

# **BDMG**

**BANCO DE DESENVOLVIMENTO  
DE MINAS GERAIS**

## **FINANCIAL REPORT**

2022 Q4

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# 1. MINAS GERAIS

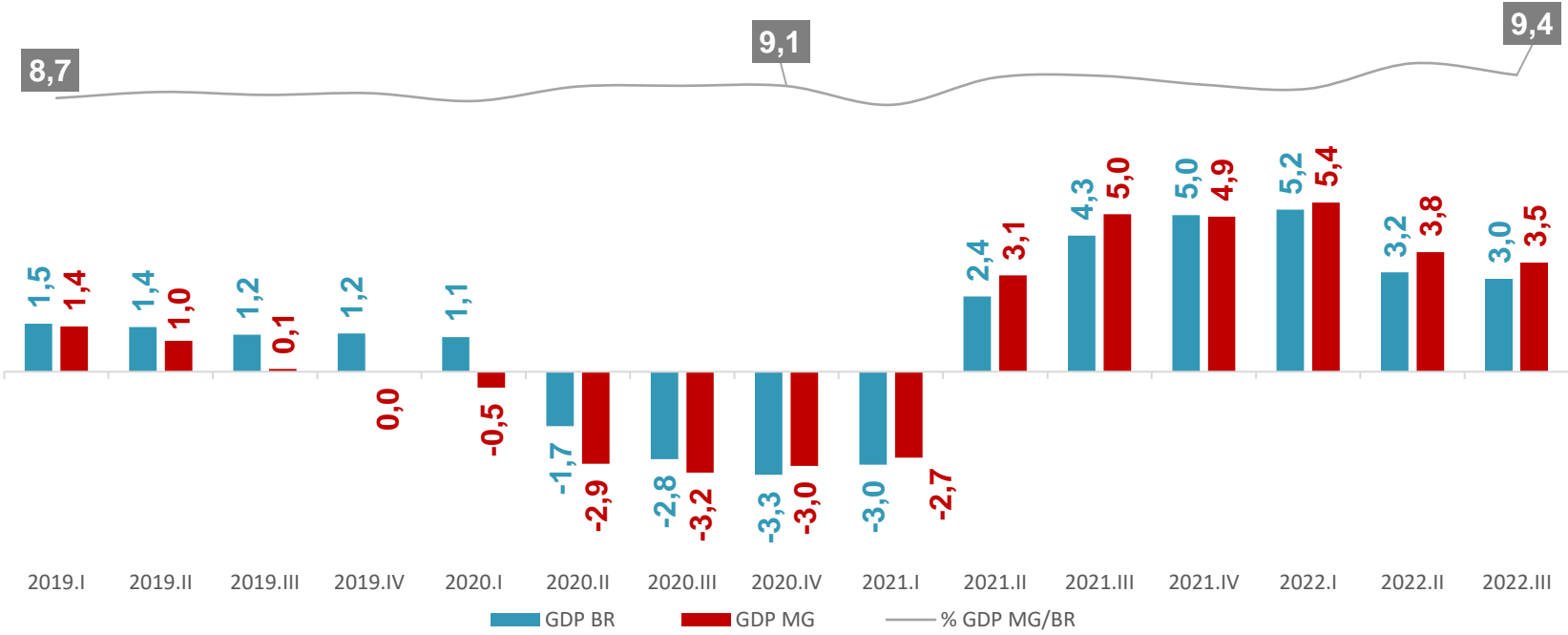




# MINAS GERAIS IS ONE OF THE IMPORTANT STATES OF BRAZIL

## GDP growth rate of Minas Gerais and Brazil

(Accumulated Percentage Change in four quarters)



The **GDP of Minas Gerais** grew more than the **GDP of Brazil** in the last three years.

**Minas Gerais** increased its shares in **Brazil's GDP**, from 8.7% in 1Q19 to 9.4% in 3Q2022.

Source: Fundação João Pinheiro and IBGE

# MINAS GERAIS IS ONE OF THE IMPORTANT STATES OF BRAZIL



**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 (21,4 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.

# INTERREGIONAL DIFFERENCES ARE CHARACTERISTIC OF THE STATE OF MINAS GERAIS

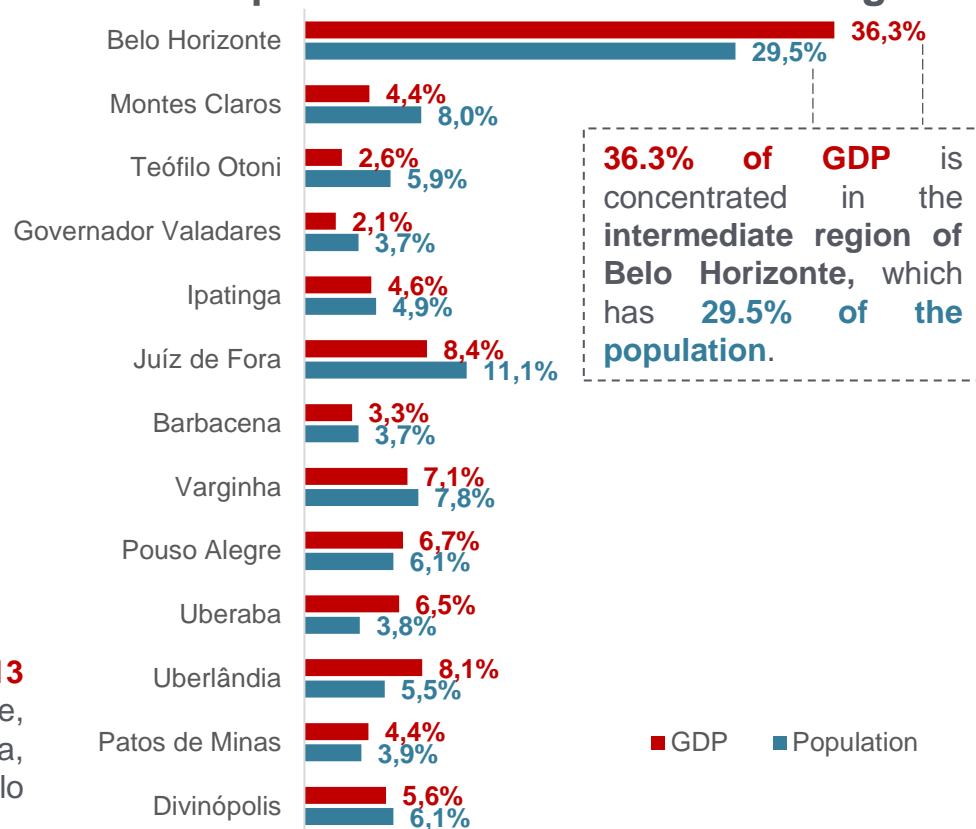


## Minas Gerais' intermediate regions



**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.

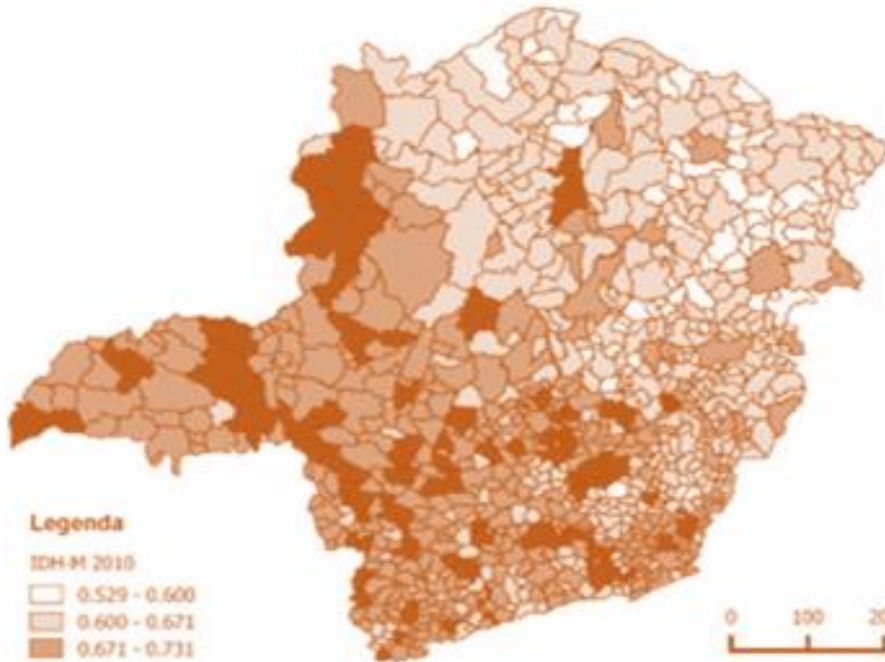
## GDP and Population in the intermediate regions



# INTERREGIONAL DIFFERENCES ARE CHARACTERISTIC OF THE STATE OF MINAS GERAIS



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



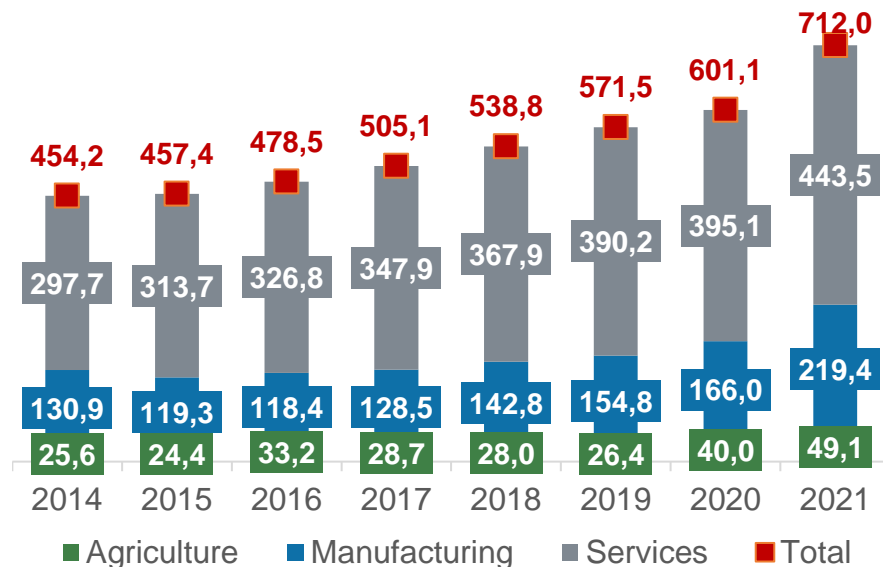
- ☑ **Minas Gerais** has **853 municipalities**.
- ☑ The **HDI-M average** is **0.731**, which is considered high. However, only **78 municipalities are above this average**.
- ☑ The **50** largest municipalities concentrate 53% of the population.
- ☑ **Minas Gerais is unequal in economic and social 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. The North region of Minas Gerais has 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.

# SECTORAL CHARACTERISTICS IN THE ECONOMY OF MINAS GERAIS



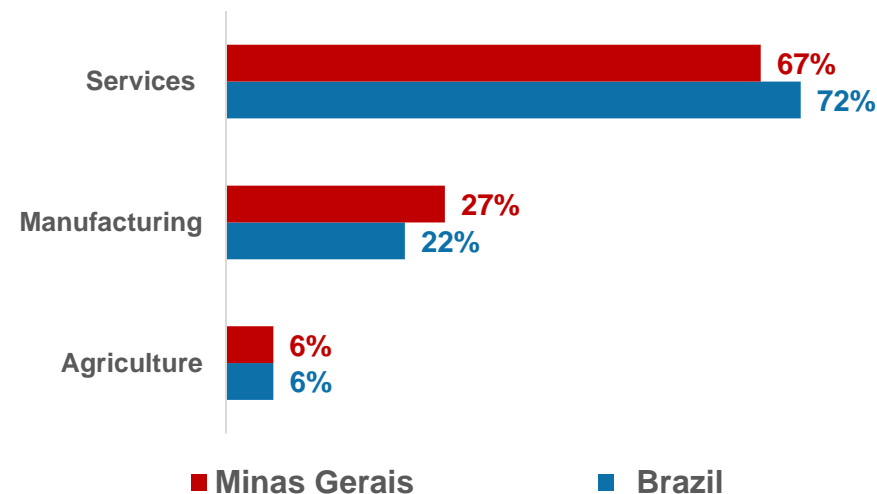
## GDP by sectors in Minas Gerais

(BRL Billion)



## Comparative analysis: sectoral share of GDP

(arithmetic average 2014 -2021)



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

In terms of composition, the main segments of this sector are professional and administrative services and transport 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 2,422.8 MM**

DISBURSED\*

**5,182**

CLIENTS SERVED\*

**562**

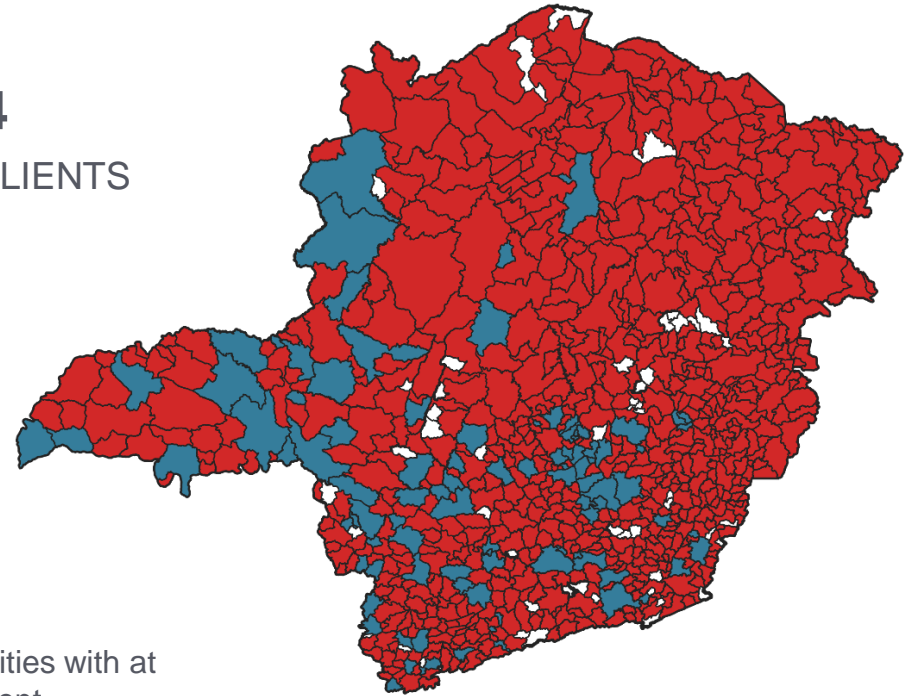
Municipalities served during the year  
2022

**29,564**

TOTAL CLIENTS

**94%**

Municipalities with at  
least 1 client



■ HDI above the Brazilian average

■ HDI below the Brazilian average

\*In 2022.



# IMPACTS ON THE ECONOMY OF MINAS GERAIS

Input-Output-Matrix\*

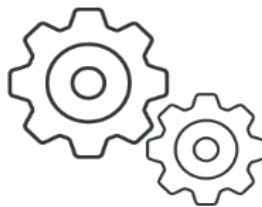
From January/22 to December/22



**60,530**

**JOBS SUPPORTED**

25 jobs generated per BRL1 million disbursed.  
36.7% of the balance of jobs generated in MG



**BRL 4,557 million**

**IMPACT ON THE PRODUCTION OF  
MINAS GERAIS**

BRL 1.9 million in revenue generated per BRL 1 million  
disbursed.  
19.5% of the automotive industry revenue<sup>2</sup>.



**BRL 147 million**

**IN TAXES**



**BRL 1,121 million**

**PAID IN WAGES**

17,0% of the tax (IRRF) collected in MG<sup>1</sup>



**BRL 2,372 million**

**IN CONTRIBUTION TO GDP**

25,4% of the State investment<sup>1</sup>

\*Value in December/2022. <sup>1</sup>in 2022. <sup>2</sup>Data from 2020.



**Releases for investment projects grew 40%** in 2022 compared to the prior year.

**Urban Infrastructure** projects recorded an **increase of 89%** in disbursements. BRL173.7 million were released to support these projects, 62% of which are aligned with at least one Sustainable Development Goals (SDGs).



Financing of **renewable energy projects** also stood out: **39% higher** than the prior year.



BDMG's **Social, Environment and Climate Responsibility Policy** (PRSAC) was approved. Based on it, an action plan was designed, specifying the activities to be implemented over the next three years.



BDMG'S **Social, Environment and Climate (SAC) Risk Policy** was also approved, and its methodologies are in effect.

Aiming to funding diversification at low costs, BDMG was authorized to prepare an external fundraising with the **New Development Bank** (NDB), Sovereign guaranteed by the National Government, becoming the first operation of this nature in the history of BDMG.



# DESTAQUES



BDMG was hailed as the “**Bank of the Year 2022**” by the Latin American Association of Development Financing Institutions (ALIDE), an entity formed by 80 members from 22 countries. The main features for honoring BDMG were the performance in over 90% of the municipalities of Minas Gerais state, the digital loan disbursement platform, the institution’s financial soundness, and its disbursements in line with the United Nations’ Sustainable Development Goals (SDGs).

BDMG was part of the Delegation of the Government of Minas Gerais at the 27th United Nations Climate Conference, more commonly referred to as the UNFCCC, or **COP 27**, which took place in November 2022, in Sharm El Sheikh, Egypt.





### 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

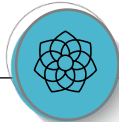
- Targeting the performance in strategic segments to the State: innovation, sustainability, agribusiness, and regional development
- Decrease of the BNDES resources
- Funding diversification: Funcafé, Fungetur, Fundação Renova, Caixa, Finep, Fapemig
- New fundings: Agribusiness Credit Bills, Bills of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



**2019  
2020**

## Countercyclical Action in Sustainability

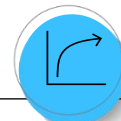
- ESG principles incorporation
- UN Global Compact Signatory
- Best Socio-Economic Impact Bank Award - Brazil 2020 - CFI
- Member of the 2030 Challenge Network – HUB ODS member
- Participation in Finance in Common and Paris Development Banks statement on Gender Equality and Women's Empowerment membership;
- 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**

## Sustainable performance

- Launch of the Aliança de Bancos Subnacionais de Desenvolvimento da América Latina e Caribe, aiming to reinforce the strategic role of Subnational Development Banks.
- Race to Zero: The BDMG supported the Government of the State of Minas Gerais' adherence to the Race to Zero, a global campaign for bringing together leaders with the goal of reaching zero net emissions of Greenhouse Gases up to 2050.
- Transparency: Launch of online repository of documents with information on the projects financed by multilateral organizations.
- Green Bond Transparency Platform: BDMG Sustainable Bond included on IDB's Green Bond Transparency Platform.
- The Bank signed the Women's Empowerment Principles.

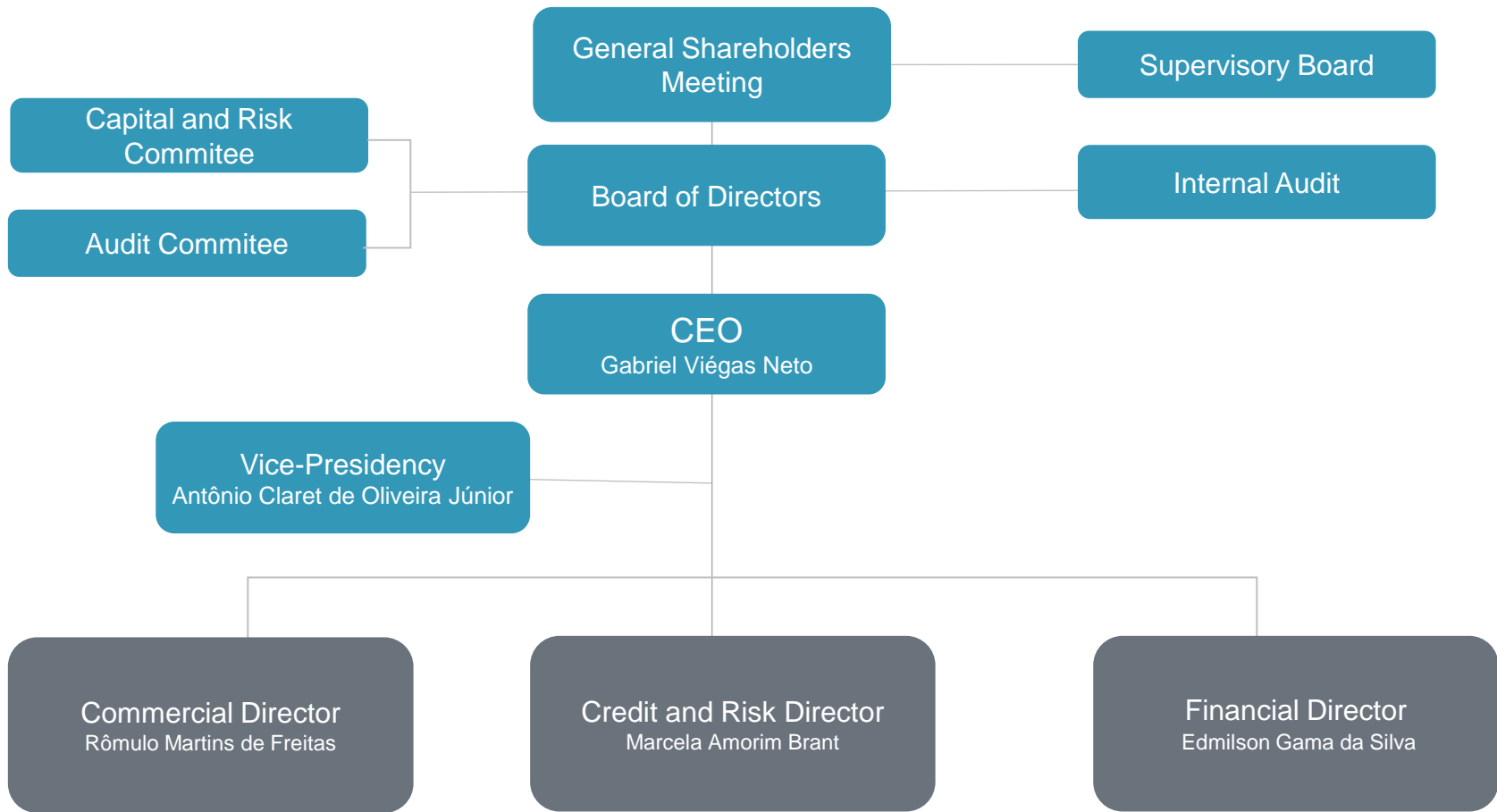


**2022**

## Focus on Impact

- In April, LabAgroMinas was launched, a partnership between BDMG and Embrapa that aims to encourage sustainable agriculture.
- "Bank of the Year 2022" by ALIDE
- 2<sup>nd</sup> place in the SAIN-ABDE Award for Best Practices in International Funding
- Approval to raise up to BRL 1 billion with a sovereign guarantee by the Federal Government with the NDB
- BDMG won the XXIV Minas Award – Business Performance – Best and Biggest Companies by Mercado Comum Magazine

# CORPORATE STRUCTURE



# SHAREHOLDERS





## Moody's

Global Scale

2022, Jun 22

Local Currency

Long Term

B2

Nacional Scale

Long Term

BBB+.br

Outlook

Positive

## Standard & Poor's

Global Scale

2022, Nov 24

Local Currency

Long Term

B

Nacional Scale

Long Term

brA-

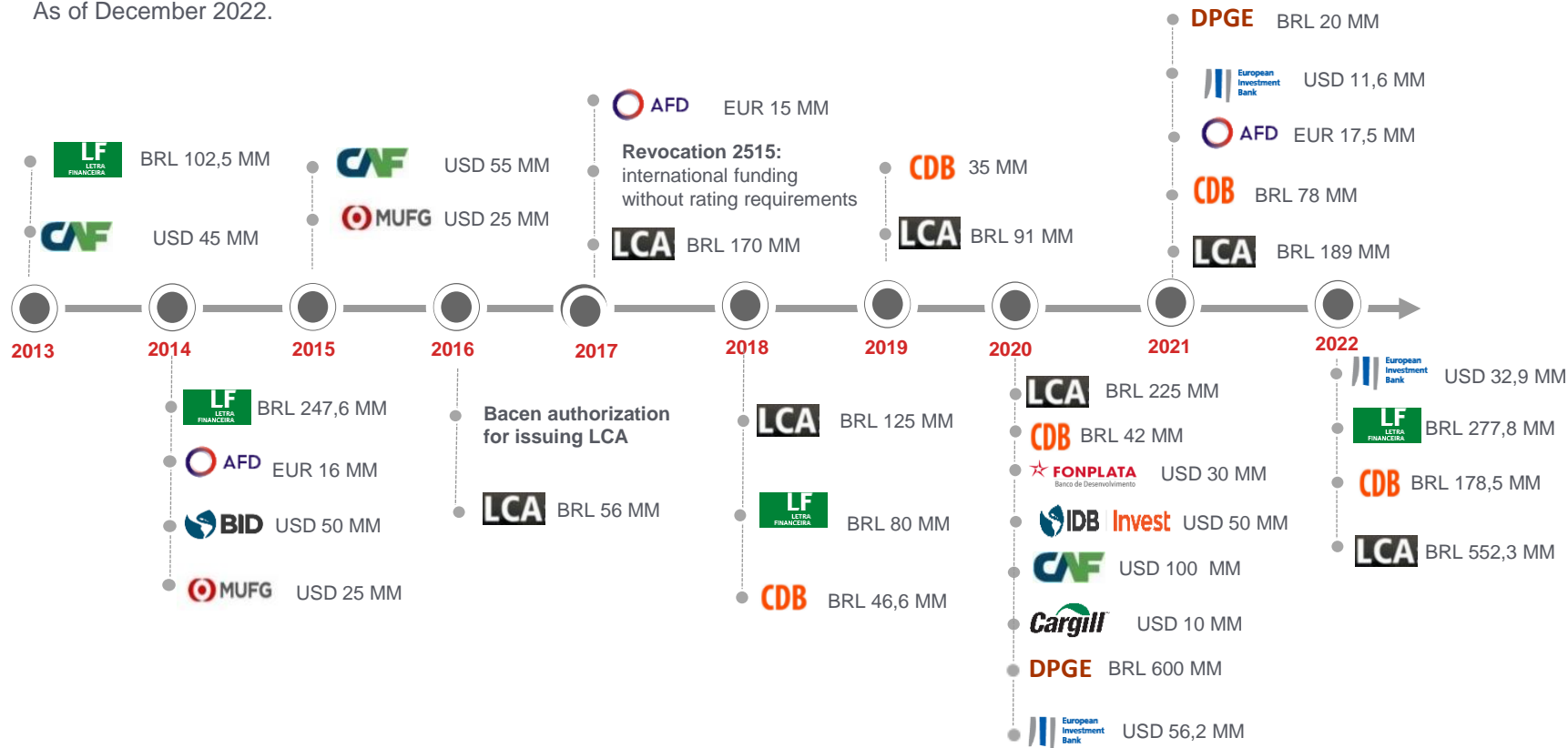
Outlook

Stable

# FUNDING HISTORY



Disbursement point of view.  
As of December 2022.





## 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



**BRL 1.003 MM**

Disbursed



## Funding lines:

- 58% Agribusiness Credit Bill (LCA)
- 32% FUNCAFÉ
- 10% BNDES



Regarding resources for the 2022/2023 Crop Plan, the Ministry of Agriculture, Livestock and Supply (MAPA) allocated BRL 257 million to BDMG to set up lines of credit to serve the coffee sector through financing inputs, machinery and implements, storage, harvesting, and training of crops.

In partnership with local cooperatives aiming to expand the operations with rural producers, individuals, or companies, BDMG prospected R\$ 176.3 million in contracts for the AgroRepassé product, arranged among 10 credit cooperatives that have a strong presence in the segment.



# MUNICIPALITIES

## BRL 173.7 MM

Disbursed



## BRL 147 MM

Disbursed to municipalities with HDI below the Brazilian average



## 240

Municipalities served, of which 221 have an HDI below the average in Brazil



## 250

Managers of Agreements of Minas Gerais municipalities participated in online training sessions.



Toledo/MG

In March, BDMG launched the Public Notice for Municipalities 2022, providing five lines to support municipalities in carrying out the required investments in infrastructure:

- Urbaniza (urban infrastructure);
- Sustainable Cities (clean energy, modernization of public buildings);
- Sanitation (water, sewage, and solid waste);
- Roads (side roads, bridges, and viaducts); and
- Machines (machinery, equipment, and vehicles).



## WOMAN ENTREPRENEURS OF MINAS AND PRONAMPE WOMEN

**BRL 41.6 MM**

disbursed in 2022

**660**

Female entrepreneurs assisted

**98**

municipalities, with 61% of them with an HDI below the Brazilian average

**3,142**

Safeguarded jobs



**BRL 63 thousand**

Average ticket



Products launched with a policy of strengthening socioeconomic development and female empowerment. BDMG became the first Brazilian development bank to sign the Women's Empowerment Principles (WEPs), a set of commitments established by the UN Global Compact and UN Women that aims to leverage gender equality in the world of Business.

# RENEWABLE ENERGY AND ENERGY EFFICIENCY



## BRL 234.7 MM

Disbursed, being BRL 196 million for projects of photovoltaic solar energy, hydroelectric power plants (HPP), and biomass-based power plants.



## 66 municipalities served

with 44 of them having an HDI below the Brazilian average.

## 40.000 tCO<sub>2</sub>

Avoided emissions throughout the year. Equivalent to the annual energy consumption of more than 178 thousand households. 6.5% of BH's GHG emissions.

## 630 GWh/year

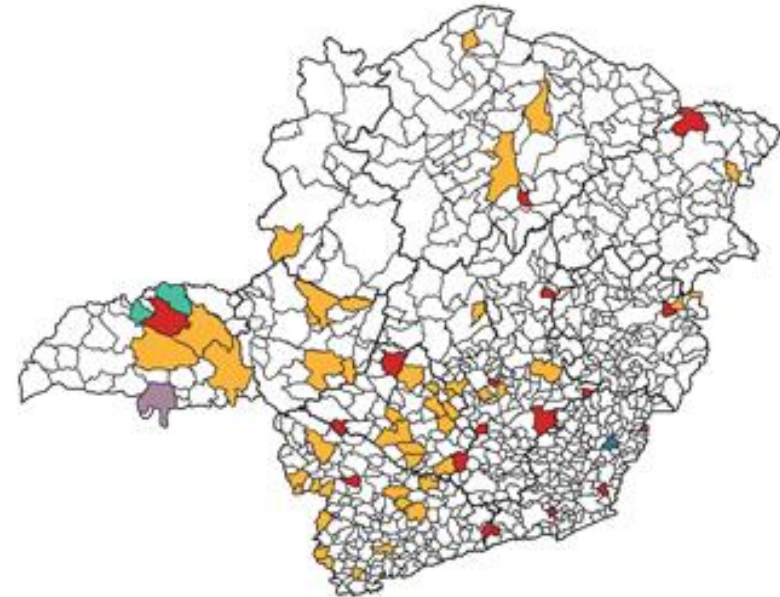
of energy Generation by the projects contracted in 2022:

- 47 solar projects
- 2 biomass projects

Annual consumption of 210 thousand families

## 141 MW

Installed capacity of the plans



- Street lighting
- Hydro-electric energy
- Photovoltaic solar energy
- Energy efficiency

# MICRO AND SMALL ENTERPRISES (MSEs)



**BRL 363.1 MM**



**20%**

Increase compared to 2021.

Disbursed



**93%**

Originated from processes on the Bank's website.

**4,630**

Customers obtained financing through the platform



**66%**

Of which were served by banking agents.

**28 thousands**

Jobs created and/or maintained

## BDMG Pronampe 2022

The Bank offered Pronampe credit with different conditions and lower rates than those practiced by the competition. Through the program, **BRL 137.9 million were disbursed**, with emphasis on the "Pronampe Fidelidade" (aimed at customers with a good relationship record with BDMG) and "Pronampe Mulheres" (which requires the participation of a woman entrepreneur in at least 50% of the company's share capital), which accounted for 63% of the releases of this product.

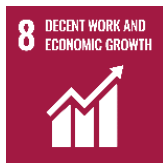
## BDMG APL

In June 2022, BDMG launched the BDMG APL, a credit line to strengthen small businesses of Local Productive Arrangements (APLs) in Minas Gerais.

# JOBS GENERATION\*



\*In 2022.



## BDMG DIGITAL

**BRL 363.1 Million**  
disbursed

**419** municipalities served,  
80% of them with an HDI  
below the Brazilian average

**4,630**  
companies served

**28,217**  
safeguarded jobs



## BDMG Solidário

For micro and small companies in cities in an emergency/calamity situation with differentiated conditions and a renegotiation program.

**BRL 115.9 Million**  
disbursed

**1,513**  
companies served

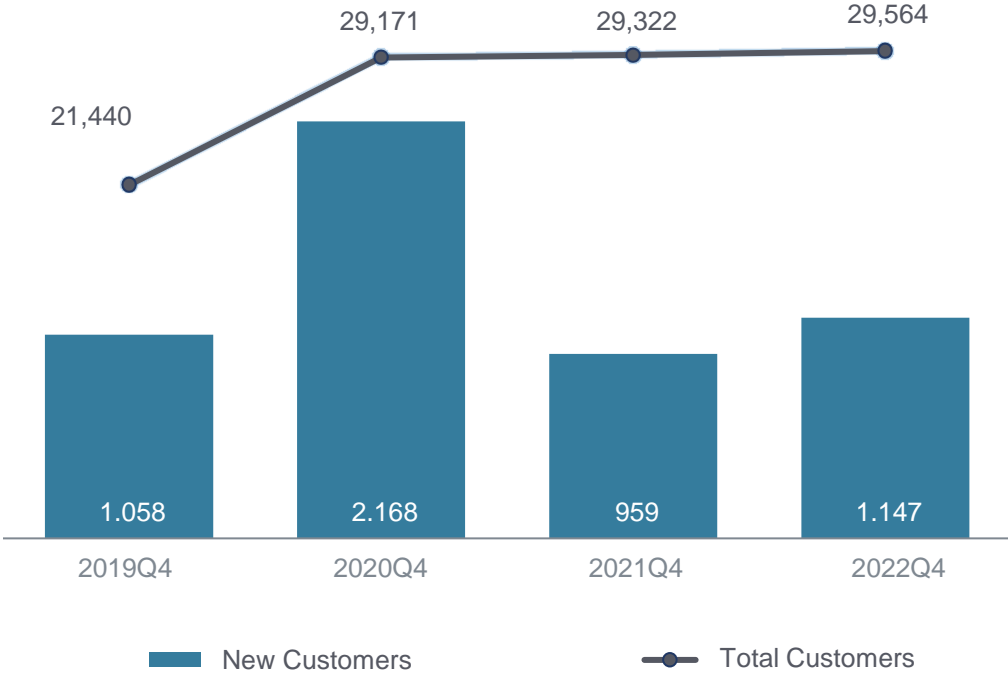




## 5. FINANCIAL ECONOMIC PERFORMANCE

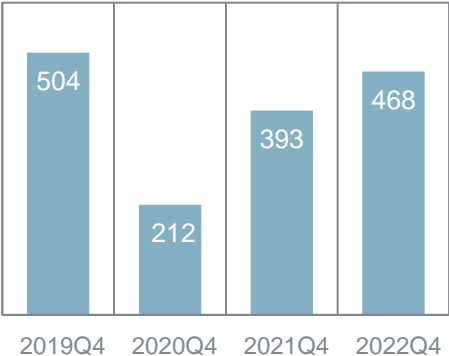


# NEW CUSTOMERS AND TOTAL CUSTOMERS



## AVERAGE TICKET

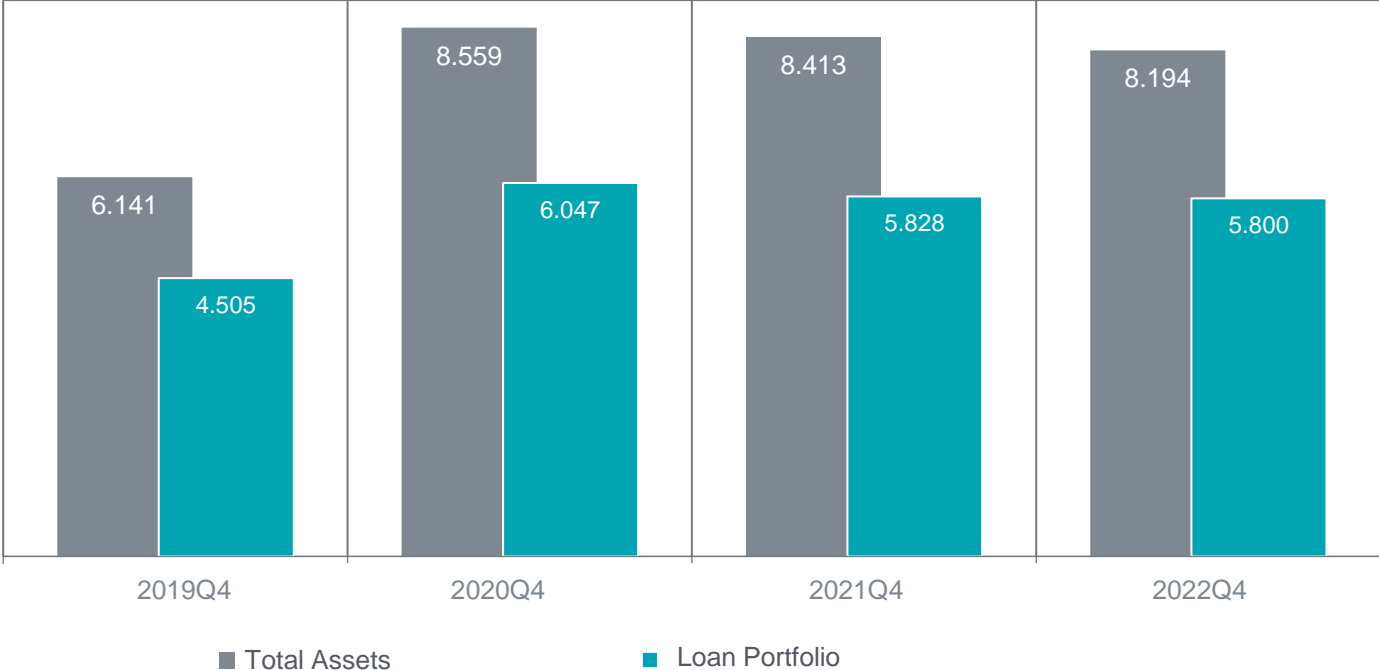
BRL Thousand / Customer



# TOTAL ASSETS AND LOAN PORTFOLIO



BRL Million



# LOAN PORTFOLIO AND ONLENDINGS

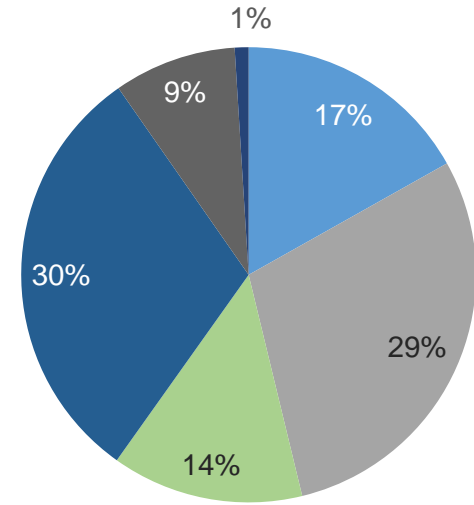


In 2022 the loan portfolio is composed of:

**99%** 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.



**1%** Onlendings through the transfer of Bank resources to partner institutions and accredited credit cooperatives. Onlendings constitutes indirect operations since the partner institution that receives the resource is the one that negotiates the financing conditions and assumes the risk of credit granted.

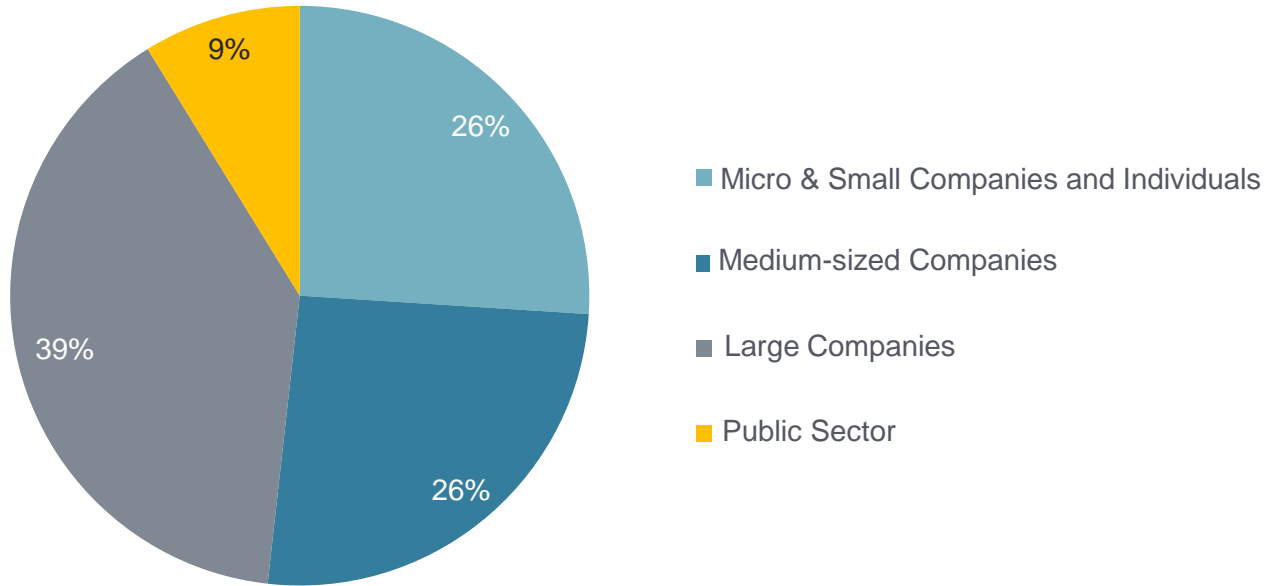


- Rural & Agribusiness
- Manufacturing
- Commerce
- Services
- Public Sector
- Onlendings

# LOAN PORTFOLIO BY BUSINESS SIZE\*



% Loan Portfolio as of 12/31/2022.

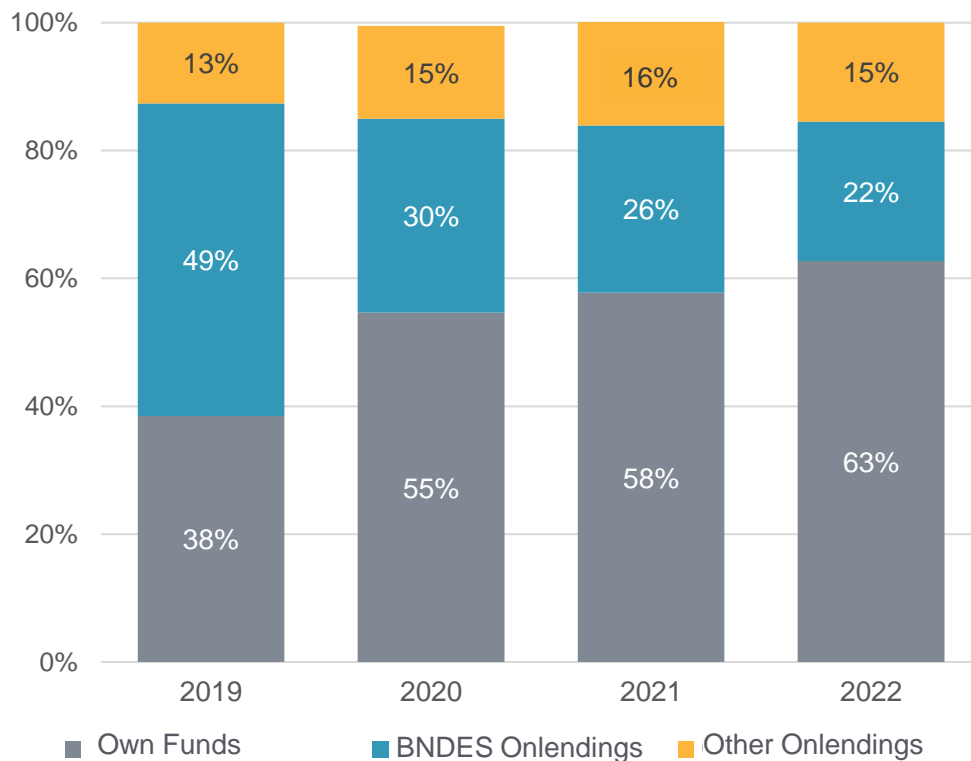


\* Data grouped by economic group.

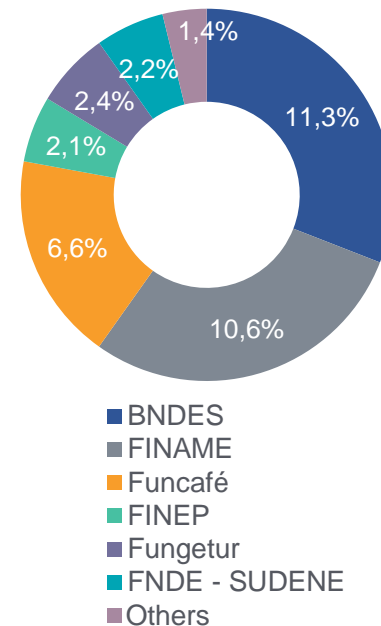
# LOAN PORTFOLIO BY ONLENDINGS



% loan portfolio



## ONLENDINGS BY SOURCE

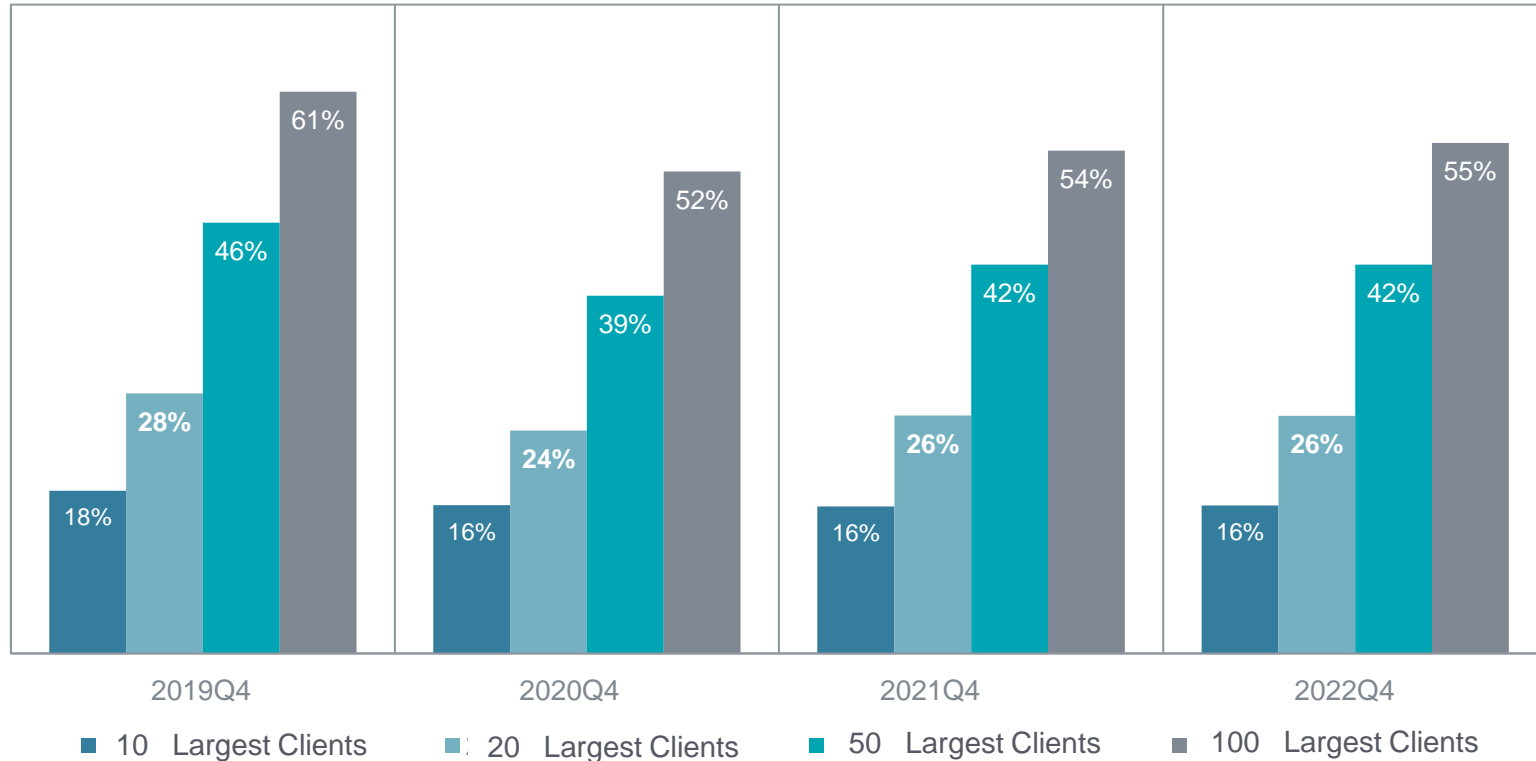


# LOAN PORTFOLIO CONCENTRATION



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

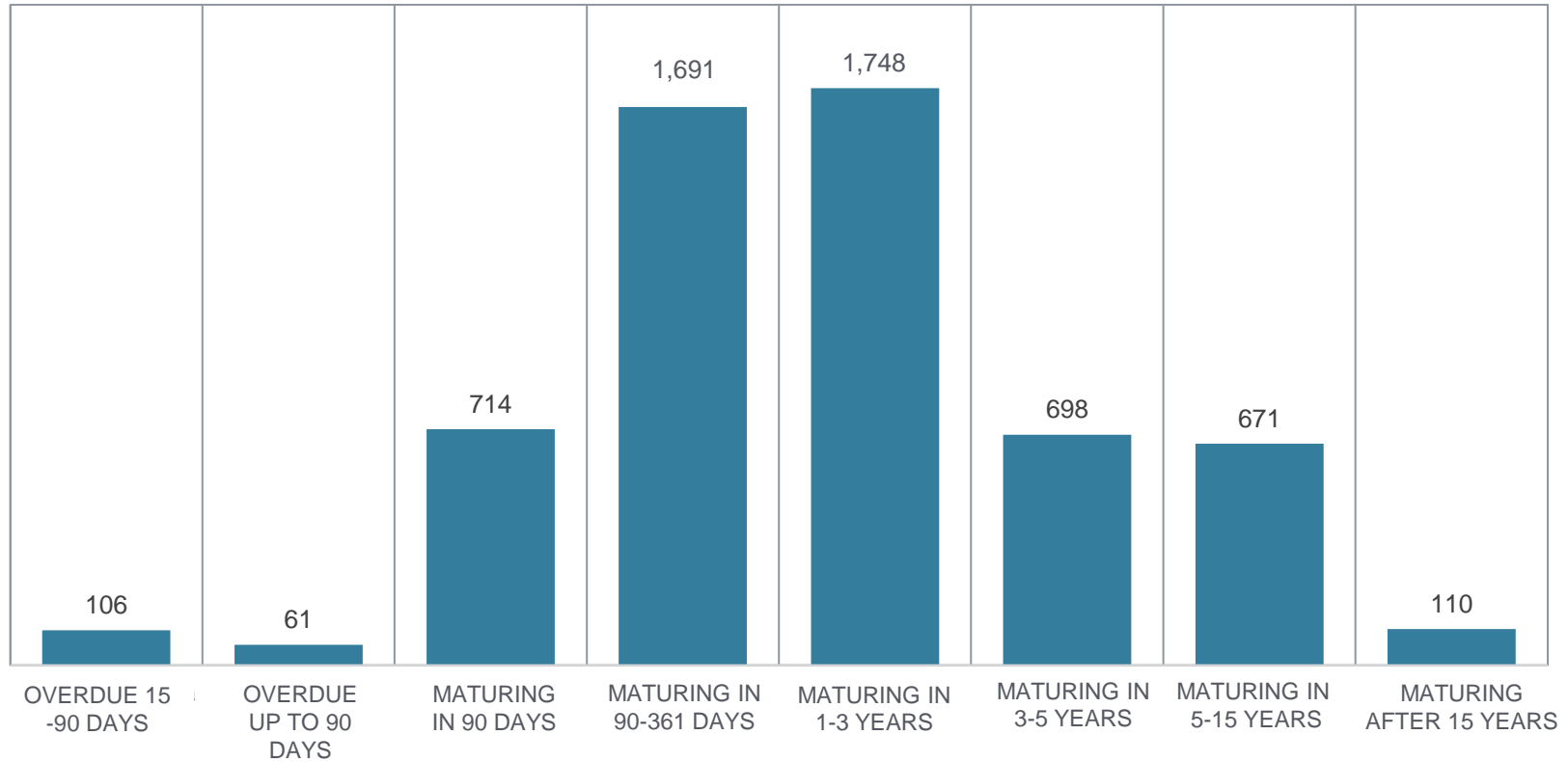
\* Considers, in addition to the loan portfolio, bank guarantees, credit notes, and credits to be released up to 360 days.



# LOAN PORTFOLIO MATURITY



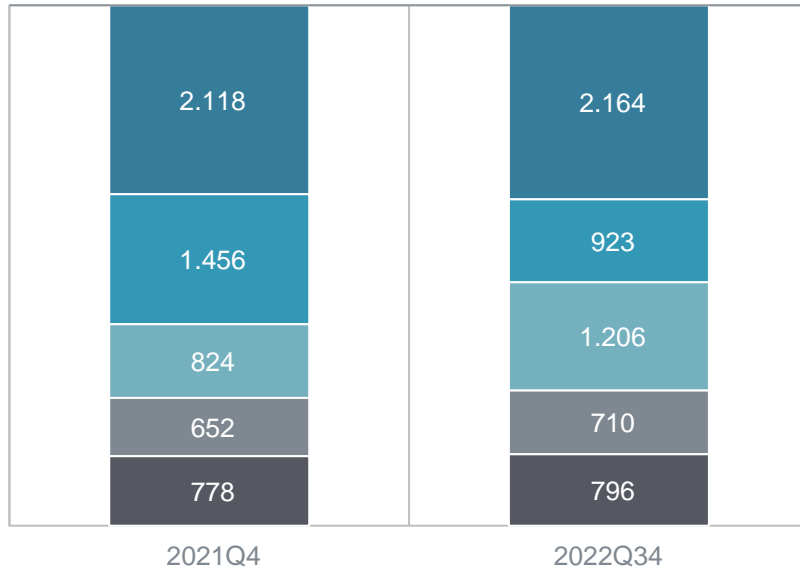
BRL Million (as of 12/31/2022)



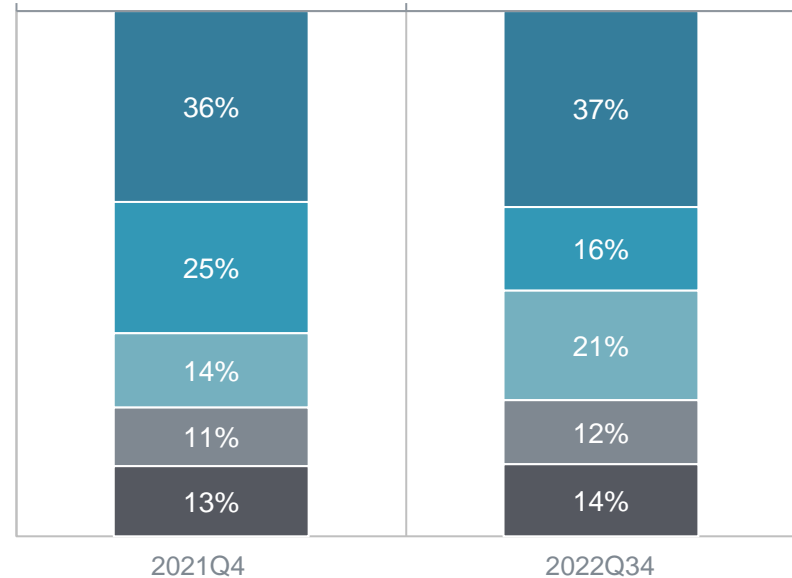
# LOAN PORTFOLIO BY RISK LEVEL



BRL Million (as of 12/31/2022)



% Loan Portfolio (as of 12/31/2022)

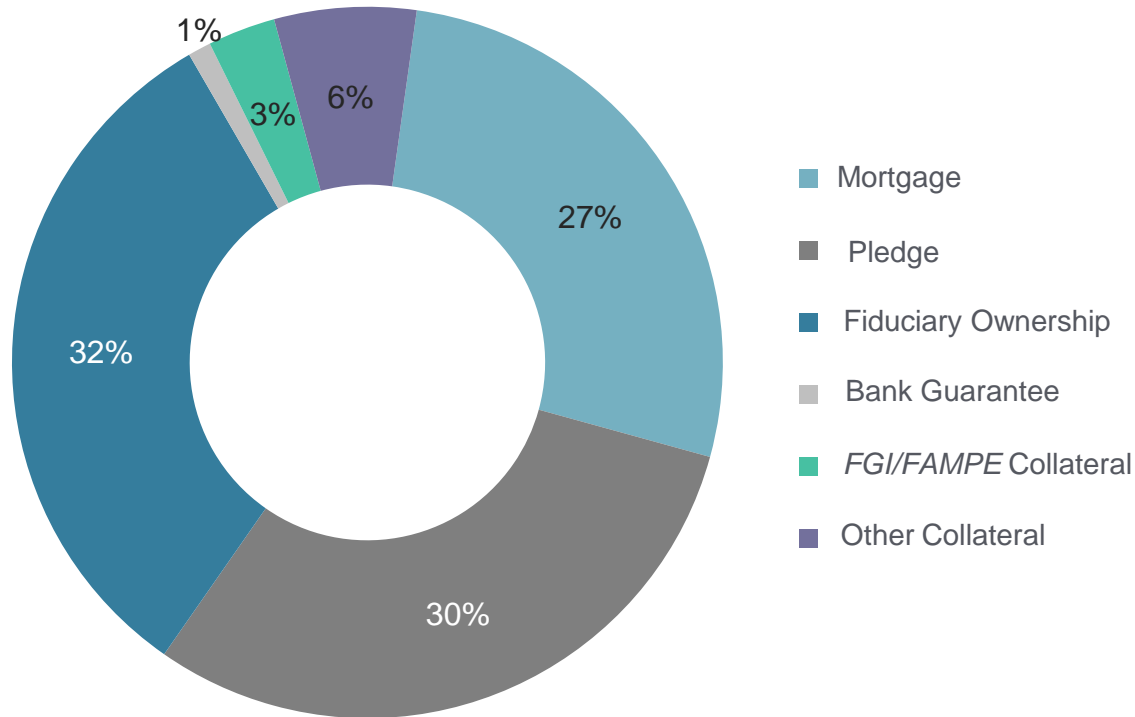


■ AA ■ A ■ B ■ C ■ D-H

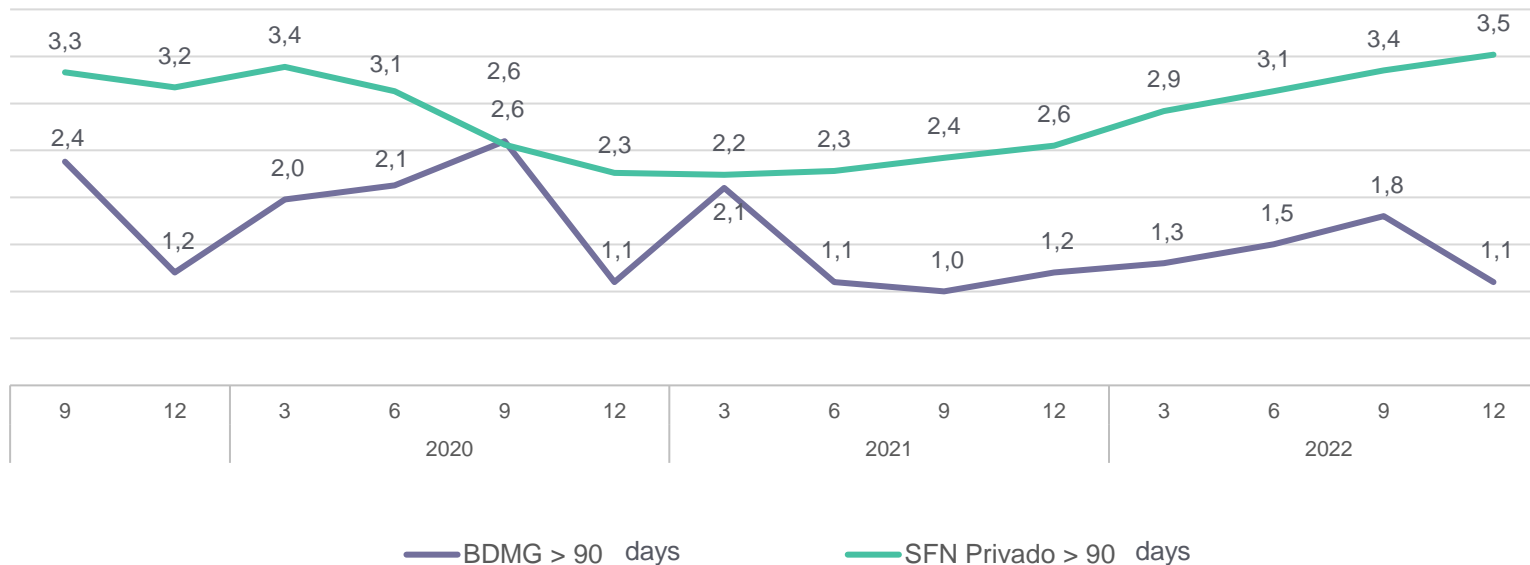
# LOAN PORTFOLIO COLLATERAL



Position as of 12/31/2022



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



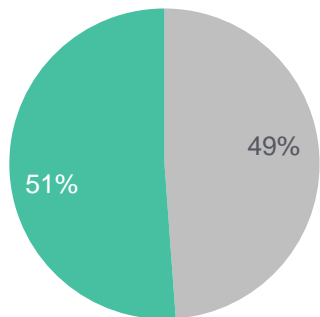
NPL Coverage Ratio > 90 days: 9.4 (December/22)

# FUNDING

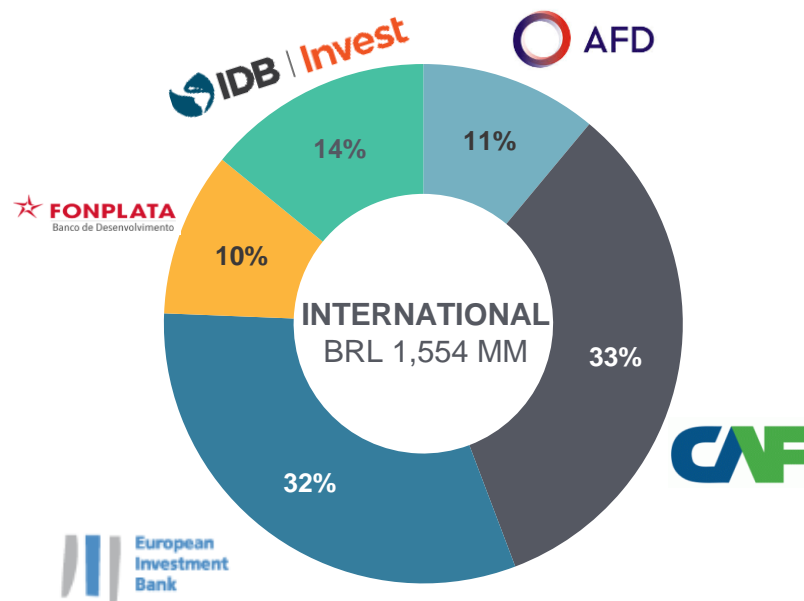
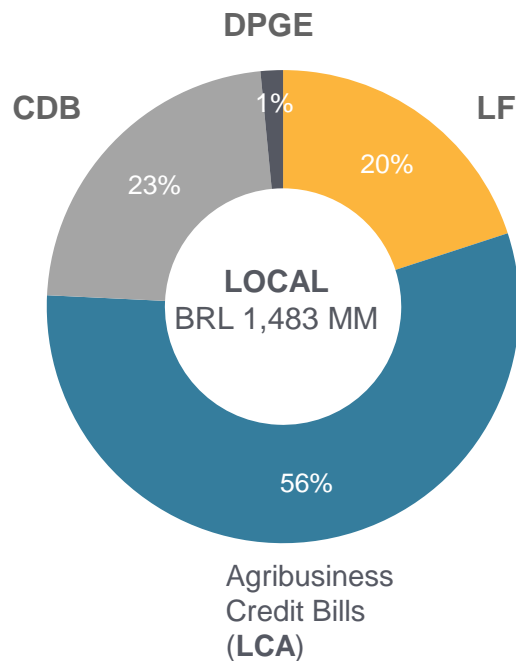


Marked to Market Values (%)

Balance as of 12/31/2022



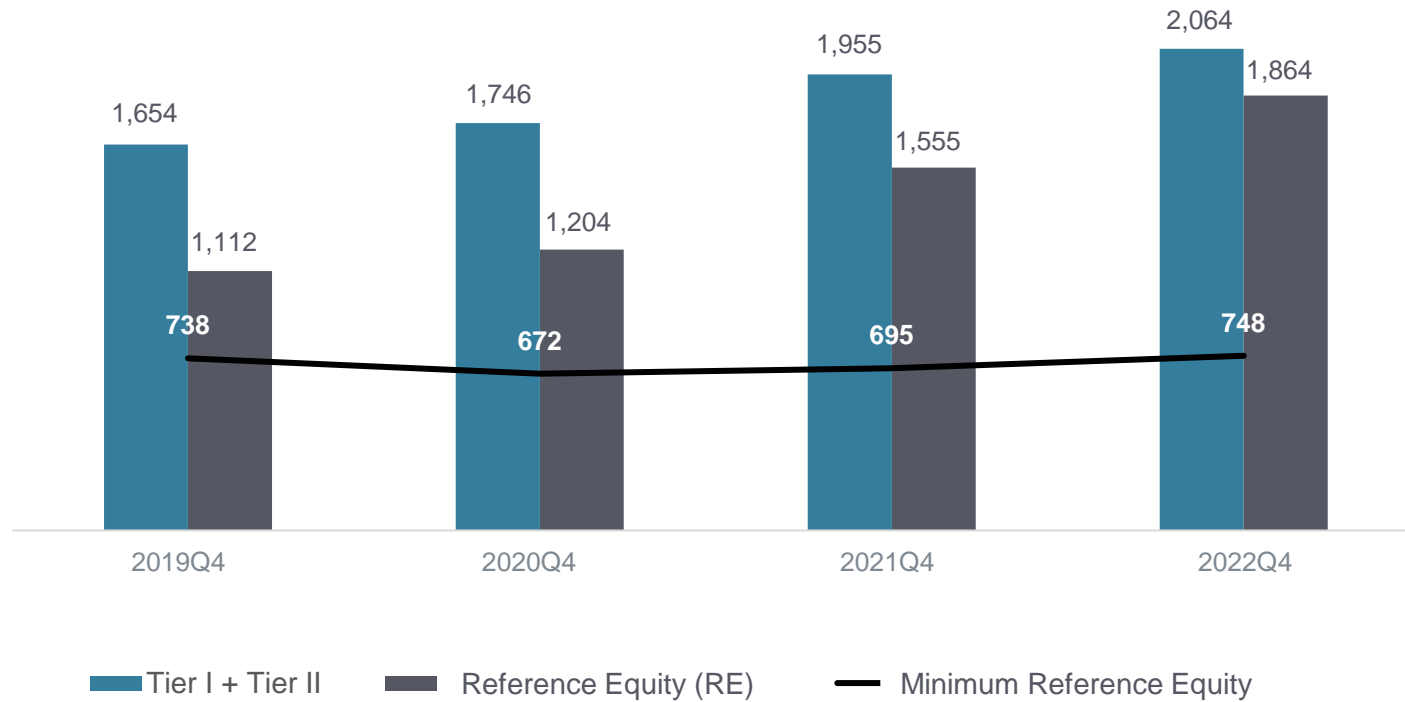
- Local Funding
- International Funding



# REGULATORY CAPITAL



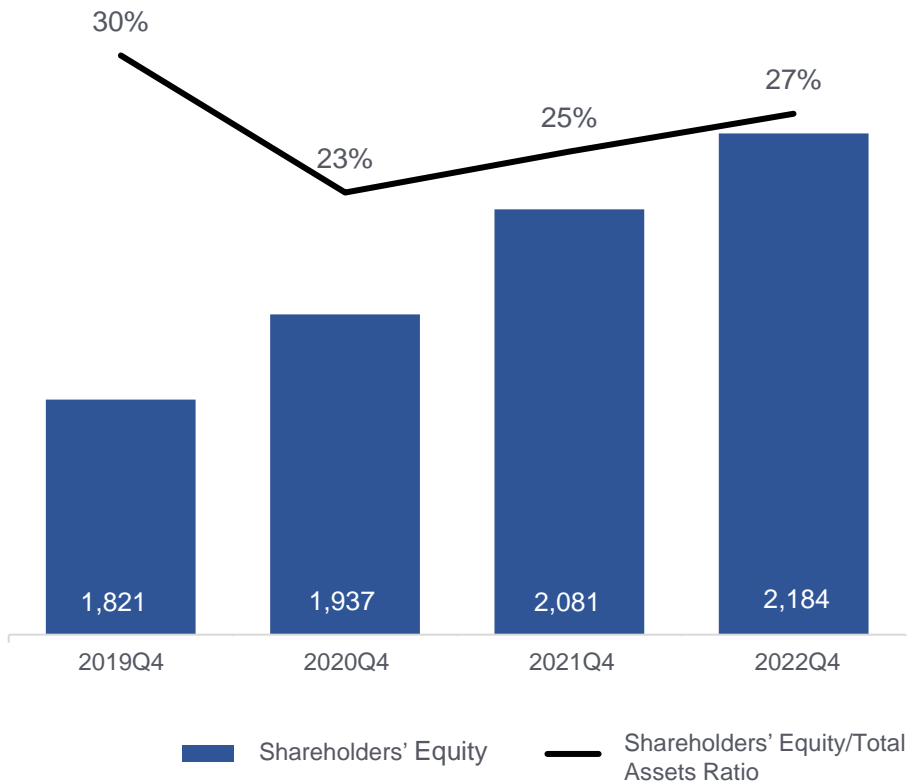
BRL Million



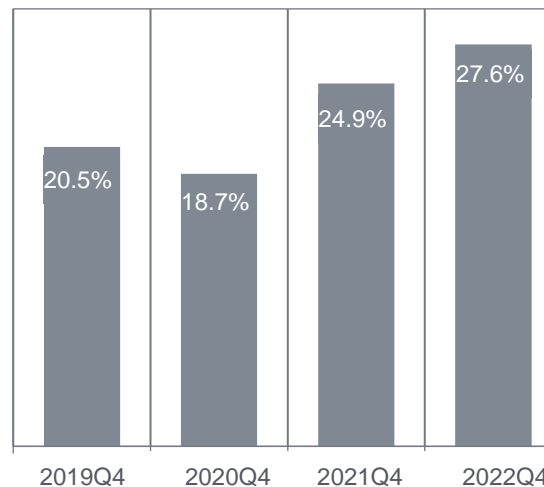
# EVOLUTION OF SHAREHOLDERS' EQUITY AND EQUITY/ASSETS



BRL Million and %



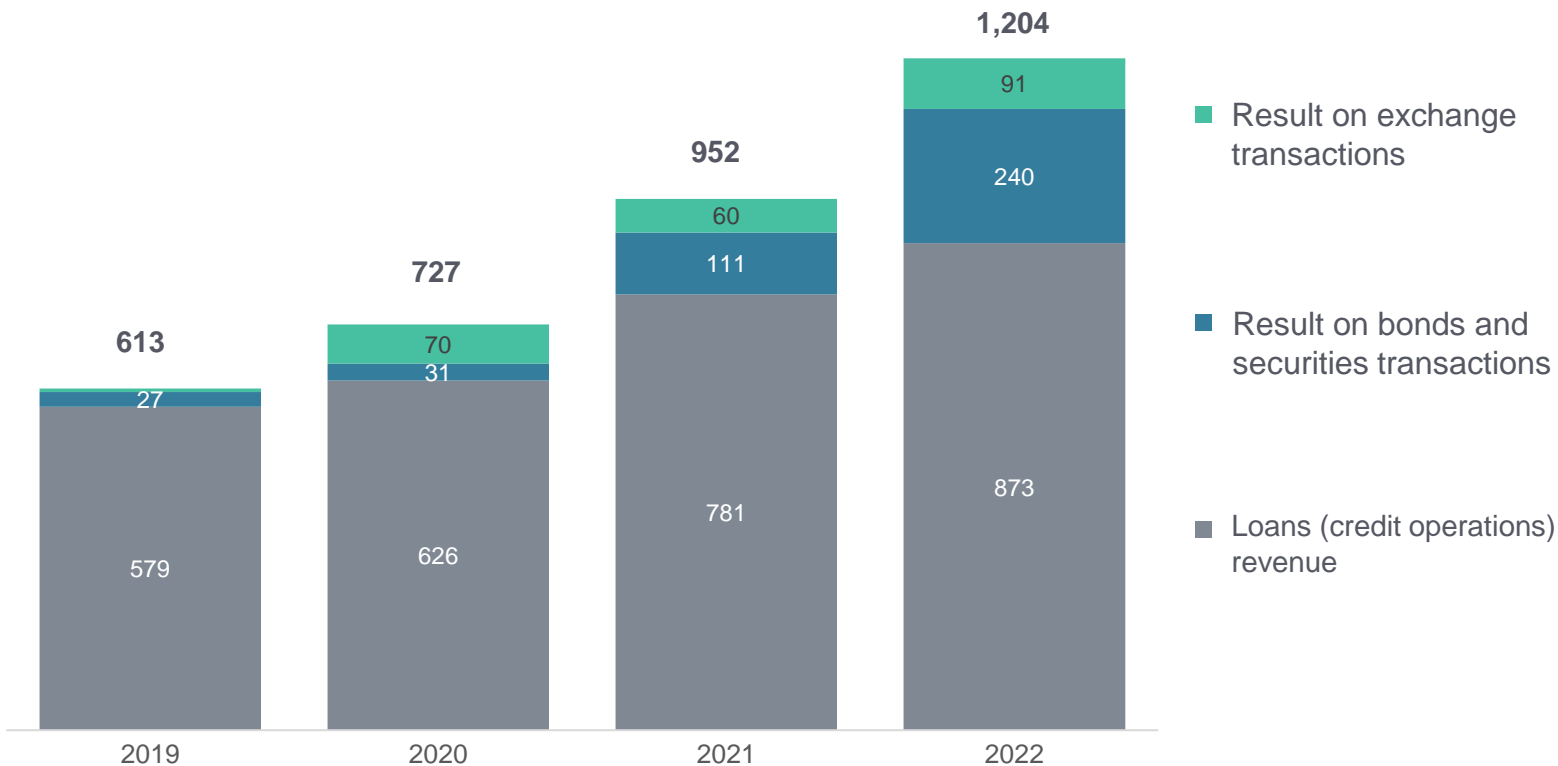
## Basel Index (RE/RWA)



# TRADING (FINANCIAL INTERMEDIATION) REVENUE



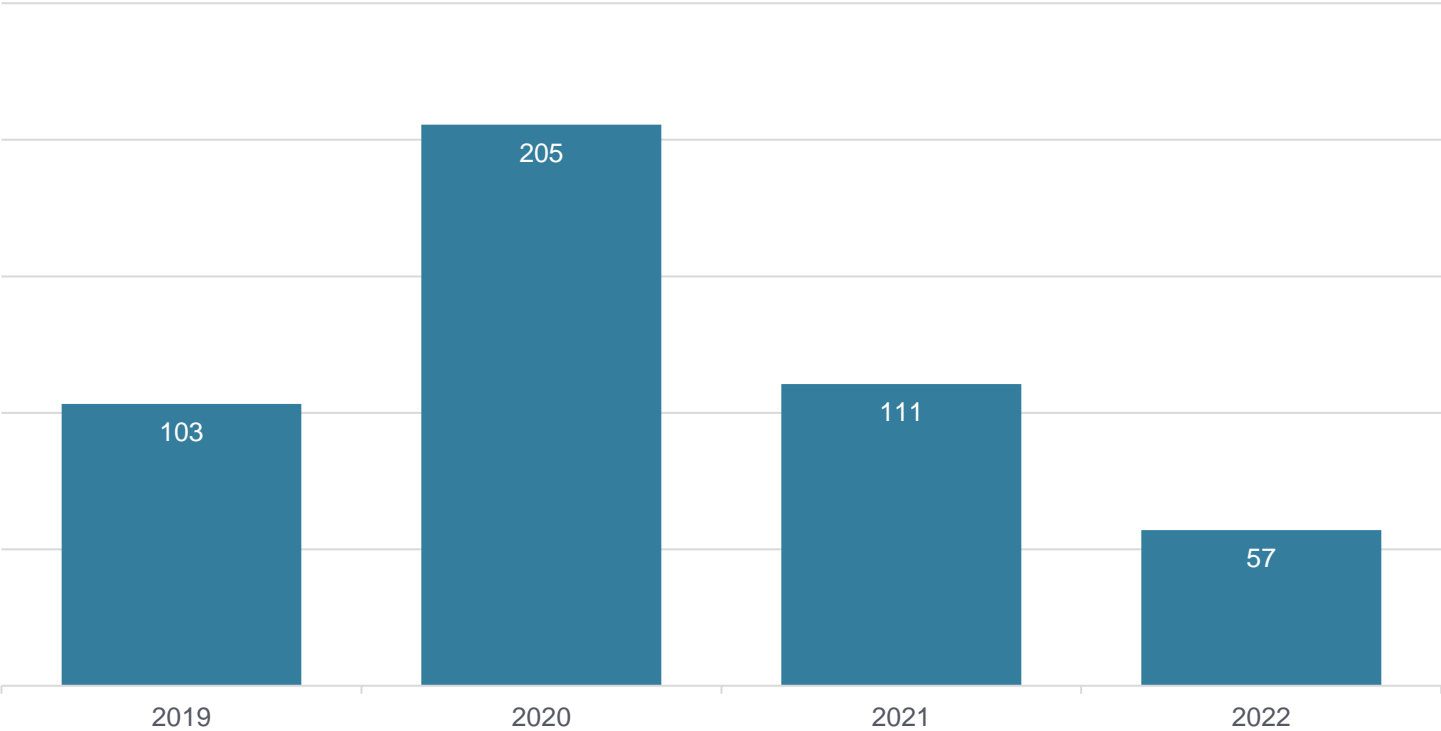
BRL Million



# ALLOWANCE FOR EXPECTED LOAN LOSSES



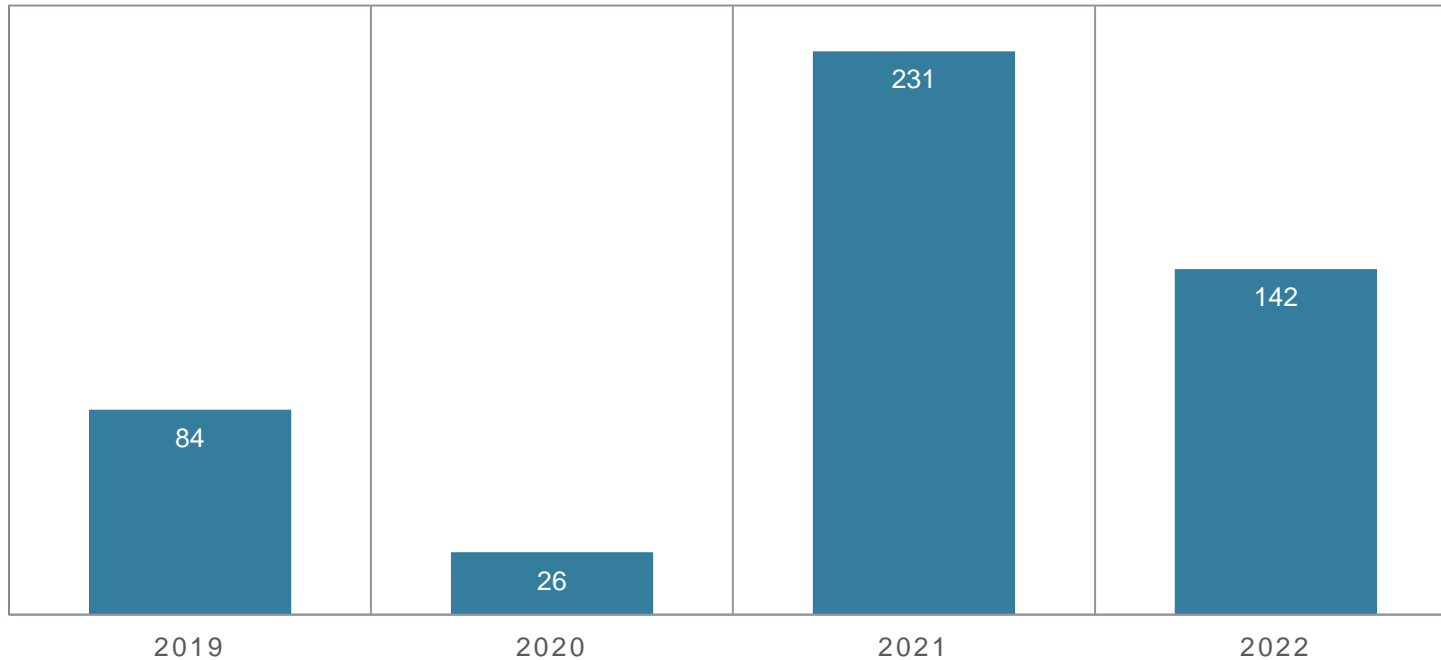
BRL Million



# NET PROFIT



BRL Million



In 2020, there was an increase in recognition of provisions for loan losses. In the second semester of 2021, there was a reversal of the allowance for loan losses arising from the full settlement of two relevant credit operations of a customer previously classified as risk level H.



## DEVELOPMENT BANK OF MINAS GERAIS



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