

# BDMG

BANCO DE DESENVOLVIMENTO  
DE MINAS GERAIS

## FINANCIAL REPORT

2023 Q2

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# 1. MINAS GERAIS

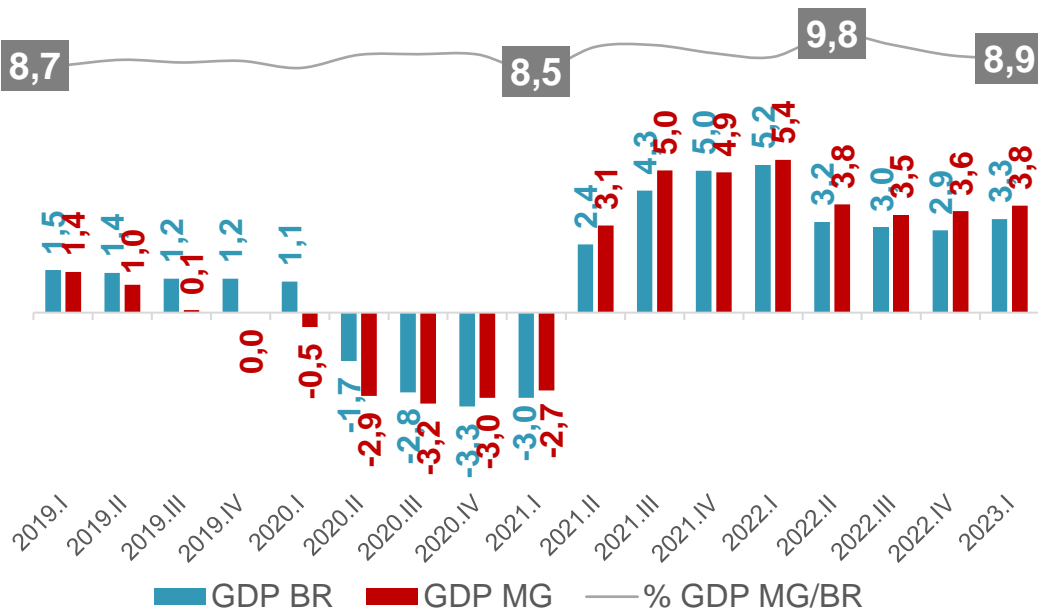


# MINAS GERAIS IS ONE OF THE MOST IMPORTANT STATES IN BRAZIL



## GDP growth rate of Minas Gerais and Brazil

(Accumulated Percentage Change in four quarters)



The **GDP of Minas Gerais grew more than national GDP** in the last two years.

**Minas Gerais kept its shares in Brazil's GDP**, from 8.7% in 1Q2019 to 8.9% in 1Q2023.

Source: Fundação João Pinheiro and IBGE

**Minas Gerais** is a large and populous Brazilian state with a diversified economy and representative in the Brazilian economy.



The **2<sup>nd</sup>** most populous state in Brazil (20,5 million people) and the **2<sup>nd</sup>** most employer (10,7 million employees)



**3<sup>rd</sup>** highest state GDP in Brazil: BRL 651.9 billions in 2019.



The **1<sup>st</sup>** state exporter of Coffee, Pig Iron and Gold.  
The **2<sup>nd</sup>** state exporter of Iron Ore and Sugar.



The **1<sup>st</sup>** national producer of photovoltaic solar energy, capacity greater than 1GWp .

# INTERREGIONAL DIFFERENCES ARE CHARACTERISTIC OF THE STATE OF MINAS GERAIS



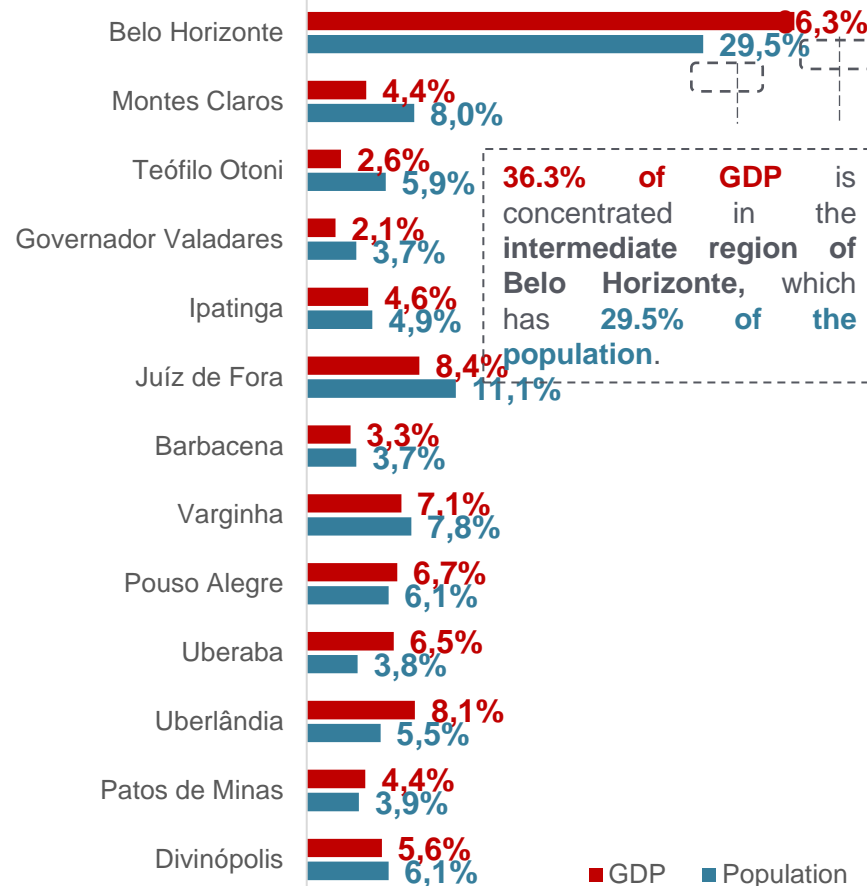
## Minas Gerais' intermediate region's



**Minas Gerais** has **586.5** thousand km<sup>2</sup>, composed by **13 geographical regions**: Barbacena, Belo Horizonte, Divinópolis, Governador Valadares, Ipatinga, Juiz de Fora, Montes Claros, Patos de Minas, Pouso Alegre, Teófilo Otoni, Uberaba, Uberlândia, Varginha.

Source: Fundação João Pinheiro and IBGE

## GDP and Population in the intermediate regions

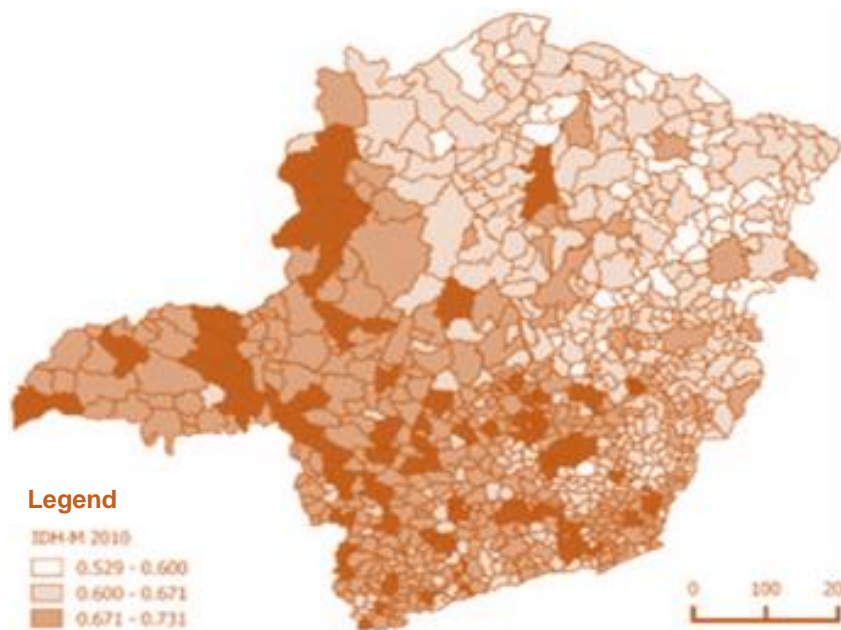




# INTERREGIONAL DIFFERENCES ARE CHARACTERISTIC OF THE STATE OF MINAS GERAIS



## Human Development Index Municipalities (HDI-M) in Minas Gerais State



**Minas Gerais** has **853 municipalities**.

The **HDI-M average** is of **0.731**, which is considered high. However, only **78 municipalities** are **above this average**.

The **50** largest municipalities concentrate 53% of the population.

**Minas Gerais is unequal in economic and social development. There is an economic and social duality between the North and the South and Central regions.**

Municipalities in the North region of the state have the lowest HDI-M, while municipalities in the South and Central regions have the highest HDI-M.

**Municipalities in the North region** have the highest proportion of poor people and the highest average income gap. In the North region of Minas Gerais there is less physical infrastructure and greater income inequalities.

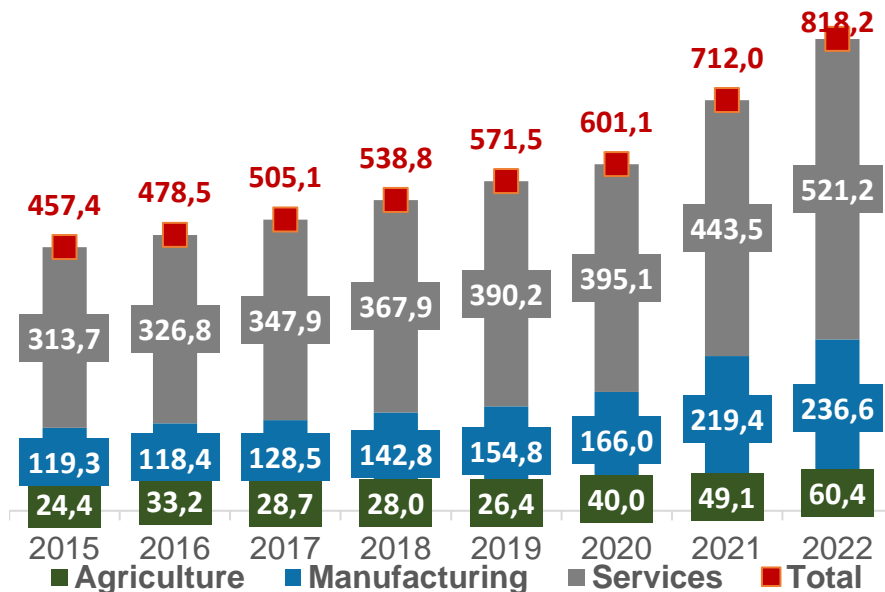
**In the municipalities of the South and Central regions**, most of the state's GDP is concentrated. The South and Central regions, where the economy is dynamic, heterogeneous, powerful, have more physical infrastructure and a concentration of industries.

# SECTORIAL CHARACTERISTICS IN THE ECONOMY OF MINAS GERAIS



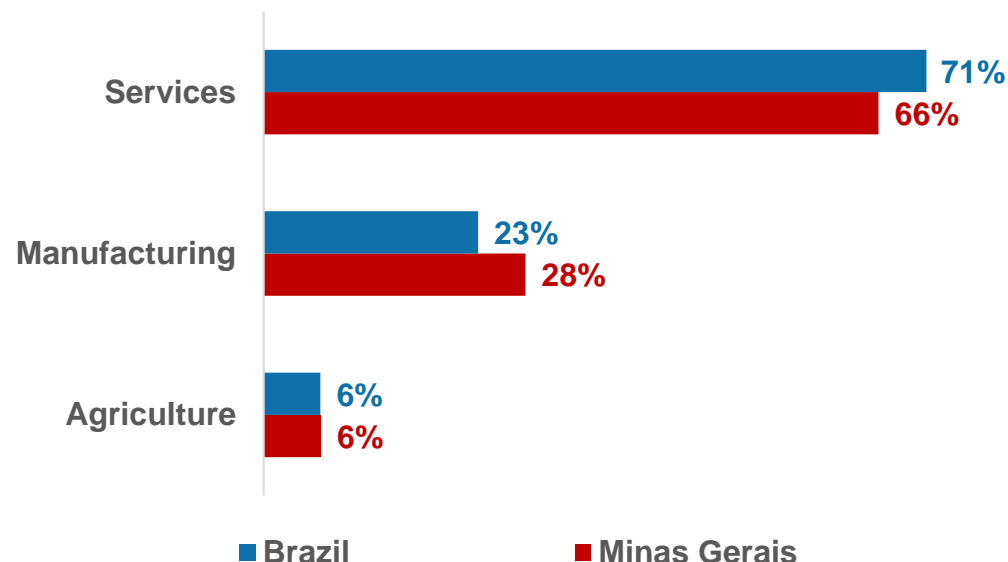
## GDP by sectors in Minas Gerais

(BRL Billion)



## Comparative analysis: sectoral share of GDP

(arithmetic average 2012 -2022)



The economy of Minas Gerais is composed of **greater participation in the Services Sector**.

The main segments of this sector are professional and administrative services and transports and post office services.

The manufacturing of the state is the second most important sector. In the extractive industry, the metallic minerals extraction is the most relevant activity. The most important segments in the transformation industry are metallurgy and food.

## 2. EXECUTIVE SUMMARY





# MAIN FIGURES



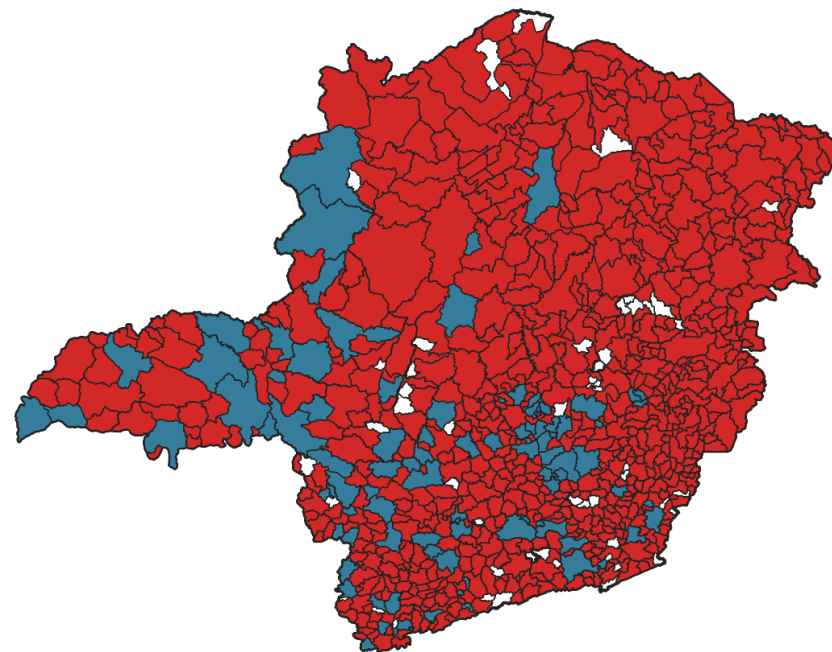
**BRL 1,089.8 MM**  **21%\*\***  
DISBURSED\*



**29,248**  
TOTAL CLIENTS

**2,442**  
CLIENTS SERVED\*

**467**  
Municipalities served, 81% of which  
have an HDI below Brazilian average

**90%**  
Municipalities with at  
least 1 client



 HDI above the Brazilian average  
 HDI below the Brazilian average

\*During the first half of 2023.

\*\* Compared to the same period in 2022.

# IMPACTS ON THE ECONOMY OF MINAS GERAIS



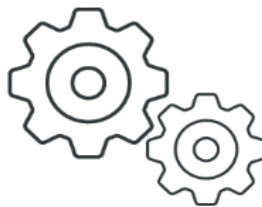
Input-Output Matrix\*

From January/23 to June/23



**28,353**

JOBS SUPPORTED



**BRL 1,959 million**

IMPACT ON THE PRODUCTION OF  
MINAS GERAIS



**BRL 35,4 million**

IN TAXES



**BRL 452,6 million**

PAID IN WAGES



**BRL 998 million**

IN CONTRIBUTION TO GDP

\*Value as of June 2023.

# HIGHLIGHTS



Releases for infrastructure projects **grew by 117%** compared to the prior semester.



The total volume disbursed to Micro and Small Enterprises (MSEs) **grew by 23%** to BRL 194.2 million.



BDMG will make **BRL 385 million** in funds available that can be equalized by the National Treasury through the 2023/2024 Safra Plan.



A bill has been submitted to the Legislative Assembly to enable an operation with the **New Development Bank (NDB)** through the Federal Government sovereign guarantee.

# HIGHLIGHTS



The **LabAgroMinas** program, resulting from a partnership between BDMG and Embrapa Cerrados, had its first disbursement under the BDMG Solo Mais Credit Line.



BDMG attended the **15th Edition of the Technological Integration Week (SIT)**, held in May by Embrapa Milho e Sorgo.



In June, BDMG was hailed the **ALIDE Award - Special Category: Support for Women Entrepreneurs** for the relevance and results obtained from the “*Empreendedoras de Minas*” credit line.



In April, BDMG and **Bandes - Banco de Desenvolvimento do Espírito Santo S.A.** signed a Technical Cooperation Agreement that brings the two institutions closer together and ensures the pursuit of excellence.

### 3. INSTITUTIONAL





# TIMELINE



**1962**

≡ **Starting Point**

- Creation of the Socioeconomic Studies Department
- Signing of the 1st Agreement with BNDES
- Program of support for Agribusiness and Mining



**1970  
1980**

≡ **Support for economic sectors**

- Recovery of the Agroindustry Sugar Program
- Support for the mining-metallurgical sector (Açominas, Usiminas, Acesita, etc.)
- Opening of Fiat plant in Betim with the decisive support of BDMG
- Coffee Manufacturing Development Program
- Continued support for industrialization of the State



**1990**

≡ **State Funds**

- Experience on the capital market (IPO for Cedro Cachoeira Itaunense)
- Consolidation of the role of support to State planning through economic studies
- Creation of State funds – one of the main sources of funds until the 2000s



**2000**

≡ **Strategic projects**

- Performance with the structuring of projects and concession, and PPPs
- Financing for the municipalities of Minas Gerais and strategic projects
- Strengthening of the partnership with BNDES



**2010**

≡ **International funding and BDMG WEB**

- Launch of BDMG Web
- Active participation in the capital market
- Issue of Bills of Credit and raising fundings with multilateral organisms (CAF, IDB, AFD)

# TIMELINE



**2015  
2018**

## Focus on Development

- Targeting the performance in strategic segments to the State: innovation, sustainability, agribusiness, and regional development
- Decrease of the BNDES resources
- Funding diversification: Funcafé, Fungetur, Fundação Renova, Caixa, Finep, Fapemig
- New fundings: Agribusiness Credit Bills, Bills of Credit, Bank Deposit Certificate, AFD, CAF, and Bank of Tokyo



**2019  
2020**

## Countercyclical Action in Sustainability

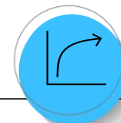
- ESG principles incorporation
- UN Global Compact Signatory
- Best Socio-Economic Impact Bank Award - Brazil 2020 - CFI
- Member of the 2030 Challenge Network – HUB ODS member
- Participation in Finance in Common and Paris Development Banks statement on Gender Equality and Women's Empowerment membership;
- Record funding (BRL 2,3 billion): highlight for the USD 100 million with CAF and flexibilization in the BEI line with focus on the mitigation of the Covid-19 crisis effects and on the SDGs.
- Issuance of Sustainable Bonds (USD 50 million)



**2021  
2022**

## Sustainable performance

- Launch of the Alliance of Subnational Development Banks of Latin America and the Caribbean
- Race to Zero: The state joined the campaign to achieve net-zero greenhouse gas emissions by 2050
- Green Bond Transparency Platform: Inclusion of BDMG's Sustainable Bond in the IDB's Green Bond Platform
- Launch of LabAgroMinas, a partnership between BDMG and Embrapa to encourage sustainable agriculture
- "Bank of the Year 2022" by ALIDE
- 2nd place in the SAIN-ABDE Award for Best Practices in International Funding
- Authorization to raise up to R\$1 billion with the Union's sovereign guarantee from the NDB



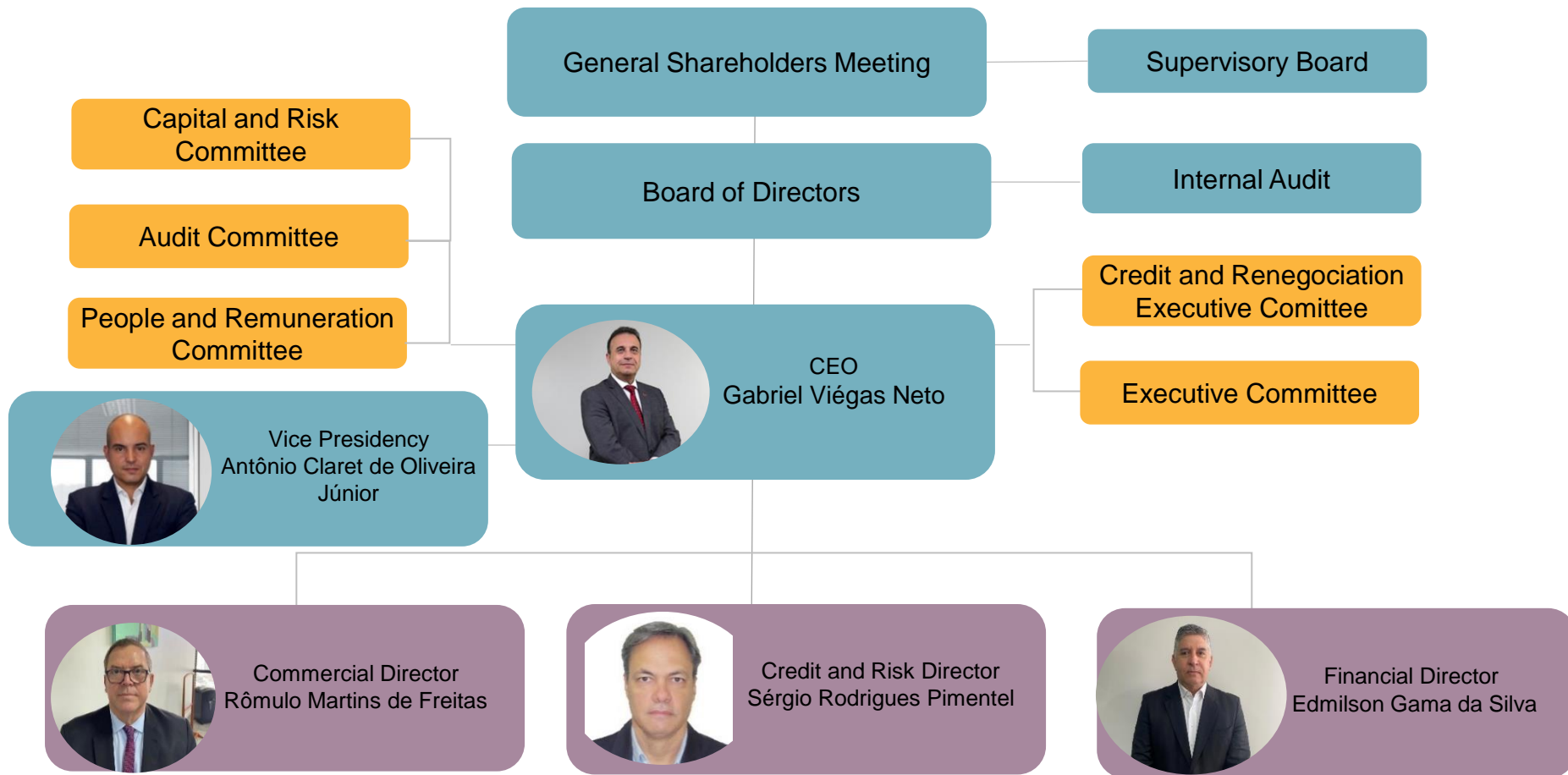
**2023**

## Impact on the State

- The Financing for Sustainable Agricultural Production Systems program stands out
- The bank started financing the Program for the Construction and Expansion of Warehouses (PCA)
- BDMG was hailed the ALIDE Award - Special Category: Support for Women Entrepreneurs
- BDMG will make a record of BRL 385 million in funds available through the 2023/2024 Safra Plan.



# CORPORATE STRUCTURE



# SHAREHOLDERS





## Moody's

2022, Jun/22

Global Scale

Long Term

B2

Outlook

Stable

Nacional Scale

Long Term

BBB+.br

Outlook

Positive

## Standard & Poor's

2022, Nov/24

Global Scale

Long Term

B

Outlook

Stable

Nacional Scale

Long Term

brA-

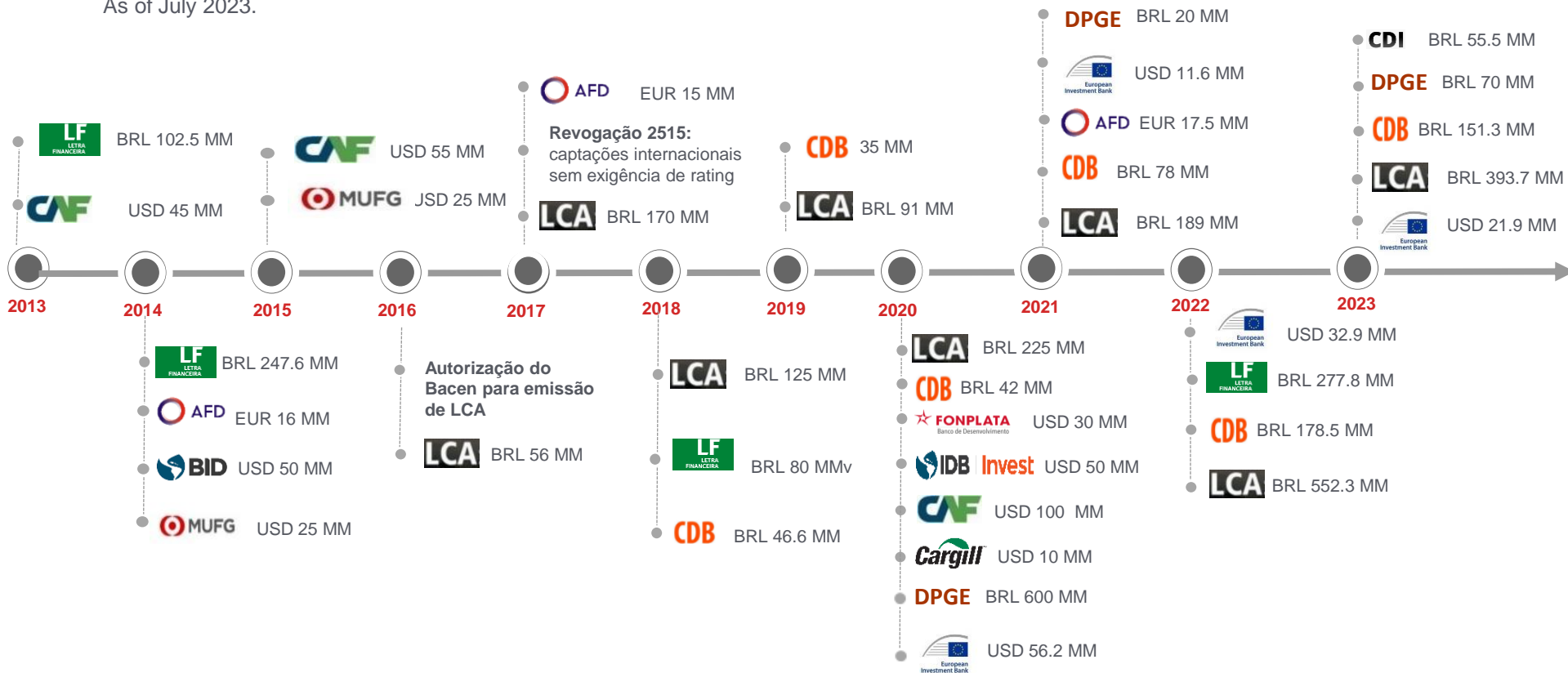
Outlook

Stable



# FUNDING HISTORY

Disbursement point of view.  
As of July 2023.



## 4. STRATEGY



# STRATEGIC DRIVERS



## ALIGNMENT WITH THE STATE'S STRATEGY

IMPACT	COMPETITIVENESS	ORGANIZATIONAL CULTURE	DIGITAL TRANSFORMATION
<ul style="list-style-type: none"> <li>• <b>Commitment</b> to the 2030 Agenda and the Sustainable Development Goals (<b>SDGs</b>)</li> <li>• Positioning of BDMG as a <b>regional specialist</b> for the feasibility of development projects</li> <li>• <b>Mobilize resources</b> for Minas Gerais and neighboring states</li> <li>• <b>Monitoring &amp; Evaluation</b> of the impact of BDMG's operations in the State development</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Excellence in financial solutions</b> for development, including services and consulting</li> <li>• Constant improvement in <b>client's experience</b>;</li> <li>• Adherence to the <b>market</b> in terms of <b>positioning and supply</b>, with profitability</li> <li>• Strengthen <b>customer service partnerships</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>SIGA:</b> Synergy, Innovation, Governance, and Agility</li> <li>• <b>Synergy:</b> <b>Alignment</b> of everyone in favor of the <b>organization's objectives, acting effectively and affectionately</b></li> <li>• <b>Innovation:</b> Create innovative solutions that can help build the Minas Gerais of the future</li> <li>• <b>Governance:</b> Strengthen governance, compliance, and risk management practices</li> <li>• <b>Agility:</b> Prioritize continuous and <b>incremental deliveries</b>, seeking <b>simplicity, agility, and adaptability</b></li> </ul>	<ul style="list-style-type: none"> <li>• Be prepared to explore the opportunities created by <b>financial market changes</b></li> <li>• <b>Data intelligence and artificial intelligence</b> as ways of subsidizing the decision-making process</li> <li>• <b>Automation</b>, aiming <b>productivity</b> gains</li> <li>• Raise the institution's <b>level of cybersecurity</b></li> </ul>

## FINANCIAL SUSTAINABILITY

Periodic reviews of the **risk appetite and of the credit policy**

Use of **credit risk mitigation** and **scenario monitoring** mechanisms

**Growth** compatible with BDMG's capital structure

**Improvement of financial models** and projections

## AGRO ONLENDINGS

**BRL 37.5 MM**

Disbursed in partnership with cooperatives to rural producers



**492**

Rural producers benefited



Through **14** Credit cooperatives

## AGROBUSINESS

**BRL 388.3 MM**

Released



Representing **36%** of total disbursements in the period

Mainly through the funding lines **FUNCAFÉ** and **LCA**



➤ **Public Notice 2023** In March, the BDMG launched the Public Notice for Municipalities for a total amount of BRL 400 million, including three credit lines:

## Sustainable cities:

Sanitation, solar energy generation, energy efficiency, culture, sport, tourism, construction and renovation of public buildings such as nurseries, schools and health centers.



## Infrastructure:

Bridges and side roads, drainage, paving, mobility.



## Machinery:

Ambulance, school bus, garbage truck, tractor, backhoe, etc.





# GENDER EQUALITY



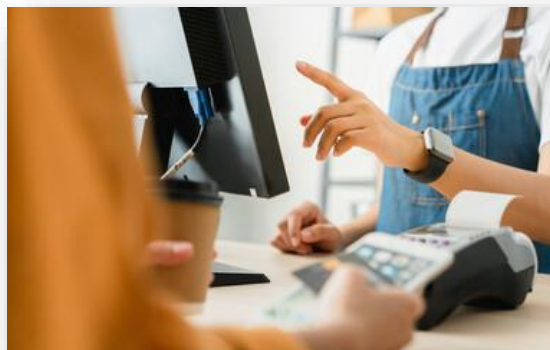
ALIDE Award\* - Special Category:  
Support for Women Entrepreneurs  
for the substantial relevance and  
support for women's  
entrepreneurship.

**BRL 30.1 millions**

Released through the Minas Gerais  
Women Entrepreneurs and Pronampe  
Women credit lines.

**485 Companies**

Served with this profile.



**17.8%**

Percentage of financing for  
women entrepreneurs out of  
the total number of clients  
served via BDMG Digital.

\* Latin American Association of Development Financing  
Institutions (ALIDE)



**BRL 123.7 milhões**  **43%\***

Disbursed to projects related to renewable energy and energy efficiency

**67%**

Of the disbursements allocated to photovoltaic solar energy projects



Regarding BDMG's financing with funds from the European Investment Bank (EIB), R\$93.9 million was disbursed for projects related to photovoltaic plants, hydroelectric generation plants (CGH), and biomass plants.



**67 municipalities served**

53 of which have an HDI below the Brazilian average

**1,794 tCO<sub>2</sub>**

Emissions avoided during the six-month period, equivalent to the emissions consumed by a heavy-duty diesel truck over 2 million km.

**41 GWh/ano**

Of energy generation by the projects, which is equivalent to the annual consumption of 152,000 families.



\* Compared to the same period in 2022.

# MICRO AND SMALL ENTERPRISES (MSEs)



**BRL 194.2 MM**

Disbursed in the first half.



**23% Growth**

Compared to the same period of the past year.



**2,039**

MSE clients with financing released in the first half of the year.

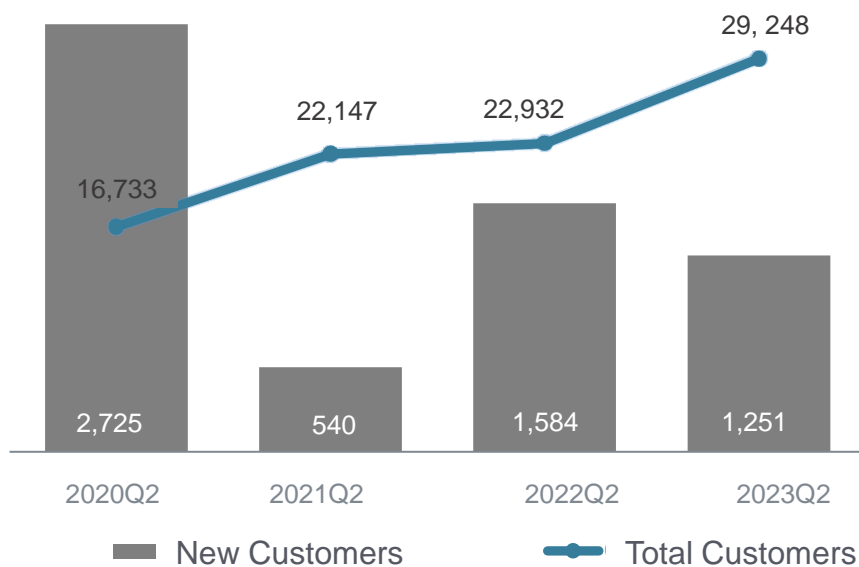
**BRL 169.5 MM**

Disbursed through the BDMG Digital platform.

## 5. LOAN PORTFOLIO

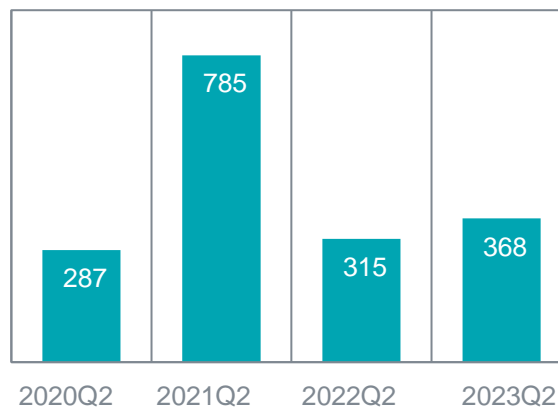


# NEW CUSTOMERS AND TOTAL CUSTOMERS



## AVERAGE TICKET

BRL Thousand / Customer

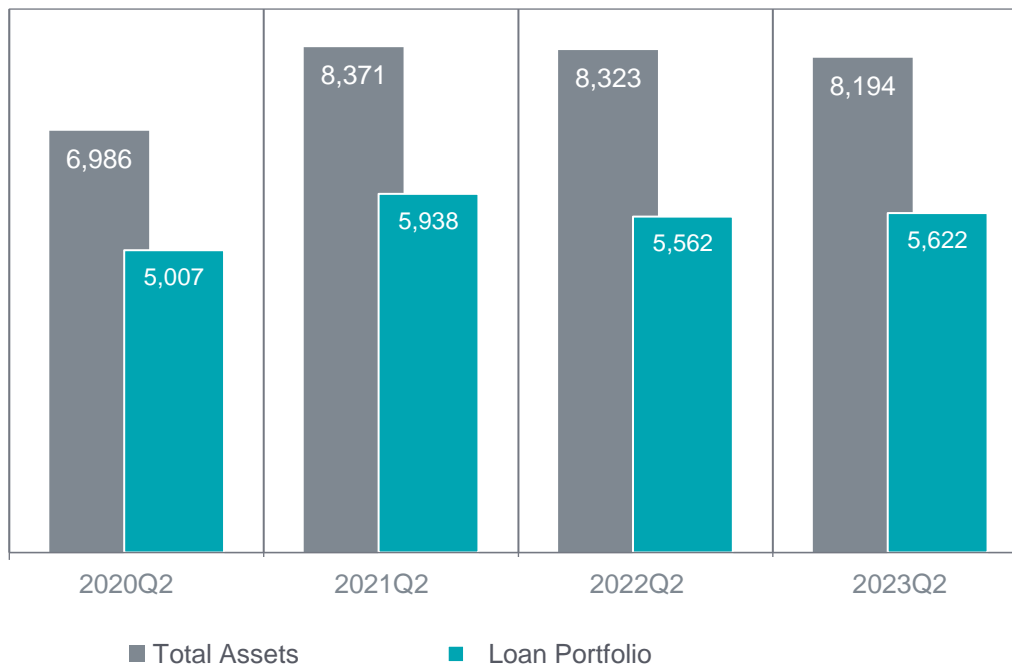




# TOTAL ASSETS AND LOAN PORTFOLIO



BRL Million

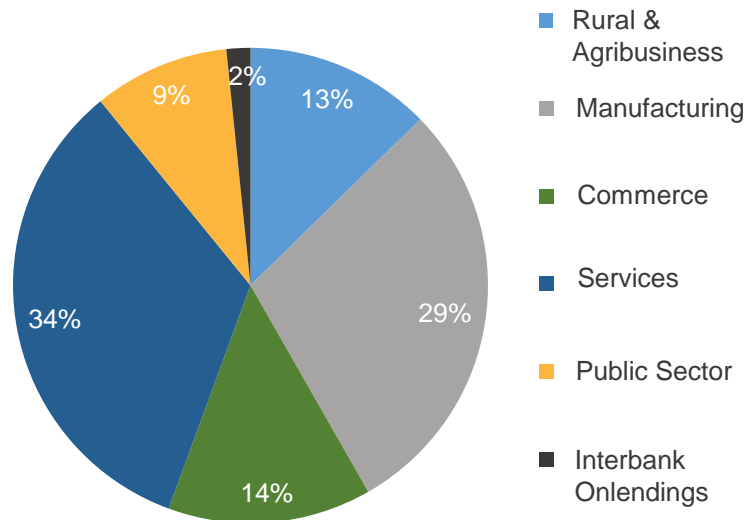


# LOAN PORTFOLIO

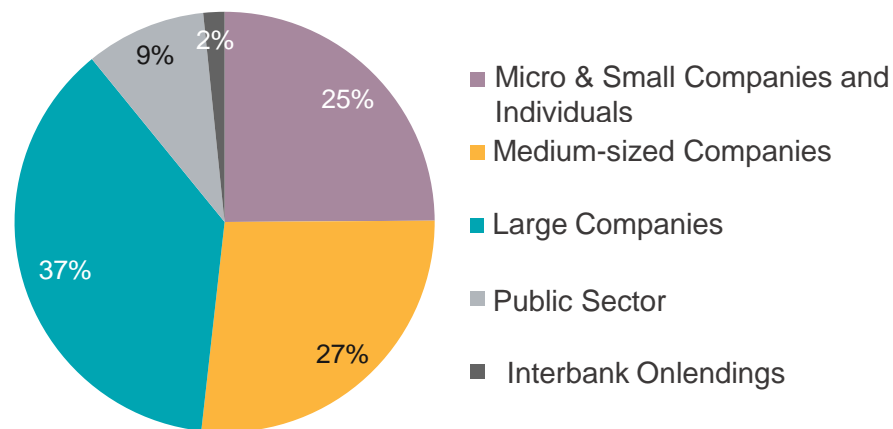


BDMG's loan portfolio is composed of: (i) credit transactions that include loans, financing, and debtors for the purchase of goods, and are taken out directly by the Bank, which is responsible for the credit risks of these transactions; (ii) interbank onlendings\*.

**Business Sector**



**By Customer Size**

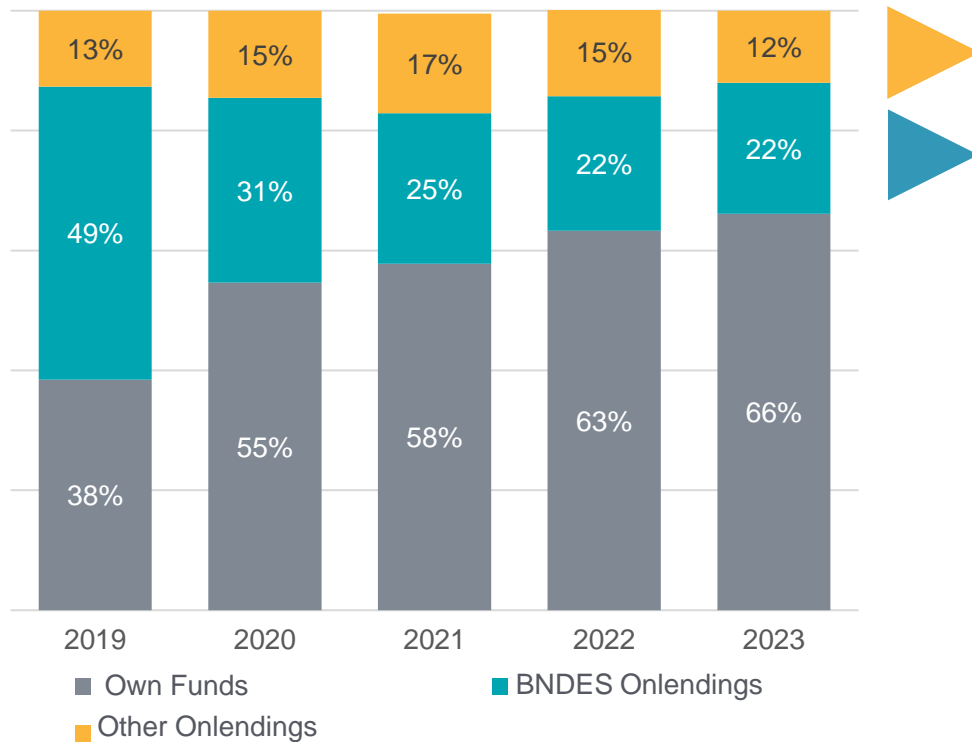


\*Interbank onlendings are the transfer of Bank resources to partner institutions and accredited credit cooperatives. These onlendings constitute indirect operations since the partner institution that receives the resources is the one that negotiates the financing conditions and assumes the risk of credit granted.

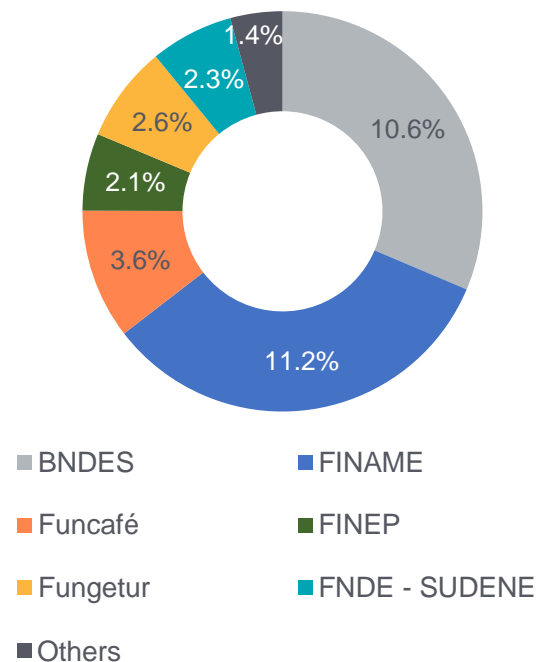
# LOAN PORTFOLIO BY ONLENDINGS



% loan portfolio



## ONLENDINGS BY SOURCE

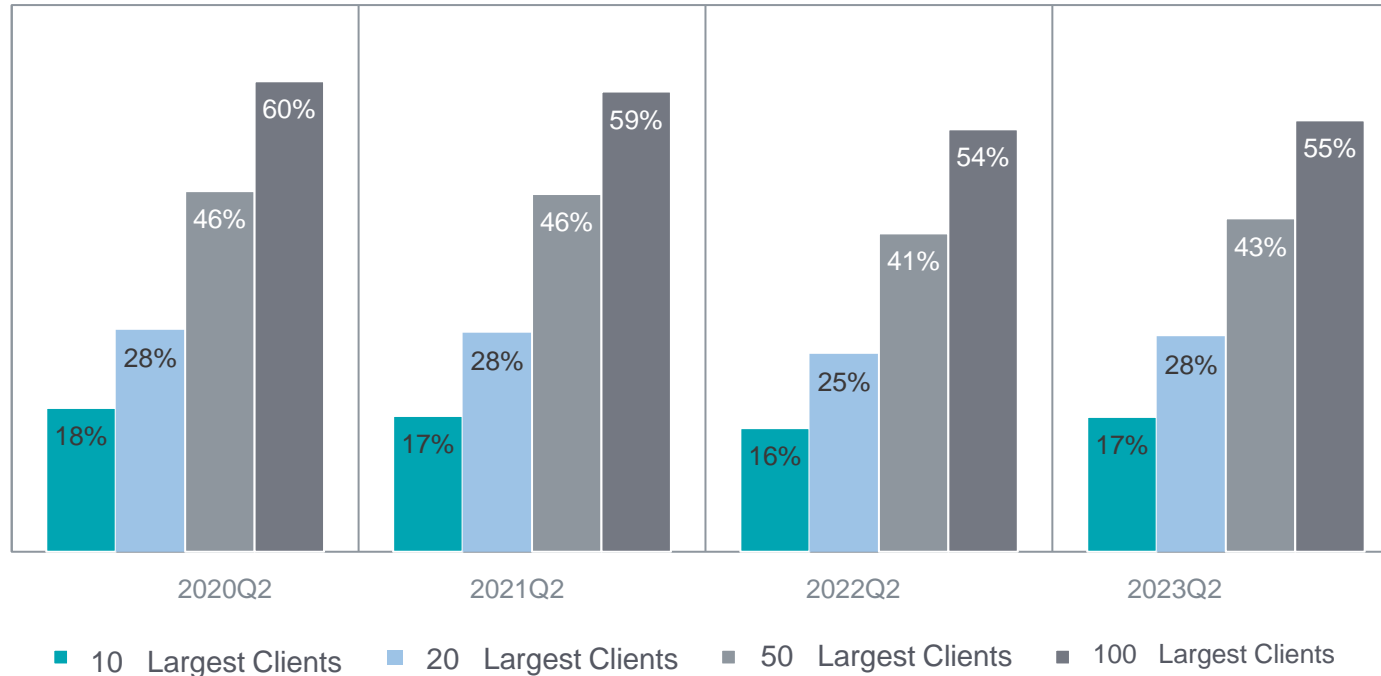


# LOAN PORTFOLIO CONCENTRATION



% Loan Portfolio - considering exposures in the extended portfolio concept\*

\* Considers, in addition to the loan portfolio, bank guarantees, credit notes, and credits to be released up to 360 days.

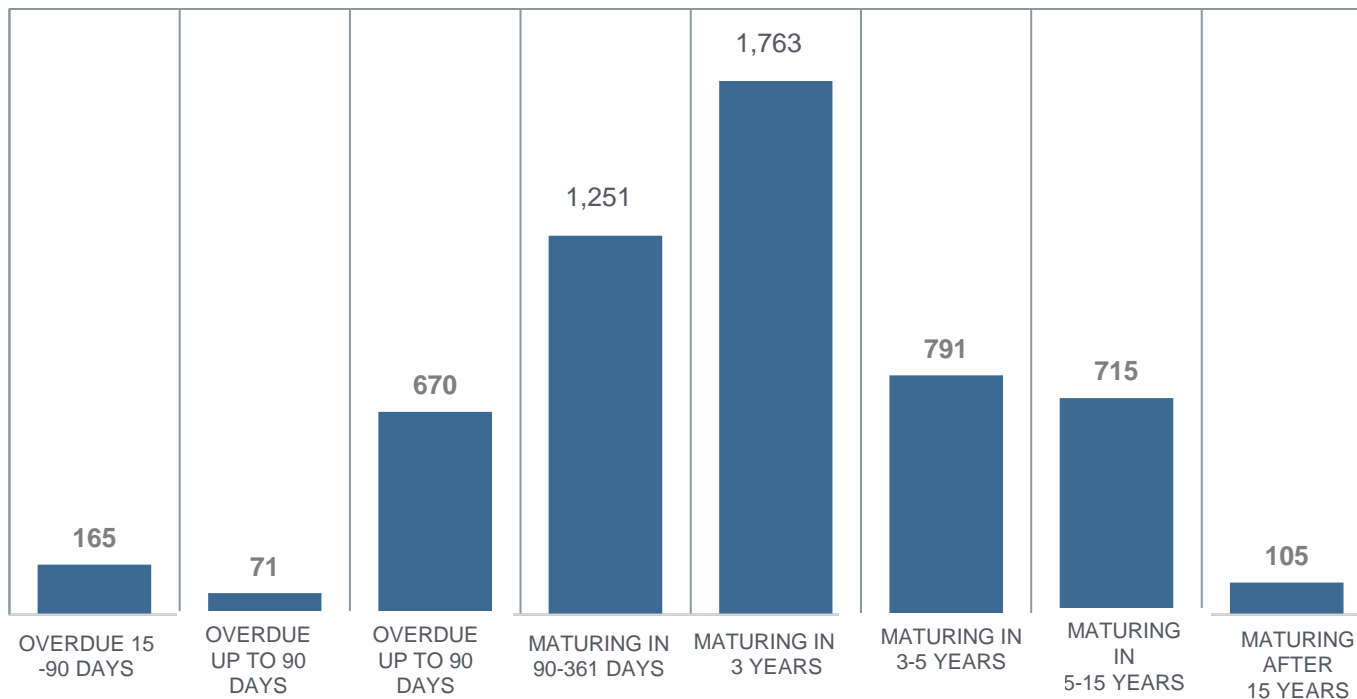


# LOAN PORTFOLIO MATURITY



BRL Million (as of 06/30/2023)

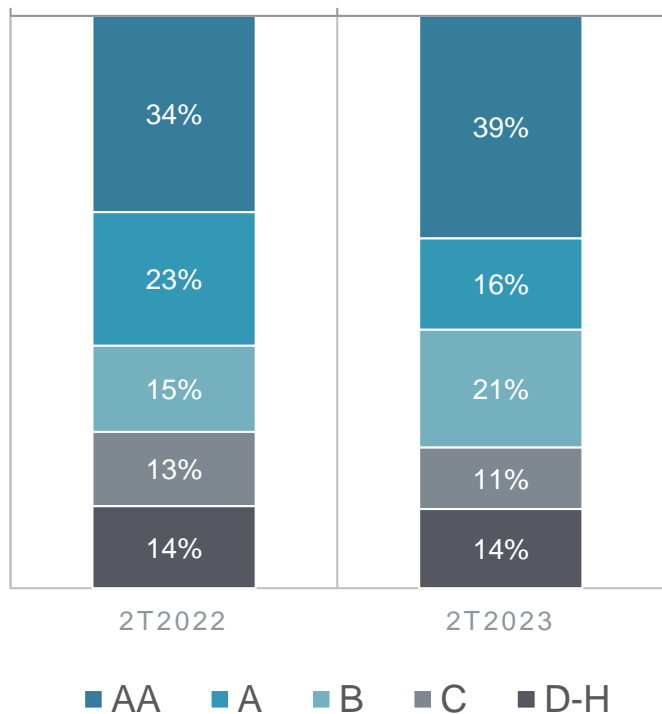
Considering the loan portfolio



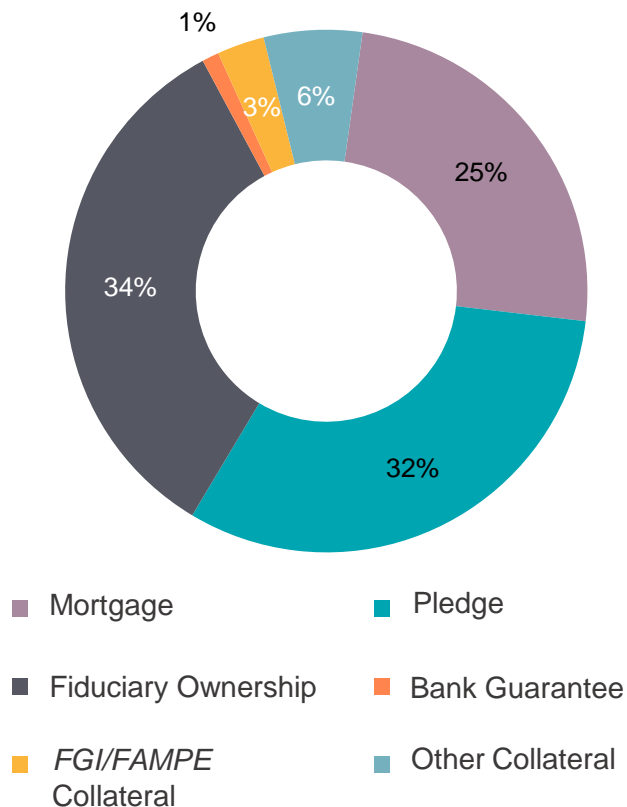
# LOAN PORTFOLIO BY RISK LEVEL AND COLLATERAL



% loan portfolio by rating classification, as of 06/30/2023.

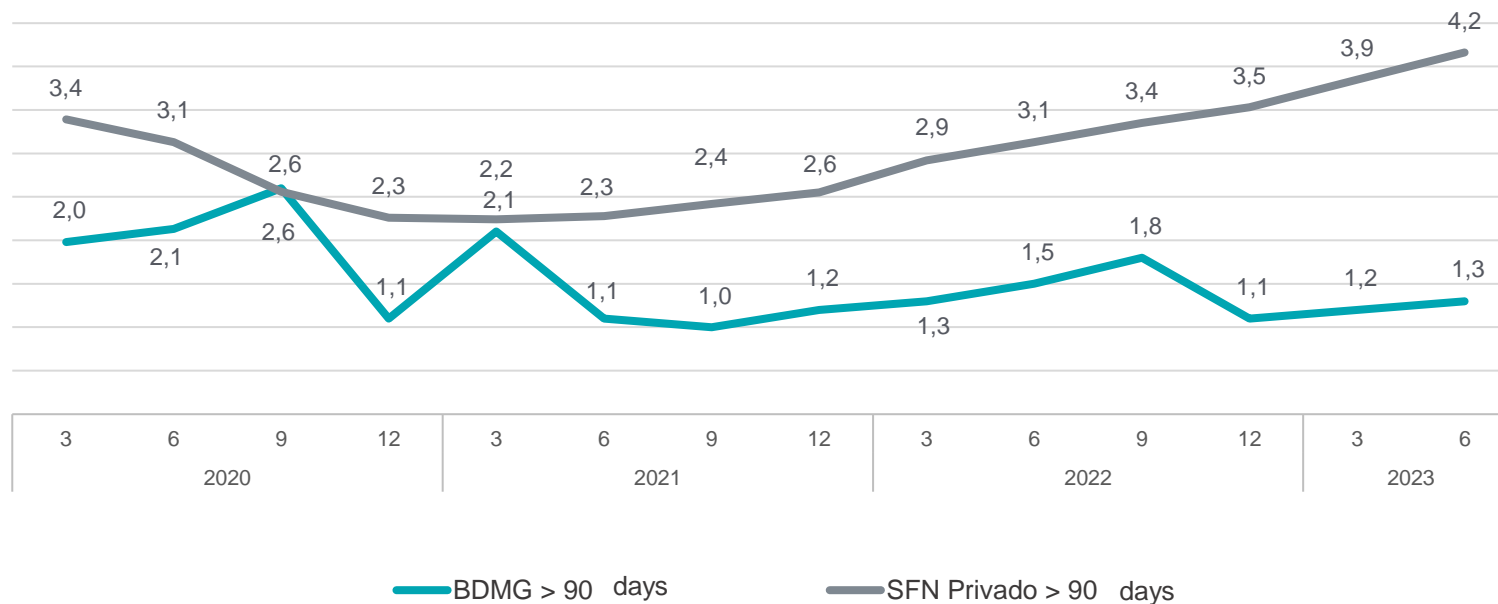


% of the guaranteed loan portfolio, as of 06/30/2023.





# EVOLUTION OF THE NON-PERFORMING LOAN (NPL) INDEX > 90 DAYS



NPL Coverage Ratio > 90 days: 8.2 (June/23)

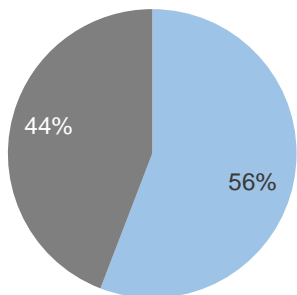
## 6. FINANCIAL ECONOMIC PERFORMANCE



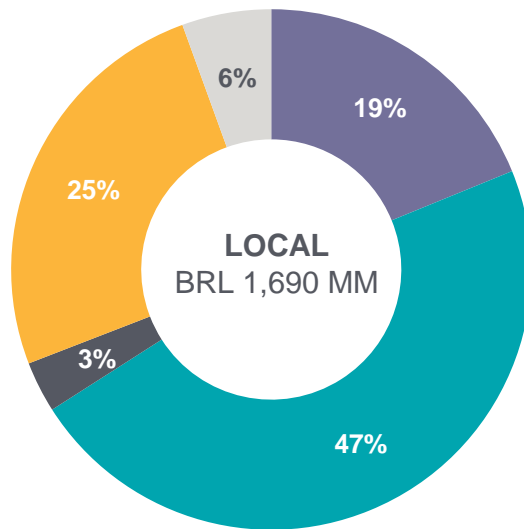
# FUNDING

Marked to Market Values (%)

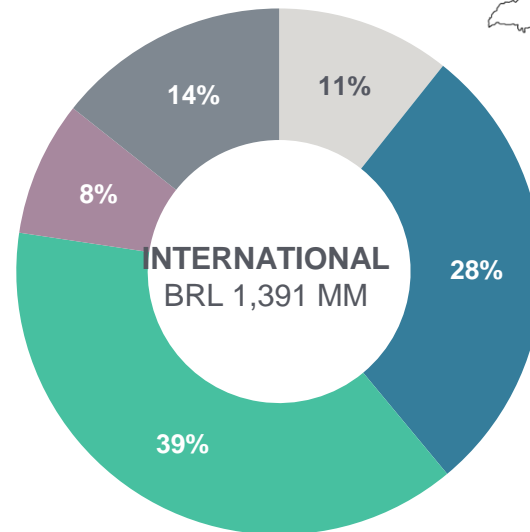
Balance as of 06/30/2023



Local Funding  
International Funding



Financial Bills (LF)  
Certificates of Interbank Deposit (CDI)  
Time Deposit with Special Guarantee (DPGE)  
Agribusiness Credit Bills (LCA)  
Certificates of Deposit (CDB)

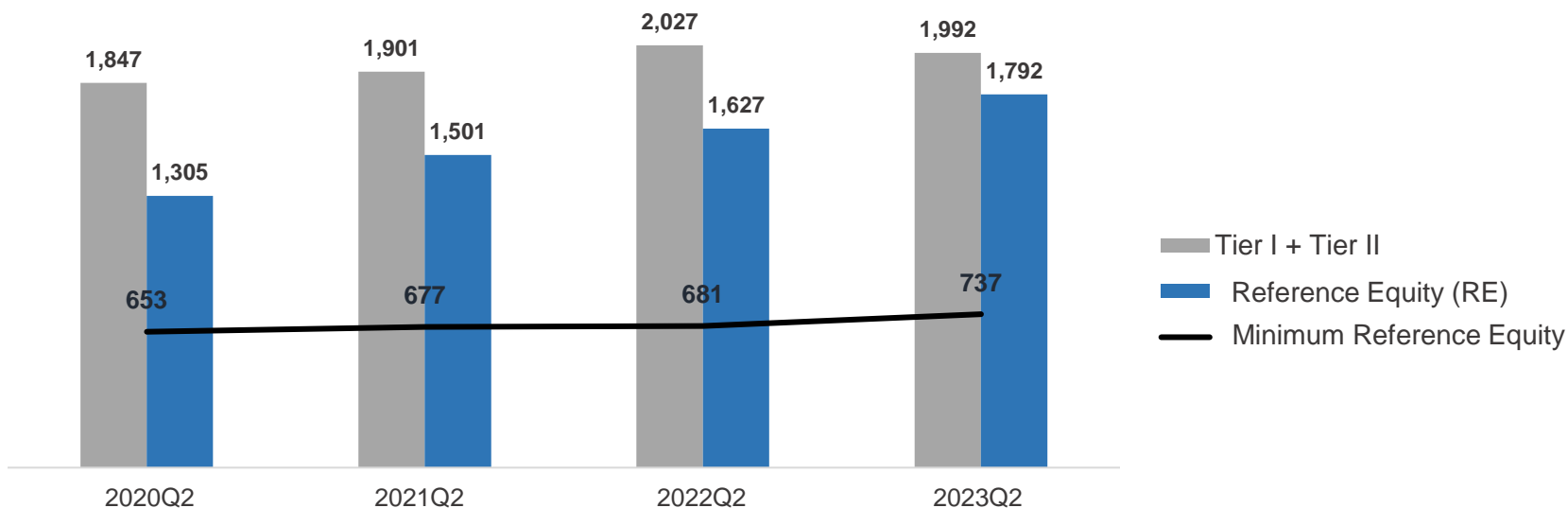


AFD  
BEI  
BID INVEST  
CAF  
FONPLATA

# REGULATORY CAPITAL



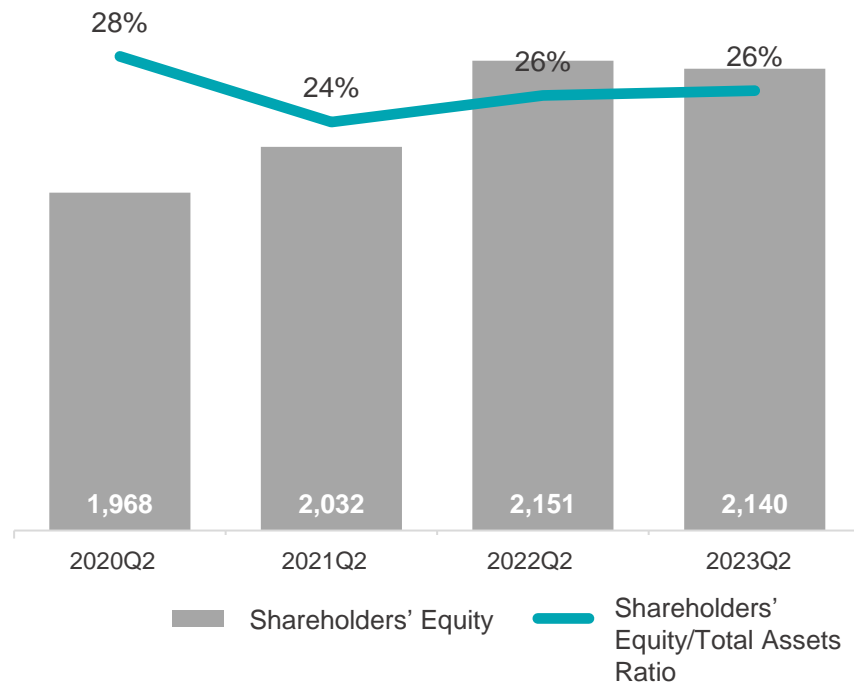
BRL Million



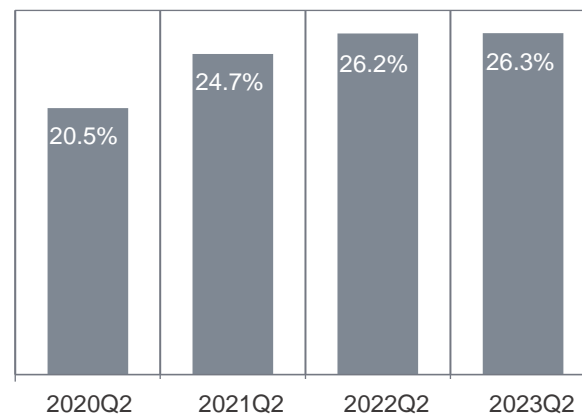
# EVOLUTION OF SHAREHOLDERS' EQUITY AND EQUITY/ASSETS



BRL Million and %



## Basel Index (RE/RWA)



# TRADING (FINANCIAL INTERMEDIATION) REVENUE AND NIM

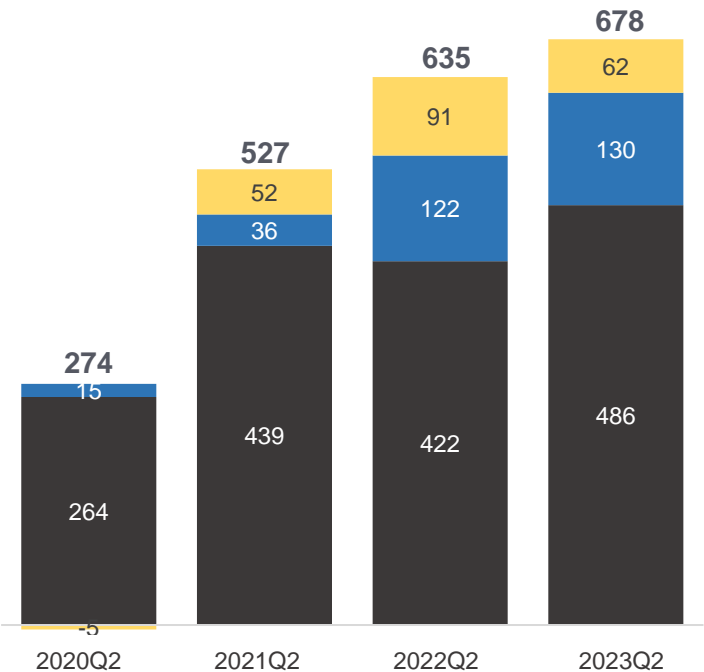


BRL Million

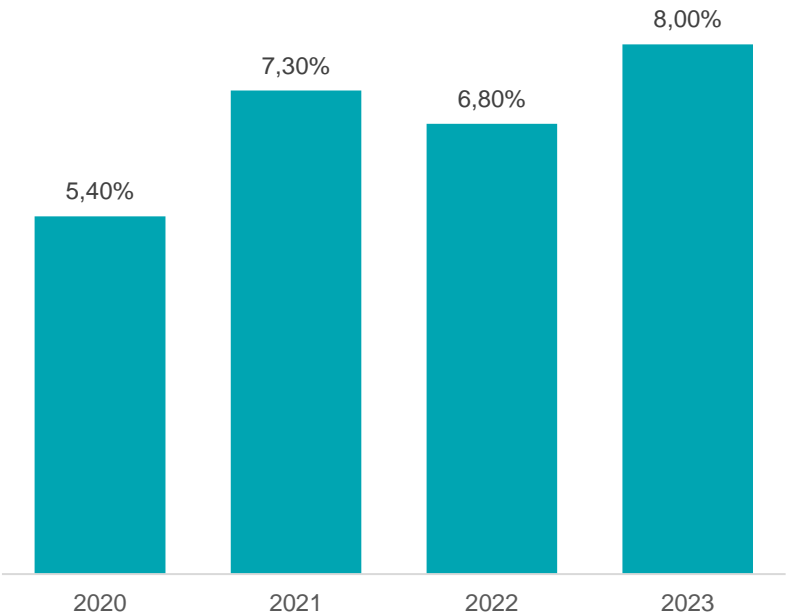


## Financial Intermediation Revenue

- Result on exchange transactions
- Result on bonds and securities transactions
- Loans (credit operations) revenue



## NIM (Net Interest Margin)

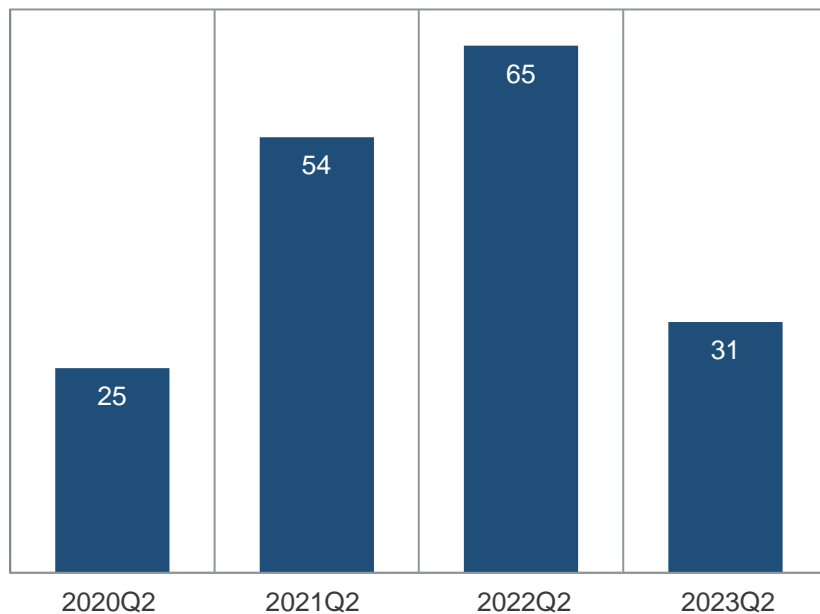




# NET PROFIT



BRL Million



A reduction compared to the same period in 2022 due to the provisioning of BRL 73 million, resulting from a lawsuit that discusses the PIS/CONFINS tax base, whose loss assessment was changed to probable, reflecting a decision by the Brazilian Federal Supreme Court (STF), in the context of general repercussion, unfavorable to the banks.



# DEVELOPMENT BANK OF MINAS GERAIS



**Leonardo Delbis de Lacerda**

*Financial Superintendent*

*Superintendent of Financial Administration and Investor Relations*

*RI T + 55 31 3219 8551*

*RI C + 55 31 99966 1578*

*[ri@bdmg.mg.gov.br](mailto:ri@bdmg.mg.gov.br)*

*[www.bdmg.mg.gov.br](http://www.bdmg.mg.gov.br)*

**BDMG Sustainability Report:**

<https://youtu.be/SxQi4zwatEU>



**MINAS  
GERAIS**

GOVERNO  
DIFERENTE.  
ESTADO  
EFICIENTE.