MANAGEMENT REPORT BNDES

1ST Quarter of 2022

BNDES

TABLE OF CONTENTS

1. THE MACROECONOMIC SCENARIO 2
2. HIGHLIGHTS FROM THE FIRST QUARTER OF 2022 4
3. SOCIO-ENVIRONMENTAL PERFORMANCE 6
4. OPERATIONAL PERFORMANCE 10
5. ECONOMIC AND FINANCIAL PERFORMANCE 11
6. RATING 21
7. BACEN CIRCULAR LETTER Nº 3.068/2001 21
8. ACKNOWLEDGMENTS 21

Dear shareholders and remaining stakeholders:

In adherence to the principles of BNDES' Transparency Policy, we wish to present the Management Report for the BNDES System for the quarter ended March 31st, 2022.

1. THE MACROECONOMIC SCENARIO

After the most critical period of the new coronavirus pandemic had passed, Russia's invasion of Ukraine on February 24th and the ensuing military conflict once again led to a shock in the world economy in this first quarter of 2022. With the advent of war, the recovery of the dynamism made possible by the advancement of vaccination against Covid-19 began to take place even more unevenly across geographic regions and in accordance with the level of compliance within production sectors and their international chain for each country. As a result, Europe, the scene of the conflict in which with a large number of countries maintain a high level of economic interdependence with the war-stricken region, has suffered the greatest negative consequences.

Increased uncertainty about the availability of energy and agricultural resources has led to a widespread rise in commodity prices, particularly natural gas and oil. There was an increase of approximately 27% in prices during the first quarter of 2022 (variation in the CRB futures index). Vagueness with regards to the directions that the conflict would take in terms of spatial limitations, duration and intensity, and the sanctions imposed upon Russia by most of the world's major economies, have also altered the prospects for overseas investment.

The rise in commodity prices also resulted in worsening conditions in terms of the global phenomenon of rising consumer prices brought about by the renewed dynamism resulting from progressively overcoming the pandemic. Between October 2021 and March 2022, inflation measures for the last 12 months increased by between one and two percentage points in the United States, European countries, and the world's main emerging economies.

The conflict also slowed global growth: the World Bank, the IMF and the OECD revised their projections for GDP and in April 2022 declared an estimated global GDP growth of nearly 4% for the year. The United States and China remain the main drivers of the world economy, with a projected growth of 4% and 5%, respectively, for 2022. For Latin America, forecast expansion of the GDP remained around 3.5%.

Brazil is influenced by this general context of rising prices and a slowdown in global economic dynamism, but due to its particular nature, it is better protected than the vast majority of the remaining emerging economies faced with this challenging scenario. Due to the fact that Brazil is a commodity exporting country located in a region that is far removed from the major sources of geopolitical tension, with high real interest rates and which has been recently successful in addressing the challenges posed by the pandemic, the country

has been attempting to implement a currency appreciation process since the beginning of the year. In fact, the Brazilian Real increased in value by approximately 18% over the course of the first quarter of 2022.

Cumulative inflation in the last twelve months measured by the IPCA (Broad Consumer Price Index) reached 10.54% in February 2022. The war in Ukraine fostered expectations of increased prices in Brazil: at the beginning of the year inflation was projected to reach approximately 5% in 2022; today market estimates suggest that the end of the year will see an IPCA of 6.86% (Focus Report published 03/25/2022). A rainfall regime that was more rigorous than usual in the first quarter of 2022 alleviated the water crisis that Brazil is currently facing, with the reservoirs of the Southeast/Central-West System, responsible for supplying about 70% of all hydroelectrical energy consumed by the country, reaching water levels of 63% at the end of March, conditions that will help provide relief in terms of energy prices throughout the year. On the other hand, gasoline and other oil products experienced intense increases in order to maintain pace with international pricing of the commodity. In an attempt to moderate the upward trend in prices, Selic (the Special System for Settlement and Custody), which has been increasing since March 2021, ended the first quarter of 2022 at 11.75% and is expected to close off the year at 13.00% (Focus Report published 03/25/2022).

The unemployment rate has continued along a downward trend since April of last year, dropping to 11.2% in the quarter ended February 2022, with 12 million Brazilians currently unemployed (data made available by IBGE (the Brazilian Institute of Geography and Statistics) on 03/31/2022). Informal employment continues to decline, although unregistered workers continue to account for 40.2% of the employed population, or 38.3 million Brazilians. When compared with the quarter ended February 2021, the contingent of employed Brazilians increased by 8.0 million workers, surpassing the total pre-pandemic number of employed individuals in the country. The employment-to-population ratio (percentage of employed individuals within the working age population) was estimated to total 55.2%, compared to 51.1% during the previous year.

Despite a general context of economic recovery, the most recent data on economic activity do not yet indicate a clear trend for growth in the country. Brazil needs to continue expanding investment in order to achieve a consistent process of economic growth, particularly with the current context of a shock to supply chains caused by the War in Ukraine and the increase in international *commodity* prices.

BNDES wishes to propose that the final impact of the supported ventures be emphasized. This is true for all market segments, particularly for the infrastructure sectors, which provide the country with gains in systemic competitiveness, as well as for the agricultural and industrial sectors, in which investment results in gains in production capacity. In addition, support for MSMEs, as important generators of job vacancies, remains among the Bank's priorities in achieving its higher-level goal of transforming the lives of entire generations and promoting sustainable development.

2. HIGHLIGHTS FROM THE FIRST QUARTER OF 2022

2.1. Generation of Public Value for Society

THE BNDES OPERATES IN VARIOUS SECTORS OF THE ECONOMY,

always seeking to finance projects that generate value for society.

See the deliveries for 1Q/2022:

Energy

41 km

of natural gas distribution network implemented

Telecommunications

384 thousand

new accesses to fixed broadband services (people connected)

Health

294

SUS health units benefitted by the support of BNDES

Jobs

179 thousand

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

MSME

29 thousand

micro, small, and medium enterprises supported

Sanitation

83 thousand

people who will have access to sewage system + will be benefited by the increase of sewage treatment

Parks and forests

1

conservation area concession

Sale of companies and real estate funds

1

privatization process carried out

Security

1

project aimed at improving the efficiency of public security intelligence services

2.2. Management

The Bank and IFC renew partnership to strengthen socio-environmental practices

The Bank and the International Finance Corporation (IFC), a member of the World Bank Group, will strengthen its partnership aimed at intensifying the attention paid to the theme of ESG (environmental, social and governance) in operations and projects structured by the Bank. The two institutions will also work together to improve practices involved in the co-financing of infrastructure projects in Brazil, adhering to international standards in order to attract capital for priority sectors.

The Bank approves first operation under the ASG Credit Program

The Bank has approved its first operation under BNDES Crédito ASG. Financial support, in the amount of R$ 110 million, will be granted to LIASA - Ligas de Alumínio S.A., an important player in the metallurgical sector. The credit will be used to implement LIASA's investment plan, which provides for technological adjustments in the furnaces used in its industrial park and the implementation of new dedusting filters, which will provide significant gains in productivity and competitiveness, reducing emissions of polluting gases during silicon production.

As part of the operation, LIASA entered into a commitment with BNDES to fulfill three corresponding obligations within the next two years: the presentation and publication of a Socio-environmental Responsibility Policy on its website, the inclusion of Education and Diversity as priority focal points in its Social Investment Policy, and the presentation of its Sustainability Report.

The Bank will carry out the first acquisition of carbon credits in its history

The Bank approved a pilot operation to acquire up to R$ 10 million in carbon credits. Purchases will initially focus on securities predominantly originating from REDD+ (Reduction of Emissions from Deforestation and Forest Degradation), Reforestation, and Energy.

With this initiative, BNDES intends to support the development of a voluntary market for the commercialization of these securities in addition to endorsing standards for quality in managing decarbonization projects within the economy beginning in 2022. Carbon credits represent the non-emission of greenhouse gases in the atmosphere, thereby contributing to the preservation of the environment. The Bank's strategy is to stimulate demand for these developers, landowners with potential for environmental projects, and other market participants.

BNDES Receives Development Bank of the Year Award at IJGlobal Awards

The Bank was named the development financial institution (DFI) of the year at the 2021 IJGlobal Awards for Latin America. This is the first time that a Brazilian federal public company has received the award.

Winners of the first edition of BNDES's Todos pela Sustentabilidade ('Everyone Behind Sustainability') Award announced

At the end of March, BNDES announced the winning companies in the first edition of the BNDES Todos pela Sustentabilidade Award. The purpose of the award is to recognize the philanthropic actions of organizations that have a lasting socio-environmental impact on society and is provided across three categories: Education; Environment and Innovation in the Amazon; and Water.

The winner in the Education category was Iochpe-Maxion, which presented the project "Formare Program". Ambev was awarded first place in the Environment and Innovation in the Amazon category with its "Guaraná de Maués Alliance - a case of Ambev sustainability in the Brazilian Amazon" project. Finally, Petrobras was declared the winner in the Water category with its "Semeando Água" ("Seeding Water") project ". The winners received

certificates of recognition issued for each category and will have their projects published on the Bank's institutional page and social media platforms.

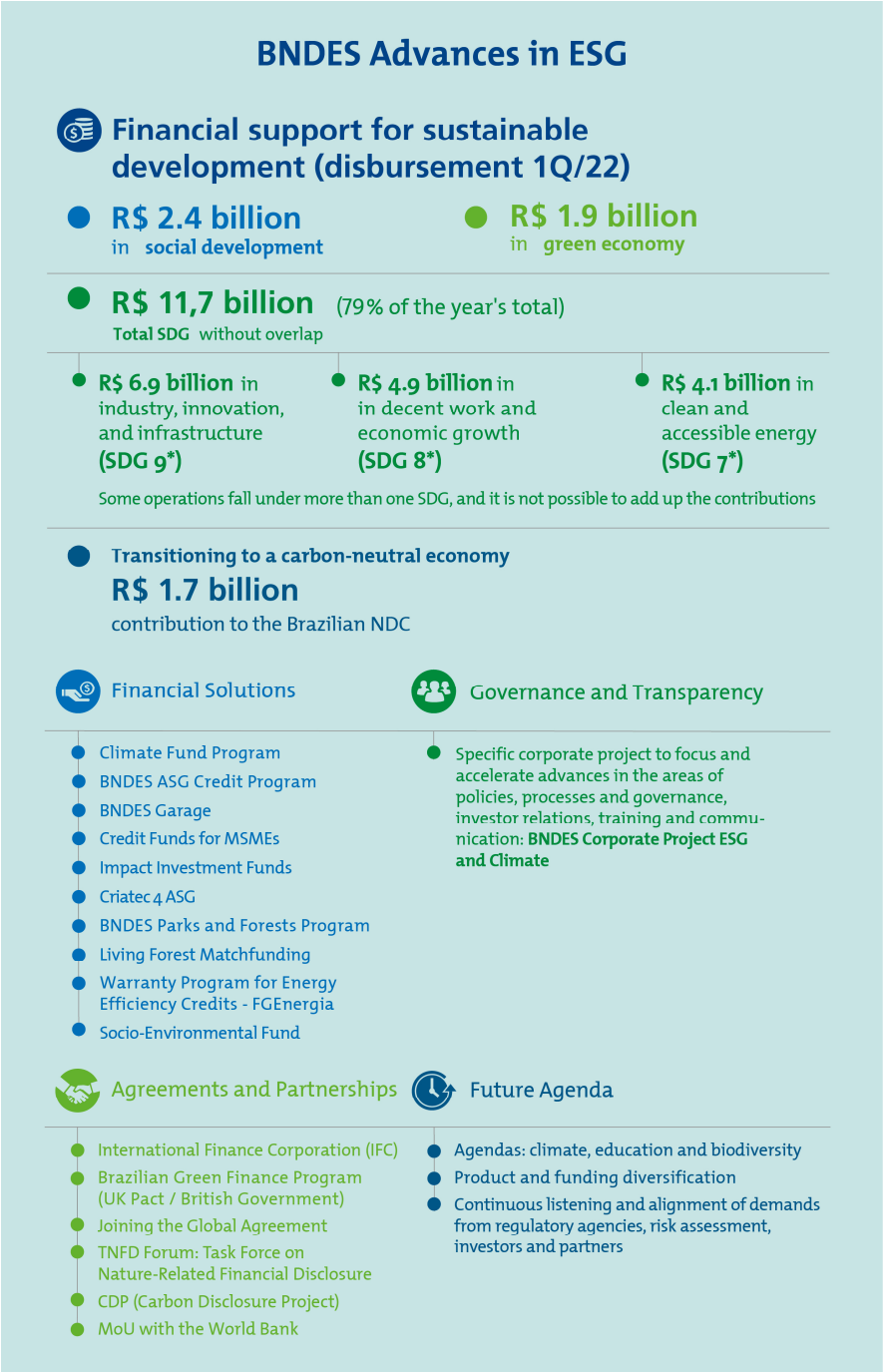
With support from one of the Bank's projects, Fip Shelf 119 purchases Codesa in the first privatization of a port in Brazil

The investment fund Shelf 119 Multiestrategia, which is part of the management company Quadra Capital, represented by Necton Investimentos, was the winner of the privatization auction (sale of the port company + concession of assets) carried out by Companhia Docas do Espírito Santo (Codesa). This was the first privatization of a port carried out in Brazil. The group presented a proposal that included an initial grant of R$ 106 million in, with a commitment to acquiring R$ 326 million in company shares, in addition to paying R$ 186 million in 25 annual grants and investing R$ 855 million within a period of 35 years. The unprecedented modeling in Brazil was structured by BNDES' Project Factory as part of support provided to the Ministry of Infrastructure.

3. SOCIO-ENVIRONMENTAL PERFORMANCE

For BNDES, development only has meaning if it is carried out in a sustainable manner. Nearly 40 years ago, when there was nearly no mention of sustainability in Brazil, BNDES was already prioritizing a positive socio-environmental impact and developing partnerships aimed at achieving this goal.

Our focus is to integrate the economic, social and environmental agenda into our operations in order for Brazil to be able to achieve the United Nation's (UN) Sustainable Development Goals (SDGs), transition to a carbon-neutral economy in a manner that is just, and achieve economic prosperity. This focus is reflected in our actions, from the policies that govern our activities, through to our commitments to achieving positive results in terms of sustainable development. The table below presents the main highlights of BNDES' performance in relation to its social, environmental and governance (ESG) agenda for the quarter:



Green Economy and Social Development

In the first quarter of 2022, R$ 1.9 billion was spent on projects related to the Green Economy, which includes sectors such as energy efficiency, renewable energy, forests, water and sewage management, and agricultural improvement.

The highlight from among these areas remains the renewable energy sector, which received R$ 1.5 billion, approximately 76% of the disbursements provided during the period, followed by public passenger transport (R$ 169 million), agricultural improvement (R$ 82 million) and forests (R$ 57 million).

The social development indicator consists of the education, public management, urban and regional development, productive inclusion, social responsibility, and health sectors and received R$ 2.4 billion in disbursements throughout the quarter.

Within this segment, the main focus during this period were projects linked to urban and regional development, for which a total of R$ 2 billion was disbursed, about 84% of the indicator's total, followed by the productive inclusion sector, with R$ 204 million in spending.

Together, the green and social economy sectors account for 55.0% of the balance of BNDES' direct and indirect non-automatic operations portfolio, demonstrating, once again, our commitment to sustainable development in Brazil.

More information on the Green Economy and Social Development indicators can be found at:
https://www.bndes.gov.br/wps/portal/site/home/desenvolvimento-sustentavel/resultados/desembolsos-em-economia-verde-e-desenvolvimento-social/desembolsos-economia-verde-desenvolvimento-social/.

Sustainable Development Goals

Since 2019, BNDES has also been monitoring its operational performance with regards to contributions made towards achieving the Sustainable Development Goals (SDGs). In the first quarter of this year, 30.7 thousand operations received disbursements linked to at least one of the SDGs, which totaled R$ 11.7 billion – 79% of total disbursements for the period. The most prominently represented SDGs for the year were Industry, Innovation and Infrastructure (SDG 9, R$ 6.9 billion), Decent Work and Economic Growth (SDG 8, R$ 4.9 billion), and Affordable and Clean Energy (SDG 7, R$ 4.1 billion)[1].

These disbursements result in deliveries to society, which have a direct positive impact on the lives of Brazilian citizens. During the period, new operations associated with the SDGs were contracted, which will support 15,000 entrepreneurs through means of 13,000 microcredit operations, for example, totaling R$ 160 million in Peer-to-Peer lending (SDG 1). It is estimated that about R$ 35.6 million from these operations will be directed towards women, thereby also contributing to SDG 5. It is also important to highlight the support provided for the preservation and/or revitalization of five material heritage areas and/or cultural facilities in the states of Espírito Santo, Minas Gerais and Amapá (SDG 11) and the credit provided to PPPs (Public-Private Partnerships) aimed at the modernization and increased efficiency of the municipal street lighting network (35 thousand points of illumination) in the municipality of Vila Velha (ES), which is expected to save 5,587 MWh/year in energy (SDG 12).

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

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

[1] A single operation may be linked to more than one SDG.

Transition to a low-carbon economy

In November/2021, we launched the NDC Panel, a climate-focused extension of the SDG Panel offering information on our contribution to Brazil's Nationally Determined Contribution (NDC), which established national targets for reducing greenhouse gas (GHG) emissions.

The BNDES's NDC Panel was made public during COP-26 and was intended to present the manner in which the Bank has been supporting Brazil in fulfilling the commitments it has made under the Paris Agreement. In the first quarter of 2022, disbursements aimed at providing support for the transition to a low-carbon economy totaled R$ 1.7 billion for the energy, forestry and urban mobility sectors.

In addition to providing information on our disbursements and indicators for results, we also wish to present the GHG emissions that were eliminated through the projects that BNDES has supported in the Energy, Forestry and Urban Mobility sectors. In terms of totals for the first quarter of 2022, projects in these sectors prevented the emission of 77.4 million tons of CO_2eq[2], equivalent to a hypothetical period of 28.8 years without cars in the city of São Paulo. This calculation accounts for the entire useful life of the projects directly approved from 2015 onwards. The disbursements associated with these projects allowed for, among other results, the planting of 1.8 million seedlings, the recovery of 800 ha of vegetation cover through agroforestry systems, support for almost 25 thousand people through sustainable production projects, and the installation of 7,207 MW of wind power generation capacity.

Learn more about BNDES's disbursements aimed at transitioning to a low-carbon economy at: https://www.bndes.gov.br/wps/portal/site/home/desenvolvimento-sustentavel/resultados/emissoes-evitados/painel-desembolsos-ndc/.

Learn more about our contribution to Brazil's emission reduction targets at: https://www.bndes.gov.br/wps/portal/site/home/desenvolvimento-sustentavel/resultados/emissoes-evitas/emissoes-evitas/.

New sustainable development solutions

Launched in November 2021, the matchfunding Floresta Viva ('Living Forest') is an initiative focused on the ecological restoration of Brazilian biomes, particularly with regards to the formation of ecological corridors and the recovery of river basins. The target for investments upon launch of the program was R$ 500 million over a period of seven years, with up to 50% of the Bank's resources, seeking to restore between 16,000 and 33,000 hectares of forest and remove approximately 9 million tons of carbon from the atmosphere, taking a 25-year cycle of forest growth into consideration. By March 2022, the letters of intent signed by institutions interested in donating have already exceeded the initial target by R$ 100 million and now total R$ 600 million.

Assessment of the first Socio-Environmental Fund projects presented during this cycle was also initiated in March 2022. The Fund was redesigned in 2021 in order to expand its scope. Several projects related to the environment and the generation of employment and

[2] Equivalent carbon dioxide, unit of measurement used to measure GHG emissions.

income associated with the preservation and recovery of Brazilian biomes are currently being analyzed for eligibility.

4. OPERATIONAL PERFORMANCE

4.1. Operational Policy

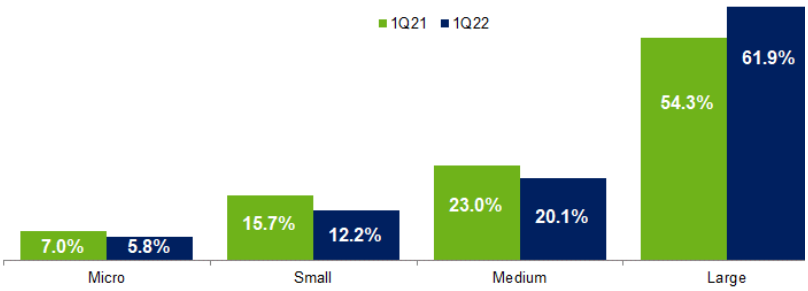
During the first quarter of 2022, improvements to the FSA Fund for Financing in the Audiovisual Sector – BNDES Audiovisual were approved, with changes made in the term of use and alignment with Resolutions from the FSA Management Committee that have come into effect.

We also wish to highlight studies on improving Operational Policies through means of a Review of Basic Guidelines and the FINEM, FINAME and BNDES Automatic Products that are to be implemented throughout 2022 in order to optimize the flow of analysis in credit operations. Such an initiative will allow rules applicable to the Support Instruments to be further streamlined on a large scale in order to reduce the effort required in analyzing and monitoring credit operations.

4.2. Disbursement Profile

Disbursements by Size (R$ million)

Below we present disbursements by size, the classification of which allows BNDES to act in accordance with the characteristics of each sector, by offering specific lines of credit, programs and conditions. Support for micro businesses, small, and medium-sized companies, which BNDES considers to be a priority, provides special conditions to facilitate these companies' access to credit.



Classification by size*:

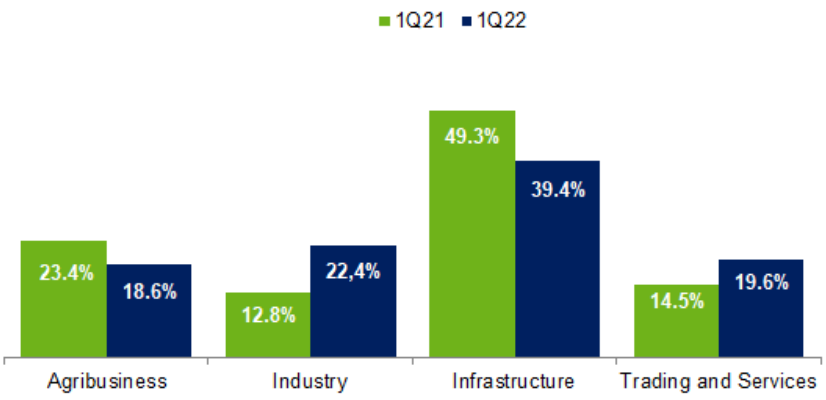
- ✓ Micro: less than or equal to R$ 360 thousand
- ✓ Small: greater than R$ 360 thousand and less than or equal to R$ 4.8 million
- ✓ Medium: greater than R$ 4.8 million and less than or equal to R$ 300 million
- ✓ Large: greater than R$ 300 million

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

The Bank's disbursements in the first quarter of 2022 totaled R$ 14.8 billion, an increase of 23.4% compared to the same period in 2021.

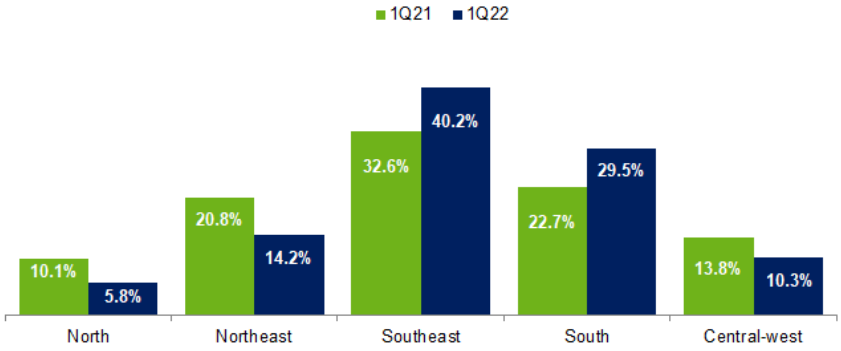
The number of operations reached 33,692 on the quarter, an increase of 5.8% compared to 31,757 operations in the first quarter of 2021. The number of operations involving micro businesses and large companies saw an increase of 19.0% and 26.1% between the periods, respectively, with a decrease of 6.3% in operations with small companies and 14.9% in operations with medium-sized companies during the same period.

Disbursements by Sector (R$ million)



Highlights for the first quarter of 2022 within the infrastructure sector include disbursements made to the electricity sector (47.6%) and, in the industrial sector, disbursements for the chemical and petrochemical (27.9%) and food and beverage sectors (17.6%).

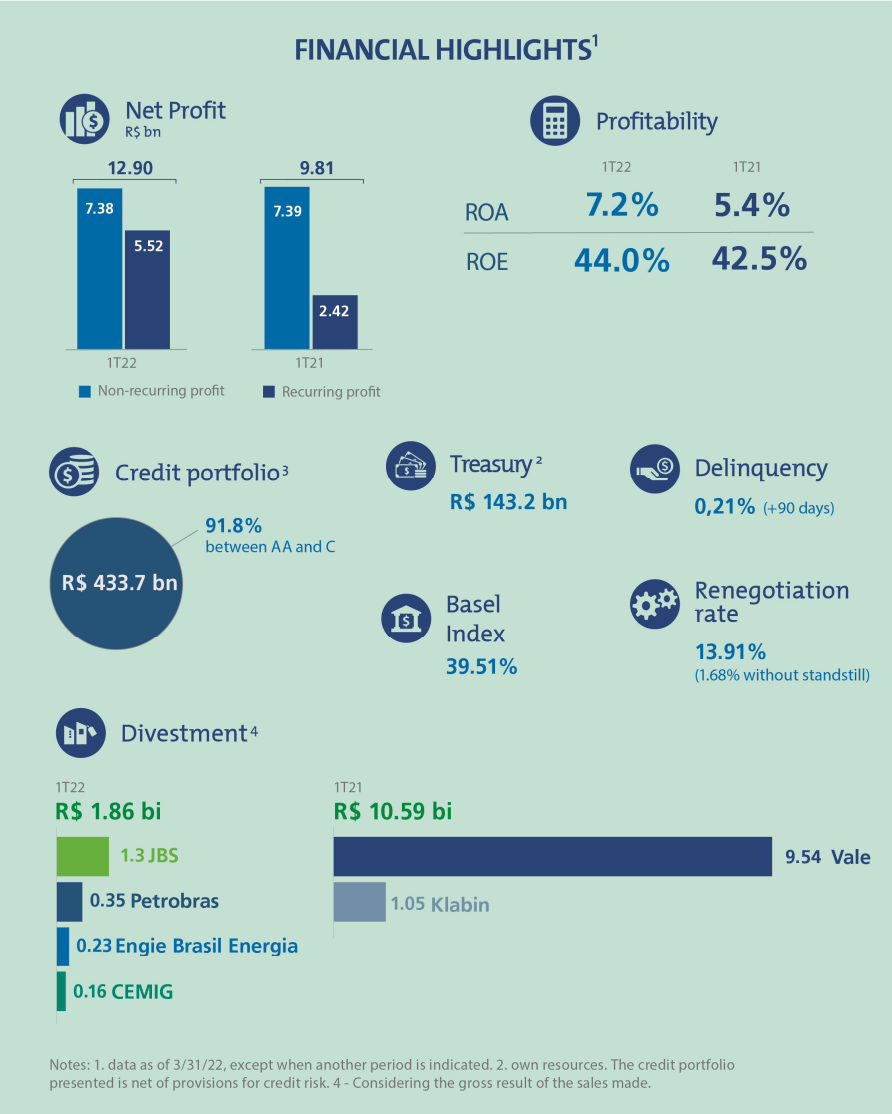
Disbursements by Region (R$ million)



The states of São Paulo (71.3%), Pará (60.2%), Goiás (45.5%), Rio Grande do Sul (42.3%) and Bahia (28.7%) were highlighted within their respective regions in the first quarter of 2022.

5. ECONOMIC AND FINANCIAL PERFORMANCE

The BNDES System recorded a net income of R$ 12.902 billion in the first quarter of 2022, an increase of R$ 3.094 billion (31.5%) compared to the same period in 2021. The main financial highlights for the period are presented below:



The increase in profit was mainly influenced by earnings from equity interest, which was highlighted by the gross effect of the reclassification of investment in JBS to Shares Assessed at Fair Value (discontinuation of controlling interest in JBS - R$8.8 billion) added to gross revenue from dividends/interest on the stockholders' equity (R$ 3.2 billion) and dispositions (R$1.9 billion) on the quarter.

Recurring revenue in the quarter totaled R$ 5.518 billion, an increase of R$ 3.096 billion (127.8%) compared to the same period in 2021, which was mainly due to increased revenue from dividends/interest on the stockholders' equity and an increase in the financial intermediation product.

Total assets reached R$ 749.693 billion on 03/31/22, an increase of R$ 12.515 billion (1.7%) on the quarter, which can mainly be attributed to the effect of the reclassification of investment in JBS from “Affiliate” to “Non-Affiliated Company” due to the loss of significant influence, with the subsequent measurement of shares at market value (R$ 6.7 billion) added to an appreciation of the portfolio of equity interests at fair value (non-affiliated companies) of R$ 7.2 billion.

With regards to funding, FAT (Workers Support Fund) and the National Treasury account for 46.3% and 16.3% of the total liabilities on 03/31/22, the same levels seen at the end of the previous fiscal year.

The growth of R$ 15.425 billion (12.1%) in shareholders' equity during the quarter was mainly due to the net income of R$ 12.902 billion reached and a positive equity valuation adjustment on the period (R$ 2.523 billion).

5.1. Main Economic and Financial Indicators

	R$ million, except percentages		
	1Q22	1Q21	Δ(%)
Financial Results			
Financial Intermediation Product	4,930	4,411	11.7
Provision for Credit Risks	259	432	(40.0)
Equity Investments	14,851	11,670	27.3
Tax Expenses[1]	(6,310)	(6,086)	3.7
Other Expenses, net	(828)	(619)	33.8
Net Income	**12,902**	**9,808**	**31.5**

[1] Includes taxes on profit.

	03/31/2022	12/31/2021	Δ (%)
Financial Position			
Total Assets	**749,693**	**737,178**	**1,7**
Loan Portfolio, net	433,704	439,539	(1.3)
Bonds and Securities[2]	117,465	105,670	11.2
Equity Ivestments	79,171	66,593	18.9
Non-Affiliated Companies	74,030	51,512	43.7
Affiliated Companies	1,889	11,793	(84.0)
Equity Funds	3,252	3,288	(1.1)
Cash and Cash Equivalents	89,277	95,299	(6.3)
Other Assets	30,076	30,077	0.0
Total Liabilities	**749,693**	**737,178**	**1.7**
Third-Party Funds	**607,271**	**610,181**	**(0.5)**
FAT	347,002	347,355	(0.1)
National Treasury[3]	122,520	124,415	(1.5)
International Funding	27,775	33,398	(16.8)
Other Governmental Sources	28,571	32,163	(11.2)
Repurchase Operations	46,376	39,825	16.4
Other Liabilities	35,027	33,025	6.1
Shareholders' Equity (SE)	**142,422**	**126,997**	**12.1**
SE/TA	19.0%	17.2%	

[2] Does not include investments in non-affiliated companies and equity funds classified under "Equity Investments".
[3] Includes transfers and instruments eligible for core capital.

03/31/2022	12/31/2021

Prudential Filters		
Basel Index	39.5%	40.2%
Core Capital Ratio	32.3%	31.3%
Tier 1 Capital Ratio	32.3%	31.3%

	03/31/2022	12/31/2021
Credit		
Default Ratio (30 days)[4]	0.34%	0.31%
Default Ratio (90 days) [4]	0.21%	0.19%
Provision / Portfolio of Credits and Transfers	4.56%	4.30%
Coverage Ratio (30 days)[5]	13.58	14.08
Coverage Ratio (90 days)[5]	22.20	22.89
Renegotiation Ratio [6]	13.91%	15.17%

[4] Non-performing loans/total portfolio.
[5] Provision/Non-performing loans.
[6] Credits renegotiated in the last 12 months /total portfolio. Takes renegotiations within the scope of the COVID-19 standstill into consideration. If these effects were disregarded, the renegotiation rate would be 1.68% as of March 2022

	1Q22	1Q21
Profitability[7]		
Return on Assets (NI/averageTA)	7.20%	5.41%
Return on SE (NI/averageSE)	43.97%	42.45%

[7] For the calculation of returns, the average assets and shareholders' equity is considered to be the sum of the initial and final balances for the respective periods divided by 2, excluding adjustments to the fair value of equity interests in non-affiliated companies, net of tax effects.

5.2. Financial Position

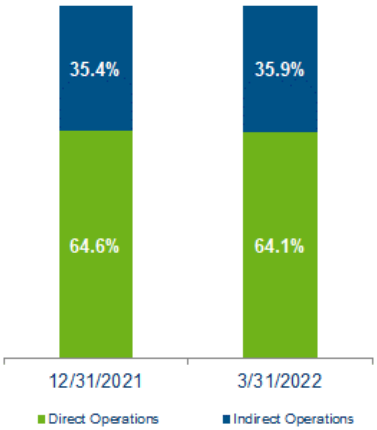
Credit and onlending operations

Consists of financing directly or indirectly granted by the BNDES through an accredited financial institution, which is known as an onlending operation.

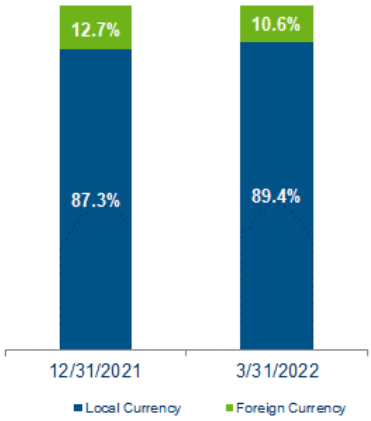
The gross portfolio for loan transactions and on-lending totaled R$ 454.418 billion as of 03/31/22, which, net of provisions for credit risk in the amount of R$ 20.714 billion, accounted for 57.8% of total assets as of the same date.

The reduction of R$ 5.835 billion (1.3%) in the net portfolio for the quarter was mainly influenced by the negative effect of R$ 8.6 billion in exchange rate variation added to a return on loan transactions and onlending that exceeded disbursements by R$ 7.0 billion. These effects were mitigated by the appropriation of interest and an adjustment for inflation of R$ 9.6 billion.

Profile of the Gross Credit and OnLending Portfolio



Onlending operations are not charged based on risk spread, but rather with a minimum per annum financial intermediation rate of 0.15%.
The risk in these operations is assumed by the financial institution transferring BNDES's funds.



TJLP/TLP (long-term interest rates) and the US dollar are the main indices used in the loan portfolio, corresponding to 67.9% of the portfolio in local currency and 97.9% of the portfolio in foreign currency, respectively, as of 03/31/22.

Quality of the Credit and Onlending 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 respective contracts' effective period.

The risk classification of the Bank's credit and onlending portfolios adheres to CMN (National Monetary Council) Resolution no. 2,682/99, which determines the classification of credits ranging from AA, the lowest risk level, to H, the highest risk level, as well as the provision percentages that are to be constituted for each level As of 03/31/22, provisions for credit risk reached R$ 20.714 billion, representing an increase of 5.0% relative to the end of 2021, which was due to more provisions being constituted than reversed during the period. Loans classified between levels AA and C, which are considered low risk, accounted for 91.8% of the total portfolio as of 03/31/22, remaining at the 91.9% average provided by the SFN on 09/30/2021, as can be seen in the table below:

Risk Classification for the Credit and Onlending Portfolio as of March 31st, 2022

Risk Levels	BNDES system	SFN[1 2 3]	Private Financial Institutions [2 3]	Public Financial Institutions [2 3]
AA-C	91.8%	91.9%	92.3%	91.5%
D-G	5.4%	5.5%	5.4%	5.6%
H	2.9%	2.6%	2.3%	2.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

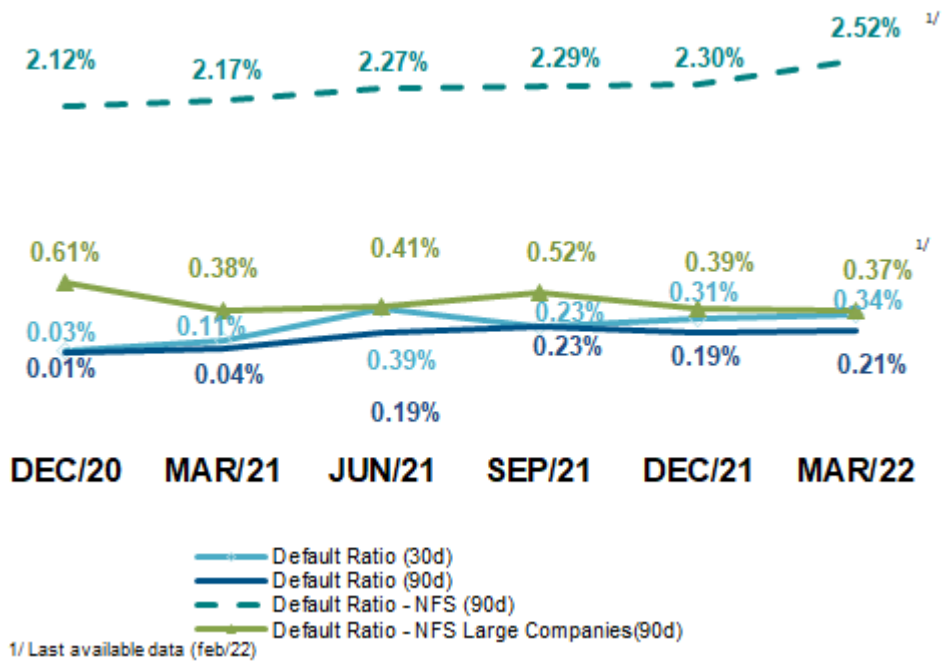
[1] National Financial System.

[2] Source: BACEN (Central Bank of Brazil).

[3] As of September 30th, 2021. Most recent information available.

The coverage ratio, a ratio that represents the frequency at which a provision for credit risk is used to cover non-performing loans (30 days), remains comfortable, reaching the same level as the last quarter, moving from 14.08 as of 12/31/21 to 13.58 as of 03/31/22.

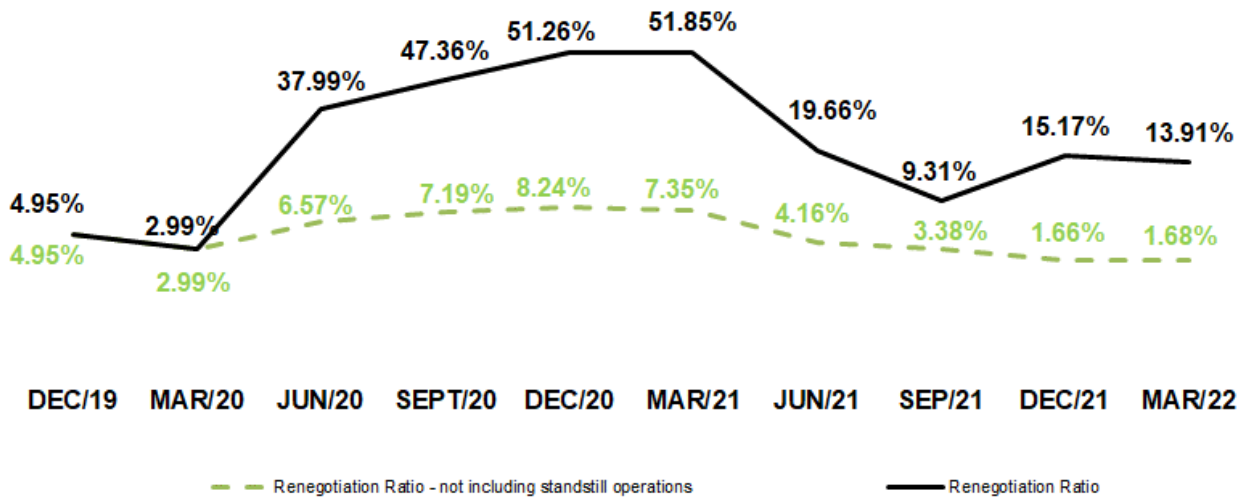
The following graph presents the evolution of the default rate, which was 0.34% as of 03/31/22, as can be seen below:



Default and Renegotiation (%)

The renegotiation index presented a slight increase during the quarter, reaching 13.91% and continues to be impacted by the COVID-19 Standstill[3]. If these operations were to be disregarded, the indicator would total 1.68%.

[3] Further information on this suspension of payments can be found at: https://www.bndes.gov.br/wps/portal/site/home/financiamento/suspensao-de-pagamentos.



Bonds and Securities (TVM)

Bonds and securities mainly consist of federal government bonds, overseas fixed income securities, and debentures, which represented 83.1%, 8.8% and 6.0%, respectively, of a total portfolio of R$ 117.465 billion as of 03/31/22.

The federal government securities portfolio saw an increase of R$ 9.998 billion (11.4%) during the quarter, mainly due to the purchase of securities. Portfolios for overseas fixed income securities and debentures remained stable during the period.

Equity Investments

The equity portfolio consists of investments in affiliated and non-affiliated companies. Of the total portfolio as of 03/31/21, 93.5% represented investments in non-affiliated companies, 2.4% in affiliated companies, and the remaining 4.1% investments in equity funds.

The equity portfolio, net of provision for losses, reached R$ 79.171 billion as of 03/31/22, an increase of R$ 12.578 billion (18.9%) on the period, which was mainly the result of the positive impact of the reclassification of investment in JBS added to an appreciation in equity from Petrobras and Eletrobras.

Equity funds[4] remained stable for the period.

Cash and cash equivalents

The R$ 6.022 billion (6.3%) decrease on the quarter is mainly due to investment in public securities made in the amount of R$ 11.2 billion and payment of R$ 8.5 billion in ordinary interest on Constitutional FAT, mitigated by a return on loan transactions that exceeded disbursements by R$ 7.0 billion and a R$ 6.6 billion increase in balances for BACEN's dealer repurchase agreements.

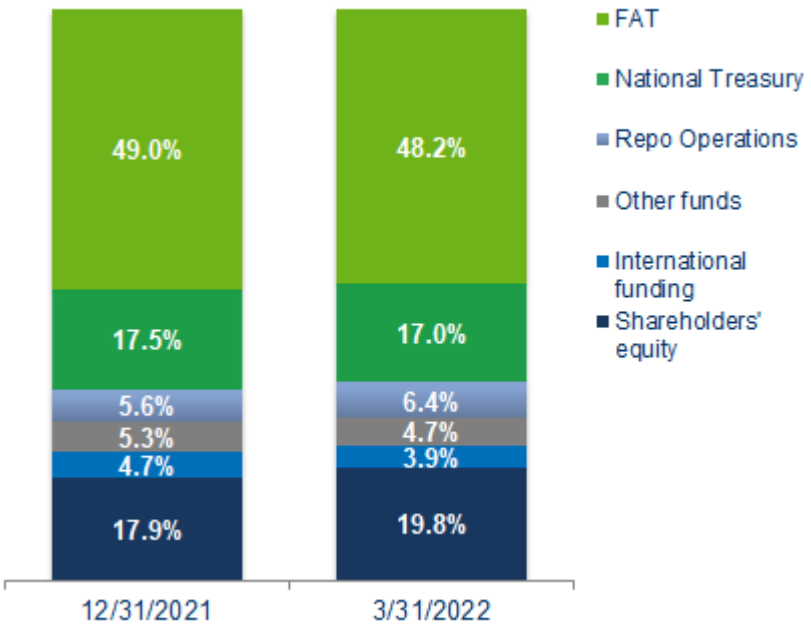
[4] The investment funds in which BNDES, through BNDESPAR, holds equity are presented in Explanatory Note No. 6.3 to BNDES' Financial Statements for the period ended 03/31/2021.

Other Assets

With a balance of R$ 30.076 billion as of 03/31/22, which is mainly composed of tax credits/taxes recoverable (R$ 18.166 billion) and Eletrobras/Itaipu receivables (R$ 4.038 billion), remained stable within quarterly variations.

Funding

Government sources, such as FAT and the National Treasury, represent a significant portion of BNDES's funding[5] structure, accounting for 65.2% of funding sources as of March 31st, 2022 (66.5% as of December 31st, 2021), not including operating liabilities in this calculation, which represent 3.9% of BNDES' total liabilities as of the end of the quarter.



5.3. Financial Results

Results from Financial Intermediation

Financial Intermediation Results refer to the net financial intermediation product for credit risk provisions.

The R$ 346 million (7.1%) increase in results from financial intermediation relative to the same quarter in 2021 was mainly due to an increase in the SELIC rate, which affected results for bonds and securities.

Financial Intermediation Product

The financial intermediation product refers to earnings from investments in cash and cash equivalents, credit and on-lending portfolios, and bonds and securities.

[5] More information on BNDES's funding sources can be found at https://www.bndes.gov.br/wps/portal/site/home/transparencia/prestacao-de-contas/fontes-de-recursos.

BNDES' financial intermediation product reached R$ 4.930 billion in the quarter, an increase of R$ 519 million (11.8%) compared to the same period in 2021.

Provision for Credit Risks

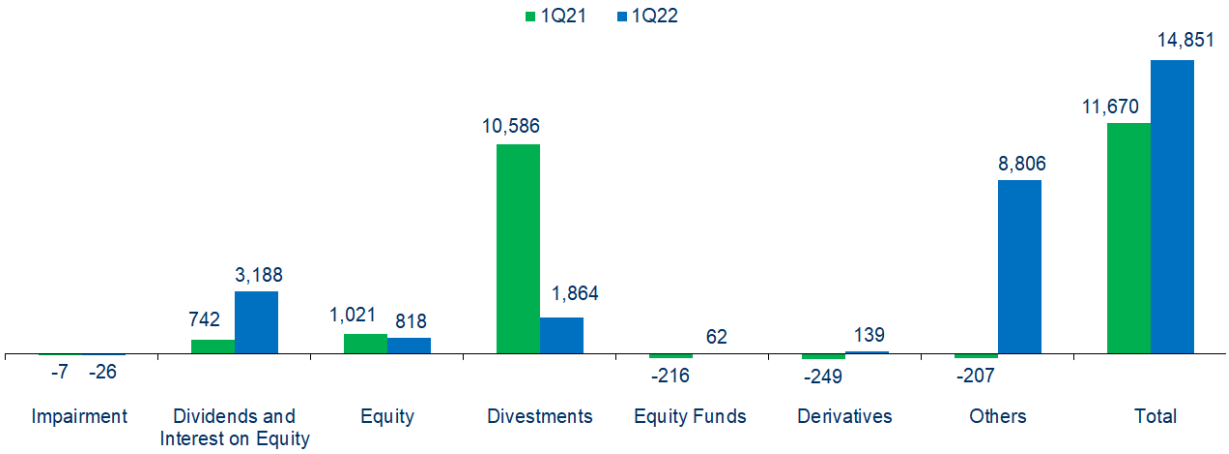
The BNDES constitutes a provision for credit risk according to the criteria provided in CMN Resolution No. 2.682/99.

Earnings from provisions for credit risk increased slightly, moving from a revenue of R$ 432 million in the first quarter of 2021 to R$ 259 million during the same quarter in 2022 as a result of a decreased volume of risk reclassifications and credit recoveries.

Results from Equity Investments

Results from Equity Investments consists of earnings from dividends and interest on the stockholder's equity, equity income, dispositions, derivatives and equity funds, provisions for investment losses (impairment), and other income that mainly stems from the BNDESPAR portfolio.

The R$ 3.181 billion (27.3%) increase in income from equity interest in relation to the previous accounting period was mainly due to the gross effect of the reclassification of investment in JBS from "Affiliate" to "Non-Affiliated Company" and revenue from Petrobras dividends, mitigated by a decreased volume of disposition on the period.



Divestments

Divestments reached R$ 1.864 billion in the first quarter of 2022, a R$ 8.722 billion (82.4%) decrease compared to the same period in 2021. The purpose of these dispositions is to reallocate resources to other activities, as well as reduce the degree of exposure to market volatility.

The divestments made mainly consisted of equity investments in JBS (gross gain of R$ 1.129 billion), Petrobras (gross gain of R$ 351 million – complete disposition of ON shares), and Engie Brasil Energia (gross gain of R$ 228 million – complete disposition).

Equity

Equity income reached R$ 818 million on the quarter, a decrease compared to the first quarter of 2021. This amount is almost entirely related to earnings from JBS during the period. Given the previously mentioned discontinuation of controlling interest in JBS, equity income will no longer be recorded for this company beginning in the next quarter.

Dividends and interest on equity (JCP)

The significant increase of R$ 2.446 billion (329.6%) in revenue from dividends and interest on stockholders' equity between quarters can mainly be explained by the receiving of R$ 2.963 billion in dividends from Petrobras

Equity funds

Results from variable income funds reflect the appreciation or depreciation of the fund's shares. The first quarter of 2021 saw a R$ 216 million loss compared to a gain of R$ 62 million in the first quarter of 2022.

Results from derivatives

Results from derivatives reflect variation in the fair value of isolated derivative financial instruments linked to equity interests and embedded in convertible or exchangeable debentures.

The R$ 388 million (155.8%) increase in earnings for variable equity derivatives between quarters was due to the appreciation of energy sector assets during the period.

Other income or loss from equity investments

"Other income or loss from equity investments" transitioned from a R$ 207 million expense in the first quarter of 2021 to a gain of R$ 8.806 billion in 2022, mainly as a result the previously mentioned reclassification of investment in JBS from "Affiliate" to "Non-Affiliated Company" due to a loss of significant influence and the subsequent measurement of shares at market value.

Tax Expenses

Tax expenses are represented nearly in their entirety federal taxes such as PIS (Social Integration Program), COFINS (Contribution for Social Security Financing), Income Tax and Social Contributions levied upon earnings adjusted before taxes.

The R$ 224 million (3.7%) increase in tax expenses in the first quarter of 2022 reflects an increase in taxable income, which is mainly due to a R$ 3.181 billion increase in income from equity interest.

Other Expenses, net

Other expenses include adjustments for inflation for assets and liabilities, administrative and personnel expenses, labor and civil provisions, among others.

The R$ 209 million (33.8%) increase between quarters was mainly the result of increased personnel expenses compared to the same period during the most recent fiscal year and the constitution of a provision for civil contingency during that quarter.

6. RATING

In the first quarter of 2022, BNDES maintained its rating from the end of 2021, as can be seen in the figure below:

Rating Agency	Global scale rating	
	Foreign Currency – Long Term	Local Currency – Long Term
Moody's	Ba2 (Stable)	Ba2 (Stable)
S&P	BB- (Stable)	BB- (Stable)

Highlights from Moody's

- ✓ 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.

Highlights from S&P

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

7. BACEN CIRCULAR LETTER Nº 3.068/2001

BNDES declares that it is financially capable and intends to hold securities classified as "Held to Maturity" in the amount of R$ 7.826 billion as of 03/31/2022 up until the corresponding maturity date, the equivalent of 6.7% of the net securities portfolio presented in this report.

8. ACKNOWLEDGMENTS

We wish to thank our employees for their dedication and talent, which allow us to achieve consistent results, as well as our clients, who motivate us to constantly strive to improve our services. Finally, we wish to thank the members of the marketplace, for their indispensable support and trust.