

This is the product of the net financial intermediation of the provision for credit risk.

[10] More information about BNDES sources of funds can be found at https://www.bndes.gov.br/wps/portal/site/home/relacoes-com-investidores/fontes-de-recursos.

The increase of BRL 740 million (17.0%) in the result of the financial intermediation in comparison to the third quarter of 2020 was mainly due to the improvement in the product of financial intermediation.

Product of Financial Intermediation

It is the result of the investments in the credit and on-lending portfolios, cash and cash equivalents, and securities.

The product of financial intermediation reached BRL 4.393 billion in the quarter, an increase of BRL 510 million (13.1%) in relation to the same period of 2020, mainly due to the higher result with Securities, influenced by the increase in the Selic rate that remunerates cash and government bonds, including the effect of derivatives, given BNDES' acquired position in this rate.

Provision for Credit Risk

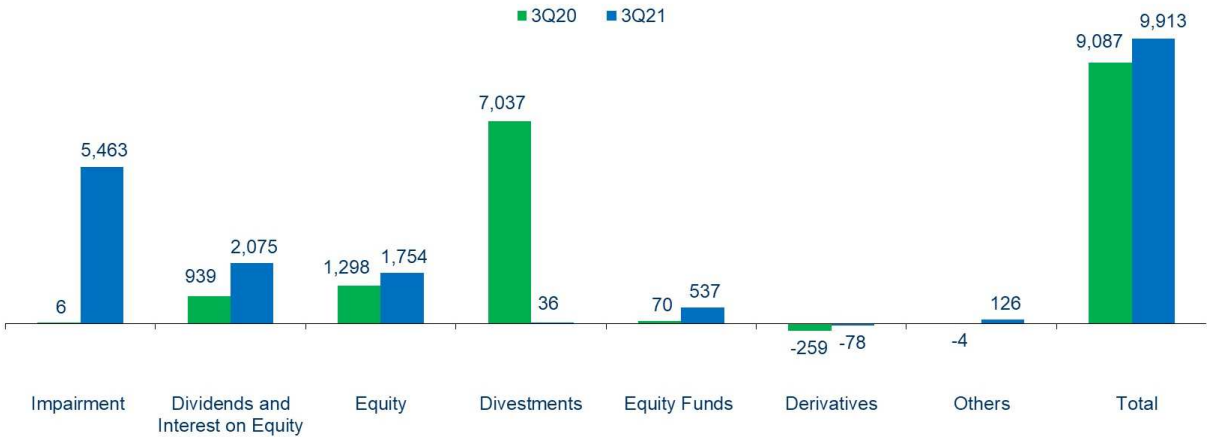
BNDES constitutes a provision for credit risk according to the criteria provided for in CMN Resolution No. 2.682/99.

The provision for credit risk increased from BRL 469 million in the third quarter of 2020 to BRL 699 million in the same period of 2021, due to reversal through risk rating revision and recovery of credits previously written off as a loss.

Result with shares in other companies

The Result with shares in other companies comprises: revenue from dividends and interest on equity, results from equity method, disposals, derivatives and investment funds in equity interests, provision for losses on investments (impairment) and other revenues mainly from the BNDESPAR portfolio.

The growth of BRL 826 million (9.1%) in the result with equity interests in relation to 3Q20 was mainly caused by the reversal of impairment losses of Petrobras (gross amount of BRL 5.449 billion) and by the revenue with dividends of Petrobras, in addition to the positive result with equity method of JBS, attenuated by the lower result with the disposal of investments in this quarter.



Divestments

The result with disposal of investments was BRL 36 million in Q3 2021, a decrease of BRL 7.001 billion (99.5%) compared to the same period in 2020, due to a large disposal of Vale's stake in 3Q20.

Impairment

In the third quarter of 2021 the provision for impairment losses of the investment in Petrobras was reverted, in the gross amount of BRL 5.449 billion, due to, among other reasons, the improvement in the company's governance, the fulfillment of its strategic plan, the reduction in indebtedness and in the cost of capital and the increase in the EBITDA margin. Given the reduction in market uncertainties and the recovery of the company's market value on the stock exchange, the losses that had been recorded between 2014 and 2016 were fully reversed.

Equity

The result with the equity method reached BRL 1.754 billion in the quarter, an increase of BRL 456 million (35.1%), due to the better result of JBS, compared to the same period of 2020.

Dividends and interest on equity (JCP)

The increase of BRL 1.136 billion (121.0%) in revenue from dividends and interest on capital between the quarters is explained by the receipt of dividends from Petrobras (BRL 1.695 billion) and Copel (BRL 350 million) in 2021, which did not occur to the same extent in 2020.

Equity funds

The result from equity funds reflects the valuations or devaluations of the quotas in the funds and returns from investments. In the third quarter of 2021, the result was a gain of BRL 537 million (BRL 70 million in the third quarter of 2020), mainly due to the total or partial redemption of some funds.

Derivatives

The result from derivatives reflects the change in the fair value of isolated derivative financial instruments linked to equity interests and embedded in convertible or exchangeable debentures.

The BRL 181 million (69.9%) improvement in the result with variable income derivatives between the quarters resulted from the result with derivatives embedded in debentures, due to the variation in the fair value of a company in the Energy sector.

Others

The positive result in the third quarter of 2021 was due to revenues of BRL131 million, resulting from gains due to a variation in the percentage of interest in an associate, caused by operations with the company's treasury stock.

Tax Expenses

It almost entirely represents federal taxes such as PIS, COFINS, income tax and social contribution, including taxes on adjusted pre-tax income.

The BRL1.110 billion (27.2%) decrease in tax expenses in the third quarter of 2021 compared to the same period of 2020, mainly reflects the aforementioned reduction in taxable income, resulting from interim JCP on the first half's profit, and the fact that there were no material divestments of investments in the quarter.

Other Expenses, net

This comprises the monetary restatement of assets and liabilities, administrative and personnel expenses, labor and civil provisions, among others.

The increase of BRL 145 million (22.8%) between the quarters was mainly caused by the reduction in interest income from rights receivable due to amortization of principal, according to the contractual flow.

6. RATING

In the third quarter of 2021, BNDES maintained the same rating as at the end of 2020, as can be seen in the figure below:

Rating Agency	Global Scale Rating	
	Foreign Currency – Long-term	National Currency – Long-term
Moody's	Ba2 (Stable)	Ba2 (Stable)
S&P	BB- (Stable)	BB- (Stable)

Moody's Highlights

- ✓ Strong brand value as the main source of long-term financing and capital investment for Brazilian companies and for government infrastructure projects;
- ✓ Access to stable and reasonably inexpensive funding; and,
- ✓ Asset quality superior to the market.

S&P's Highlights

- ✓ Strong guarantee policy and flexibility to restructure loans and mitigate potential losses arising from greater risks in the economy;
- ✓ Long-term funding with government support gives the bank a competitive advantage; and,
- ✓ BNDES' prominent position in the economy and in the execution of public policies implies in equalizing ratings and default risk with those in the sovereign.

7. BACEN CIRCULAR LETTER No. 3,068/2001

BNDES declares that it has the financial capacity and intention to maintain the securities classified as "Held to Maturity" until maturity on 09/30/21, in the amount of BRL 2.628 billion, equivalent to 2.4% of the net portfolio of securities presented in this report.

8. ACKNOWLEDGEMENTS

We thank our collaborators for their dedication and talent, which allow us to achieve consistent results; our customers, who motivate us in the incessant pursuit of the development of our services; and the market, for its indispensable support and trust.