



THE DEVELOPMENT BANK OF MINAS GERAIS

Financial Report 2015



BDMG

Financial Report
2015

Jornal Assunção
2000

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◆ **Mission**

Promoting sustainable and competitive socioeconomic development of Minas Gerais, generating more and better jobs and reducing inequalities.

◆ **Vision**

To be recognized as a strategic actor in the process of economic and social development of Minas Gerais.

◆ **Values**

- *Ethics*
- *Transparency*
- *Commitment to the society of Minas Gerais.*



1 INSTITUTIONAL

2 STRATEGIC GUIDELINES

3 OPERATIONAL PERFORMANCE

4 FINANCIAL PERFORMANCE

5 ATTACHMENTS



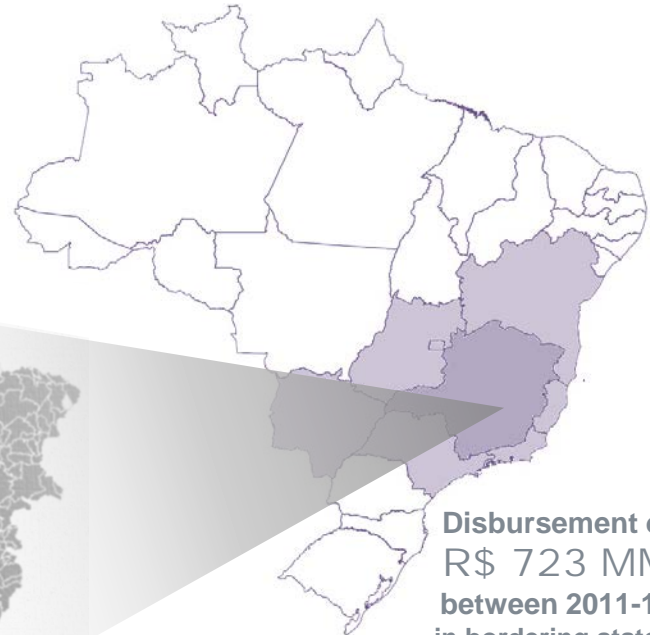
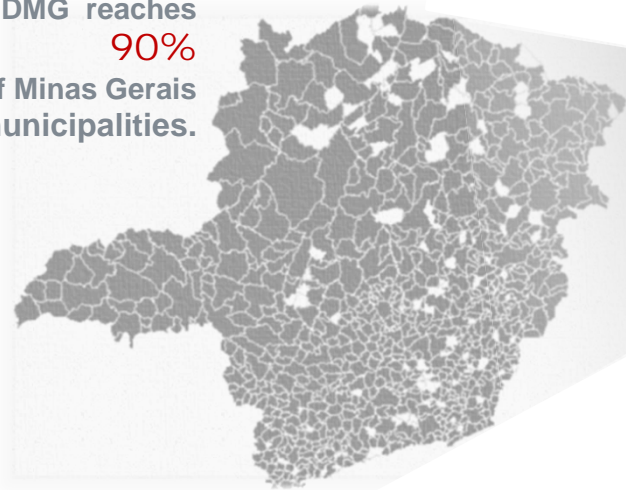
1 INSTITUCIONAL

OUTLINE

Foundation: State Law No. 2,067 01/05/1962.

Market Area: Minas Gerais and bordering states.

**BDMG reaches
90%
of Minas Gerais
municipalities.**



**Disbursement of
R\$ 723 MM
between 2011-15
in bordering states**



1 INSTITUTIONAL

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STRATEGIC GUIDELINES

Acting on productive restructuring of the state economy.

Fostering environmental sustainability.

Acting on regional and social development projects.

To be strategic partner in state development policy.



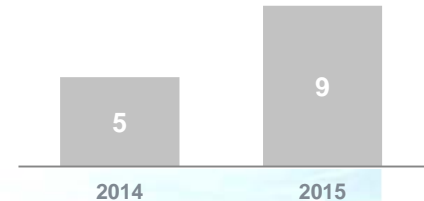


2 STRATEGIC GUIDELINES

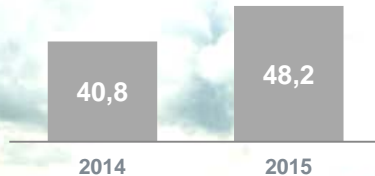
INNOVATION

- ◆ **Support**
Financial products and Innovation Funds directed to technology-based companies.
- ◆ **Agility + Safety**
Credit assessment processes suitable to innovative companies.

Innovation Funds
(Number)



Capital Participation at
UNITEC SEMICONDUTORES
(R\$ million)





2 STRATEGIC GUIDELINES

PROJECT FINANCE

- ◆ *Official unit for structuring concession projects and PPPs.*
- ◆ *2015 Main projects:*

Expansion of sewage sanitary system of Divinópolis.

Expression of Interest in structuring a Public Private Partnership (PPP) for the construction of 55 new high schools.

Carteira de FIPs – Fundos de Investimento em Participações	
Limit approved by the Board of Directors	5% Equity (R\$ 84,7 million)
Limit approved by Executive Board	R\$ 80 million
Committed with funds	R\$ 43,75 million
Companies invested by funds	32 (10 in MG)
Remaining limit for investment in funds in MG	R\$ 36,23 million



2 STRATEGIC GUIDELINES

MUNICIPALITIES



BASIC
SANITATION

Public Call (2015)
R\$ 200 MM

Investments in infrastructure, sanitation, construction of public buildings and purchase of machines.



URBAN SOLID
RESIDUES

Finance projects of municipal infrastructure involving climate issues and the universalization of basic services supported by fund of Agence Française de Développement (AFD).

Public Call (2015)
R\$ 50 MM



URBAN DRAINAGE



2 STRATEGIC GUIDELINES

SOCIAL-ENVIRONMENT

*Socio-Economic Recovery of
Rio Doce Program*

R\$ 20 million
**Support for micro and small
enterprises**

R\$ 25 million
Fixed investment
Recovery of affected areas





2 STRATEGIC GUIDELINES

SOCIAL-ENVIRONMENT

New products focused on mitigating social and regional effects:

◆ BDMG Health

Financing hospitals of SUS through BNDES Health onlending operations. The announcement for launching the program is in the final stages of preparation.

◆ GERAMINAS Social

Loans to the municipalities with a Municipal Human Development Index below the average for the State (0.677) have lower rates. Up to the end of September, 395 municipalities were already enabled to start the process for approval of the financing by the National Treasury Secretariat (STN).



- 1 INSTITUTIONAL
- 2 STRATEGIC GUIDELINES
- 3 OPERATIONAL PERFORMANCE
- 4 FINANCIAL PERFORMANCE
- 5 ATTACHMENTS

3 OPERATIONAL PERFORMANCE

MACROECONOMIC OUTLOOK

World Economy

Slowdown in the global economy accompanied by high volatility and uncertainty.

Continued decline in commodities prices.

Brazilian Economy

Sharp economic slowdown.

Inflationary acceleration.

Higher interest rates.

Appreciation of the US dollar.

Contraction of investments.

Increase of delinquency.

Decrease of fiscal revenues.

BDMG's Challenges

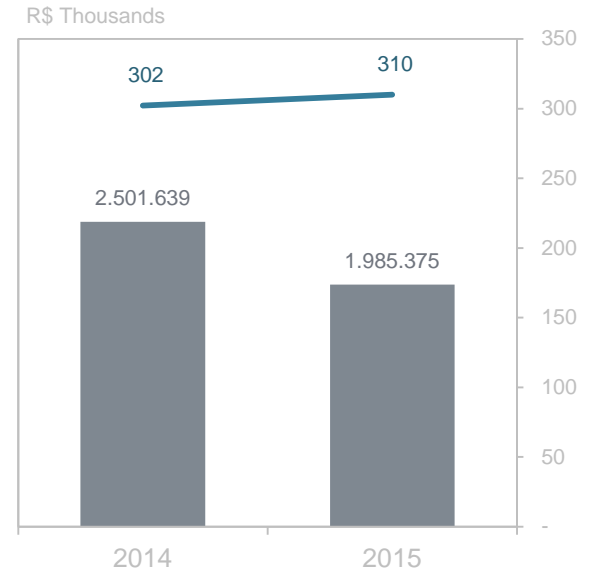
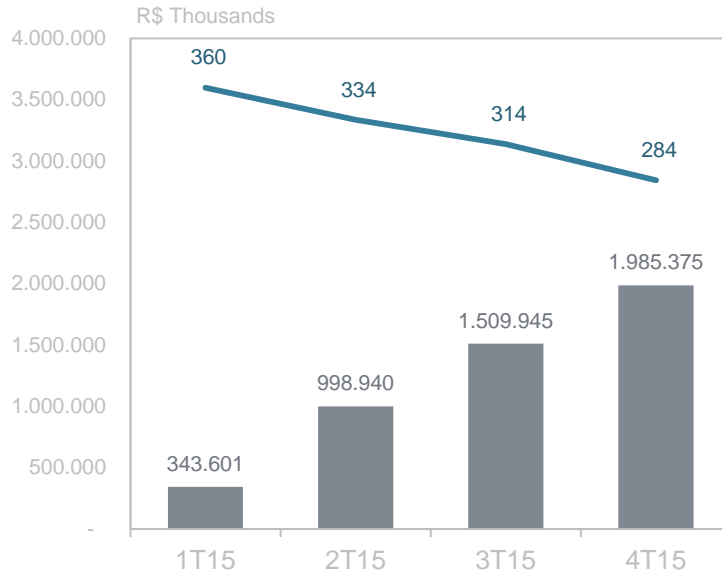
Sharp drop in demand for credit.

Higher interest rates charged on the raising of funds and the granting of loans.

Increase of delinquency raises the provision for impairment of receivables.

3 OPERATIONAL PERFORMANCE

DISBURSEMENTS AND AVERAGE TICKET



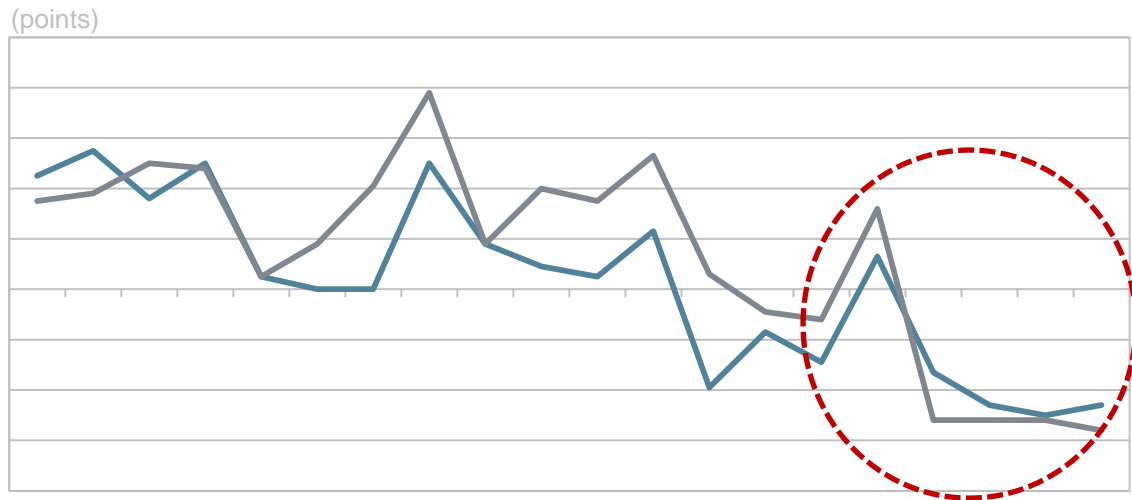
Disbursement ↓ -21% (YoY)

Average Ticket ↑ +3% (YoY)



3 OPERATIONAL PERFORMANCE

CREDIT CONDITION INDICATOR (ICC)



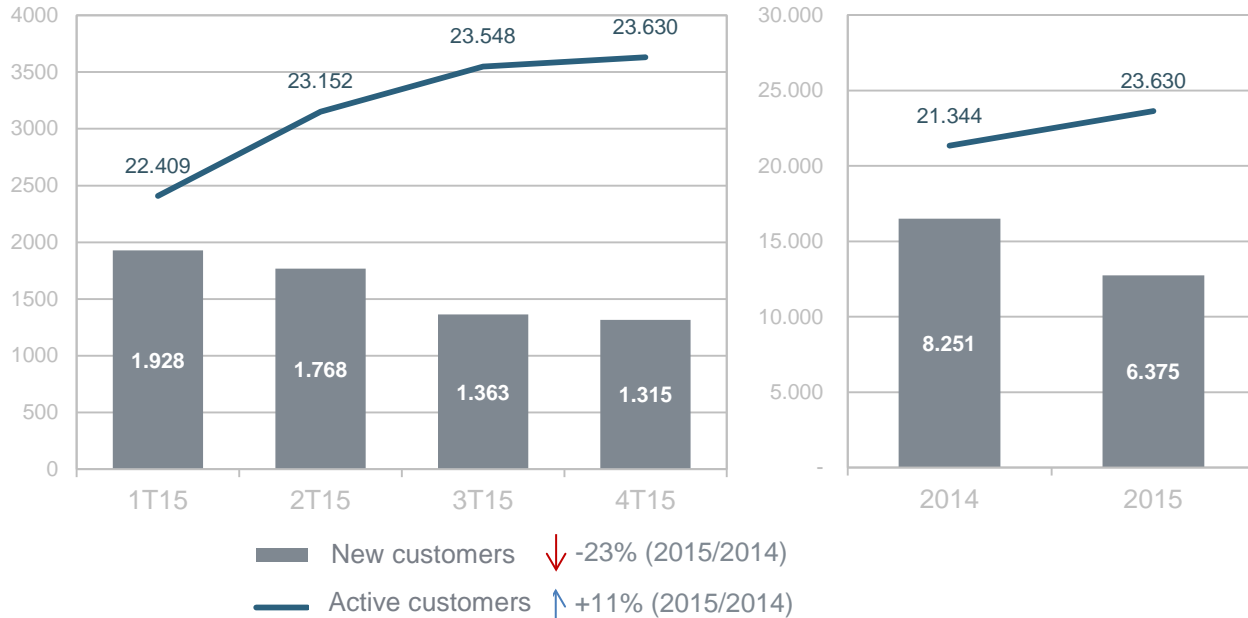
- 21381 - Credit Condition Indicator - Corporate - Observed demand
- 21383 - Credit Condition Indicator - Micro, small and medium enterprises - Observed demand

Source: Banco Central do Brasil.



3 OPERATIONAL PERFORMANCE

NUMBER OF ACTIVE AND NEW CUSTOMERS

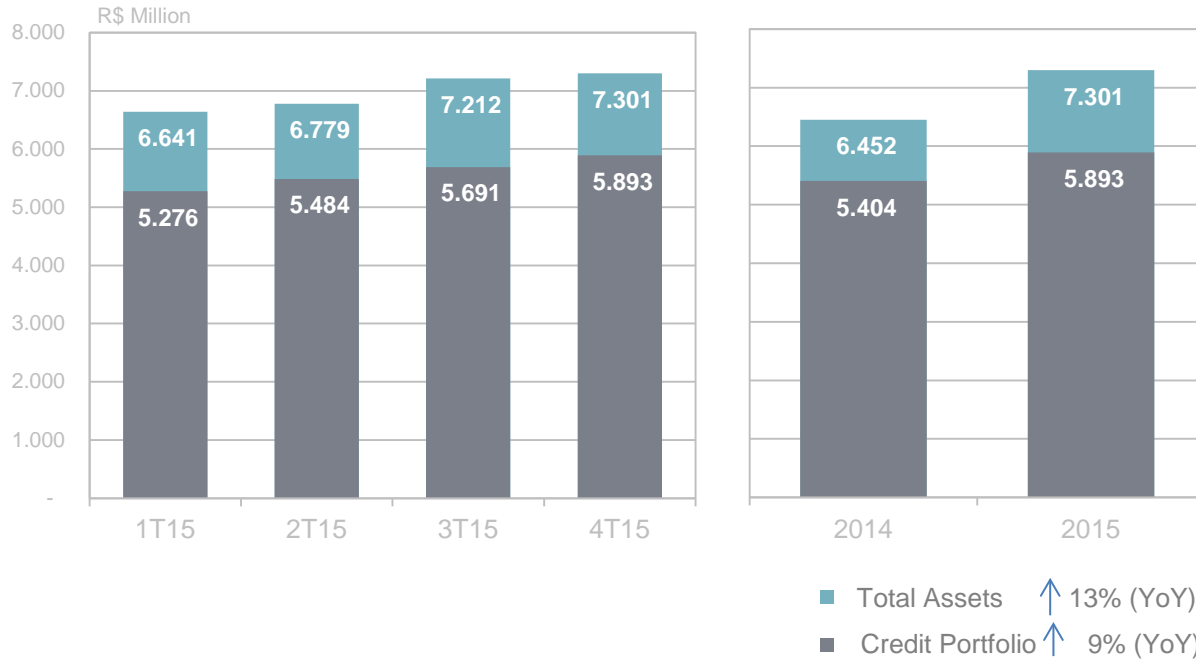




- 1 INSTITUTIONAL
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- 4 FINANCIAL PERFORMANCE**
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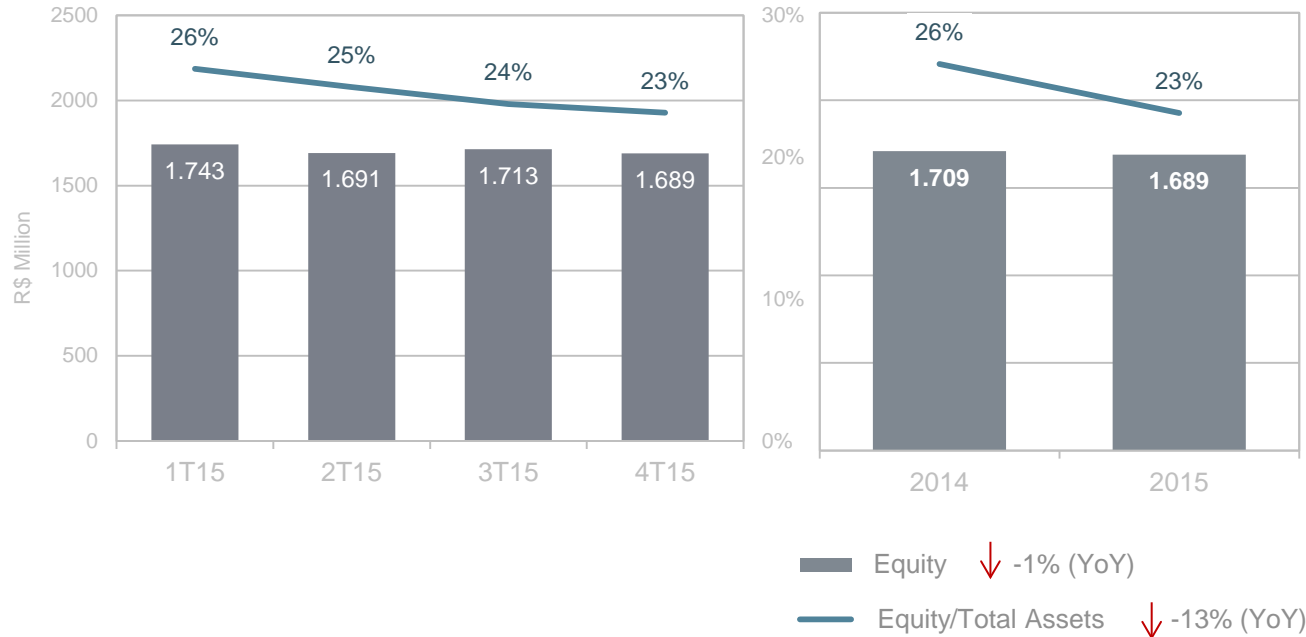
4 FINANCIAL PERFORMANCE

TOTAL ASSETS AND CREDIT PORTFOLIO



4 FINANCIAL PERFORMANCE

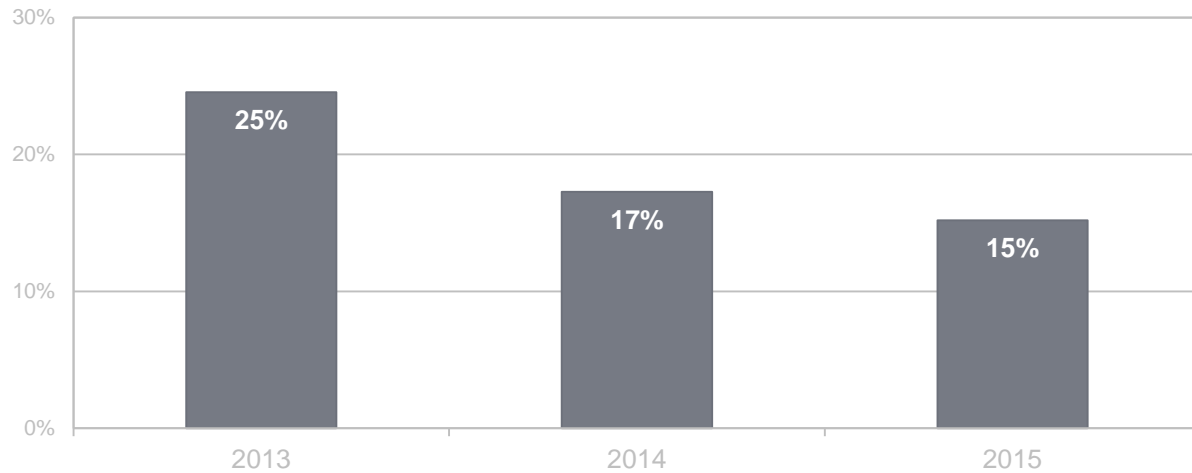
EQUITY EVOLUTION AND EQUITY/TOTAL ASSETS RATIO





4 FINANCIAL PERFORMANCE

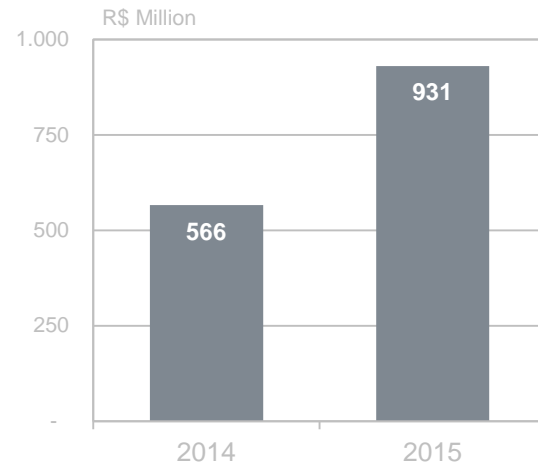
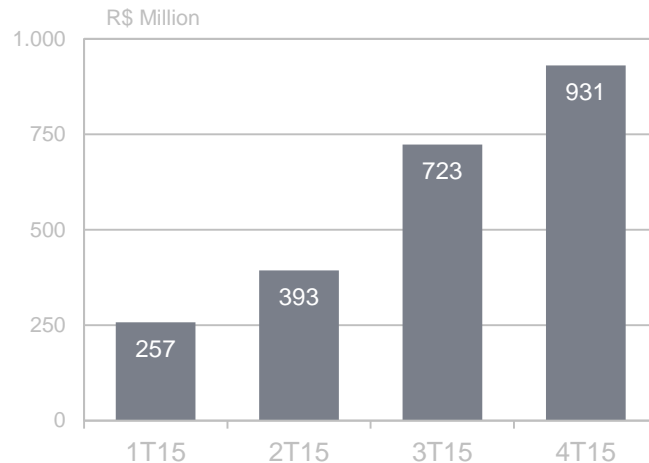
BASEL INDEX





4 FINANCIAL PERFORMANCE

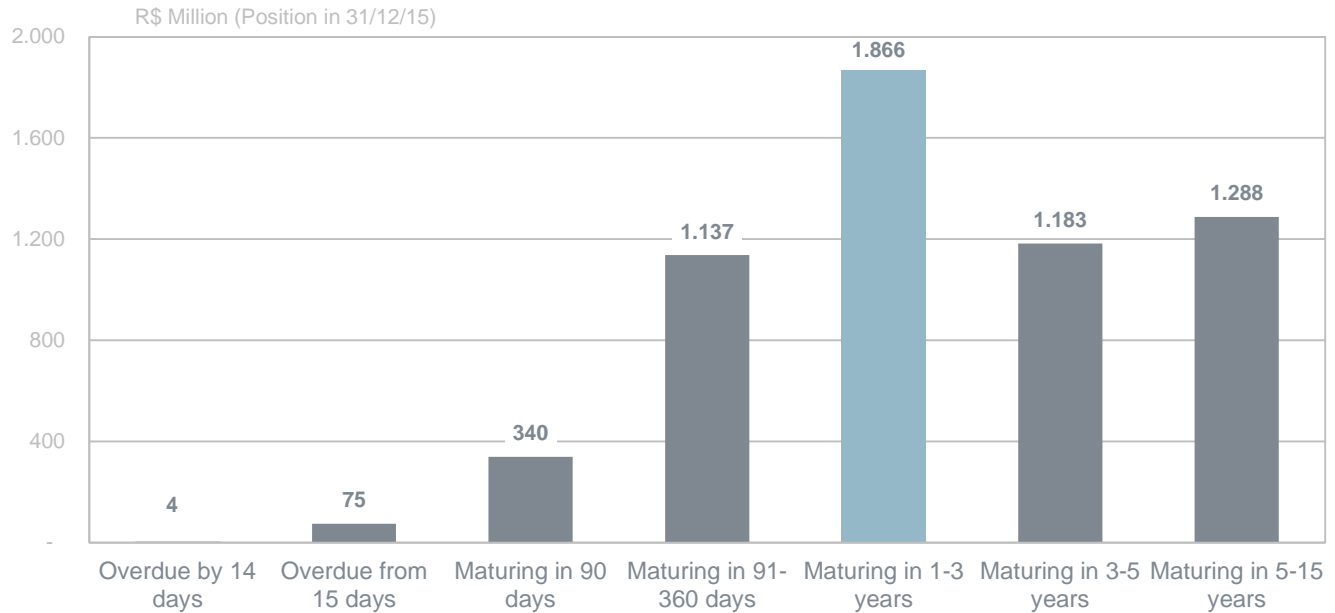
REVENUES FROM FINANCIAL INTERMEDIATION



Revenues from Financial Intermediation \uparrow 64% (2015/2014)

4 FINANCIAL PERFORMANCE

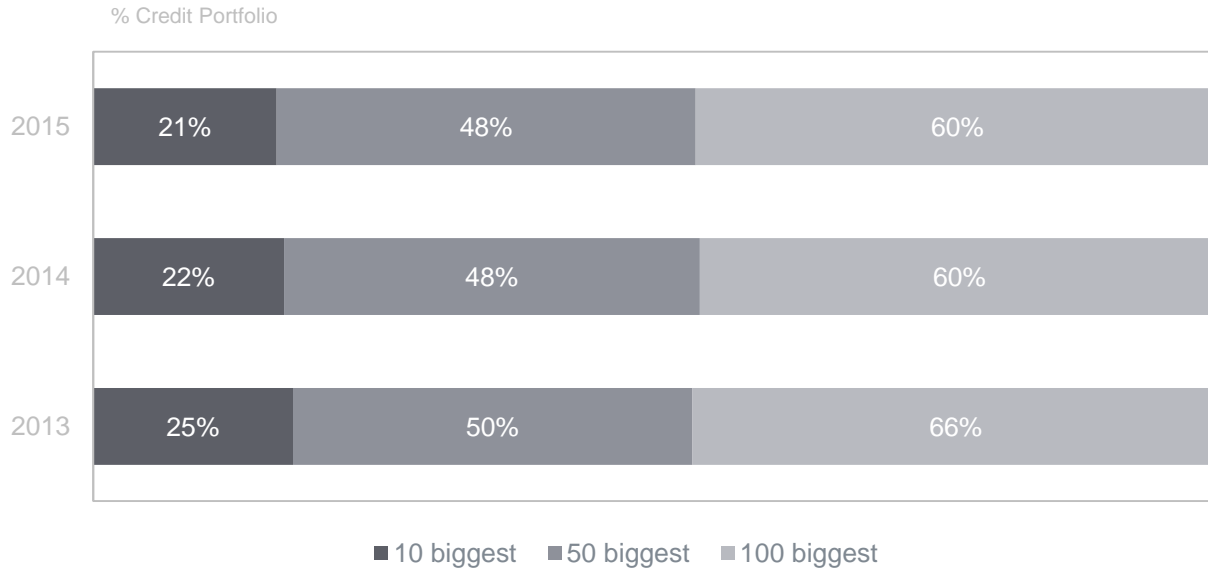
MATURITY OF CREDIT PORTFOLIO





4 FINANCIAL PERFORMANCE

CREDIT PORTFOLIO CONCENTRATION

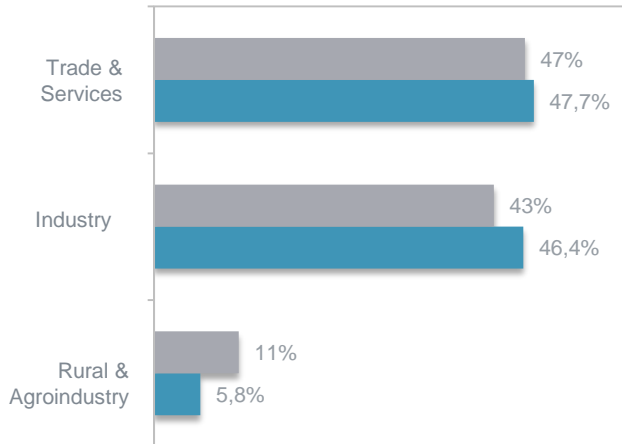




4 FINANCIAL PERFORMANCE

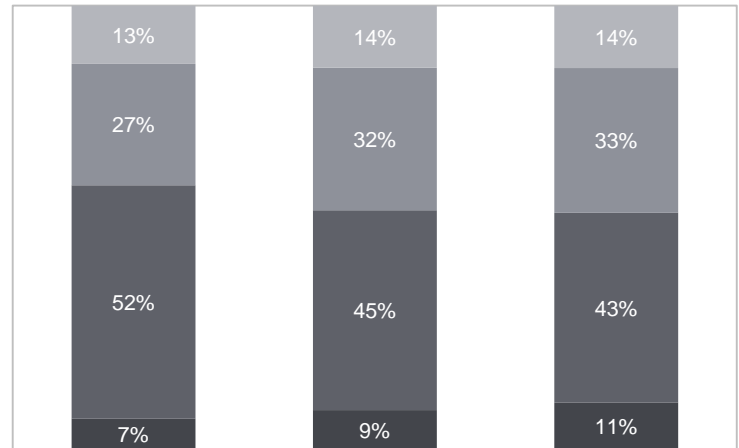
ECONOMIC SECTOR COMPOSITION

GDP MG (2013)
Credit Portfolio (2015)



- BDMG Credit Portfolio (2015)
- GPD (2013)

Credit Portfolio BDMG



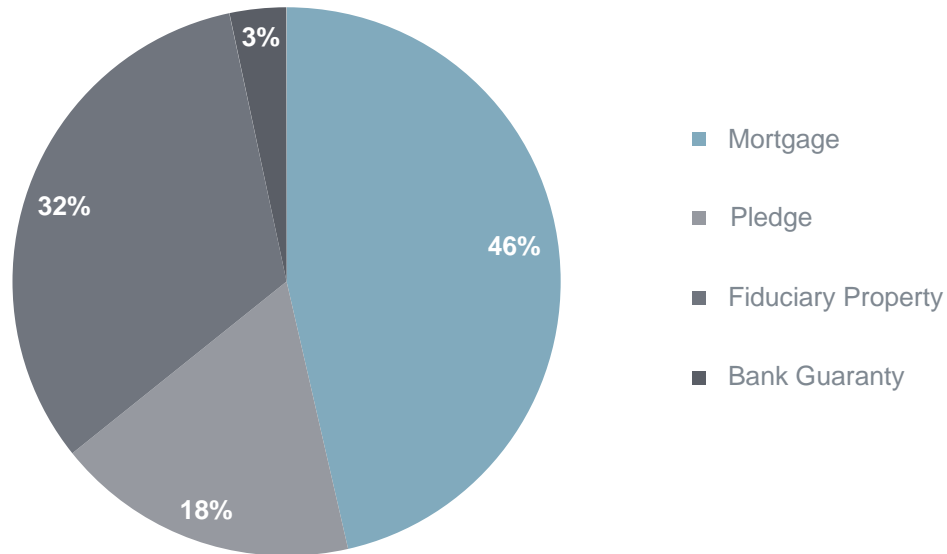
- Rural & Agroindustry
- Industry
- Trade & Services
- Public Sector

Source: GPD data from Fundação João Pinheiro.

4 FINANCIAL PERFORMANCE

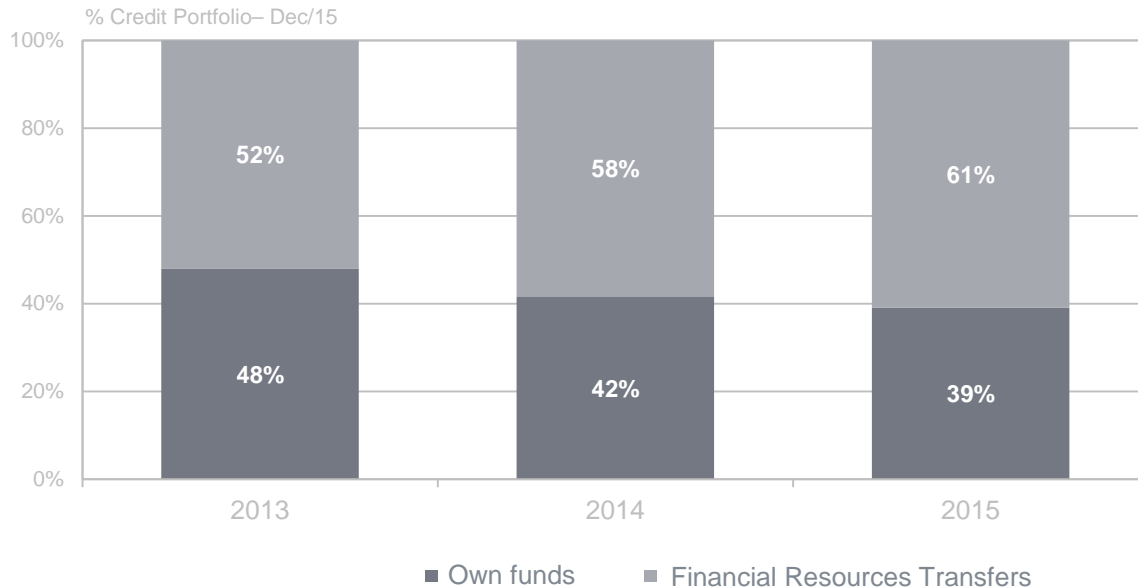
ACTIVE PORTFOLIO GUARANTEE

% Credit Portfolio (Dec/15)



4 FINANCIAL PERFORMANCE

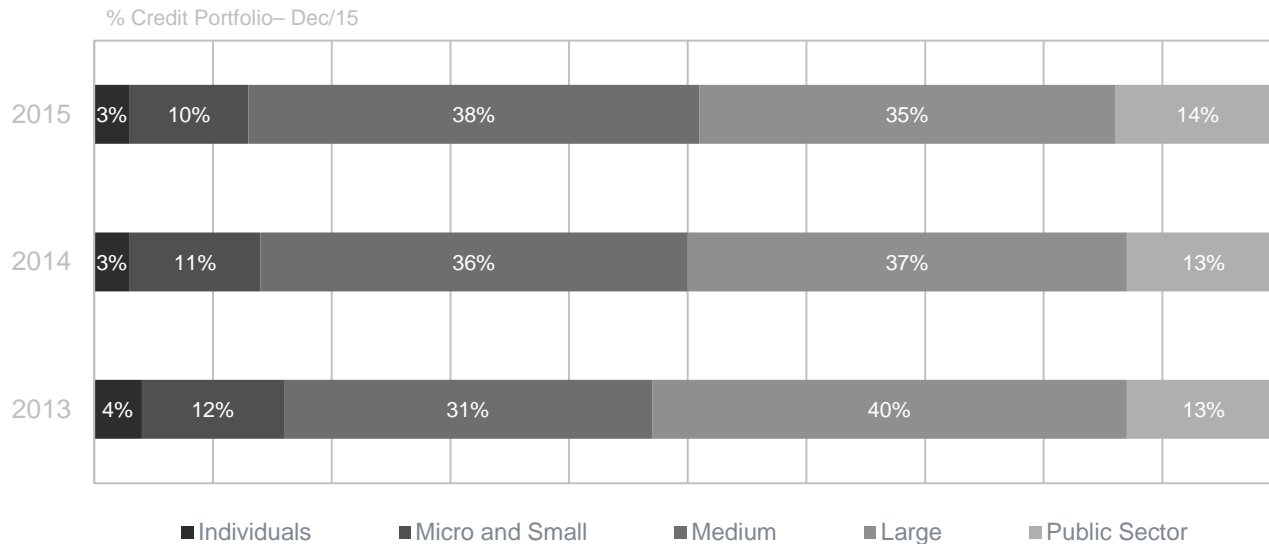
CREDIT PORTFOLIO BY RESOURCE CATEGORY





4 FINANCIAL PERFORMANCE

CREDIT PORTFOLIO BY ENTERPRISE SIZE*



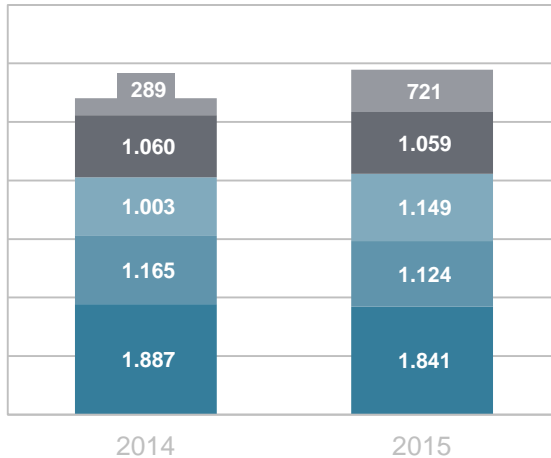
*Size classification criteria adopted by the Central Bank (follows the Complementary Law 123/2006 and Law No. 11,638 of December 28, 2007): MSE (Gross Revenue <= R \$ 3.6 MM, Medium (R \$ 3.6 MM <Gross Revenue <= R \$ 300MM), Large (Gross Revenue> R \$ 300MM).



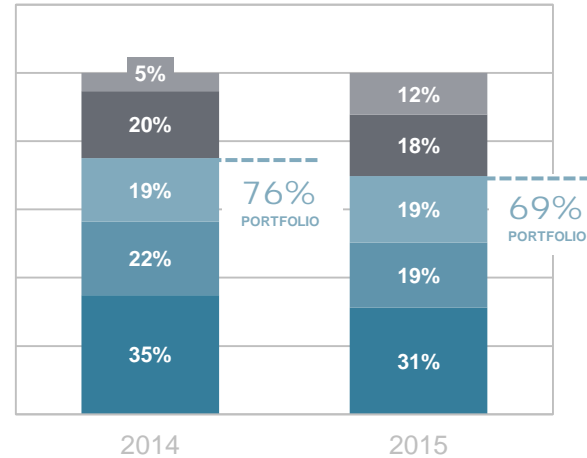
4 FINANCIAL PERFORMANCE

CREDIT PORTFOLIO BY RATING*

R\$ Million



% Credit Portfolio

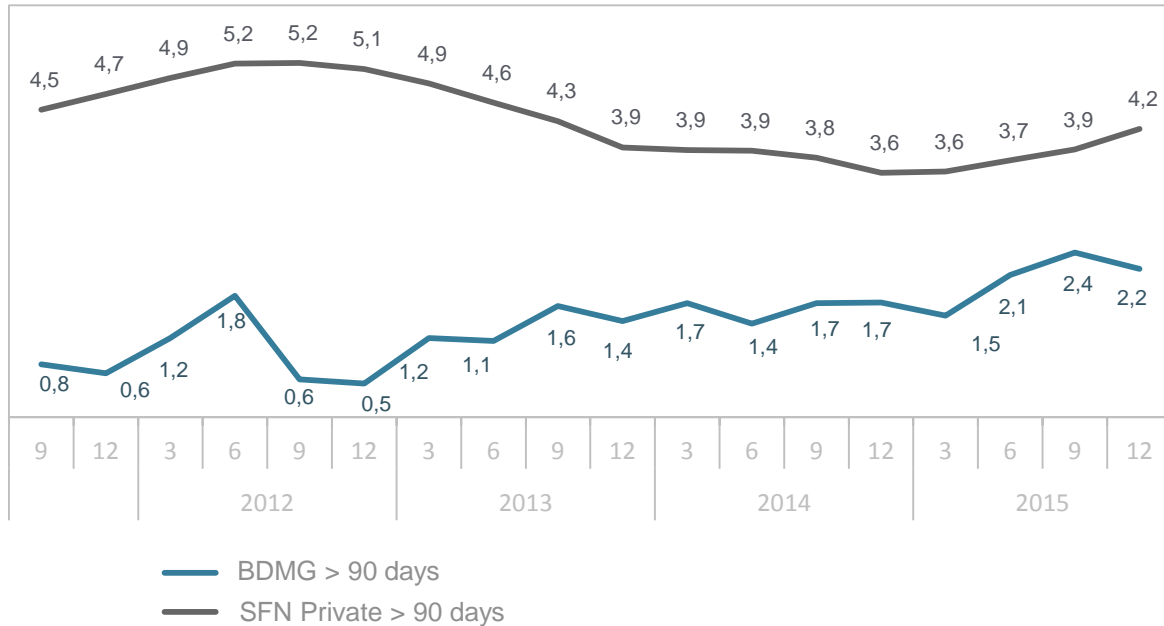


■ AA ■ A ■ B ■ C ■ D - H

NOTE: * Criteria of Resolution 2,682 dated December 21, 1999.

4 FINANCIAL PERFORMANCE

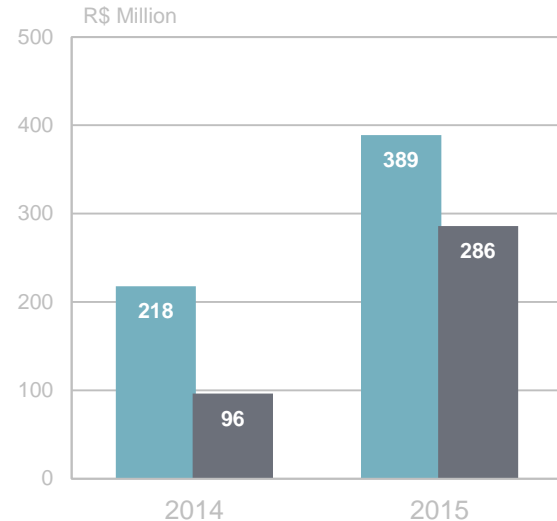
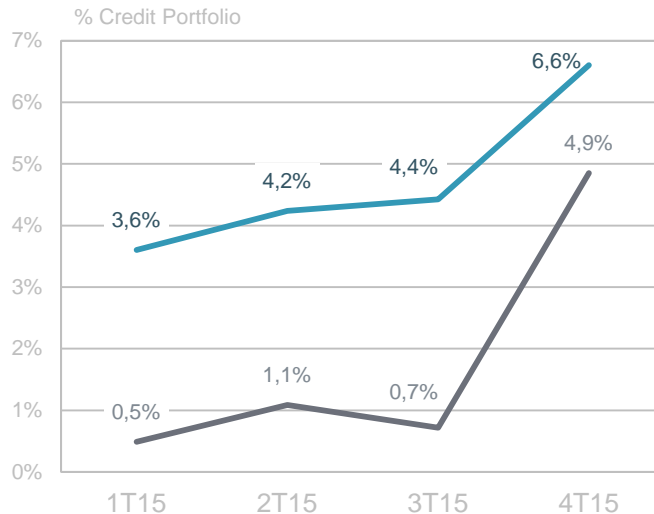
DELINQUENCY RATE EVOLUTION > 90 DAYS





4 FINANCIAL PERFORMANCE

PROVISION FOR IMPAIRMENT OF RECEIVABLES



- Provision for impairment of receivables - Accounting Balance
- Provision for impairment of receivables - Expense

NOTE: Provision for impairment of receivables - Accounting Balance: refers to the position in stock at 31/12/2015.
Provision for impairment of receivables - Expense: refers to the amount accrued between 01/01/2015 and 12/31/2015.

INTERBANK INVESTMENTS

Values in R\$ Million	2014	2015	Variation 2015/2014 (%)
Financial Treasury (Notes and Bills)	100,3	351,1	250%
Interbank Deposits	62,0	11,7	(81%)
(-) Allowance for Losses *	(11,7)	(11,7)	-
Total	150,6	351,1	133%

Note: * The Allowance for Losses results from the application in interbank deposit issued by a financial institution currently bankrupt (Banco Santos).

DOMESTIC ONLENDING – OFFICIAL INTITUTIONS

Values in R\$ Million	2014	2015	Variation 2015/2014 (%)
BNDES	1.620	1.819	12%
FINAME	1.344	1.487	11%
BNB	29	26	(10%)
National Treasury	14	13	(7%)
FINEP	12	35	192%
Funcafé	2	56	2700%
Total	3.021	3.434	14%
Current	766	654	(15%)
Noncurrent	2.255	2.780	23%

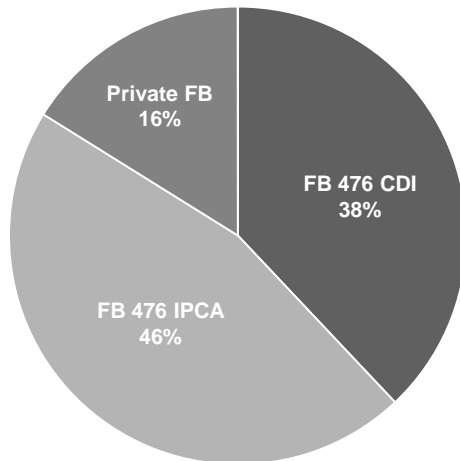
MARKETABLE SECURITIES

Values in R\$ Million	2014	2015	Variation 2015/2014 (%)
Financial Treasury (Notes and Bills)	496	608	22%
Debentures	23	30	27%
Investment Fund Quotas	19	14	-26%
Derivative Financial Instruments	21	171	715%
Total	560	823	47%



4 FINANCIAL PERFORMANCE

FUNDING – DOMESTIC MARKET



◆ *Financial Instruments Issued (Dec/15)*

Financial Bills through CVM:

1st Issue: R\$ 314 million maturing in the 2nd semester of 2017, with yield of IPCA + 4,14%.

2nd Issue: R\$ 254 million maturing in the 1st semester of 2017, with yield of 112,7% do CDI.



4 FINANCIAL PERFORMANCE

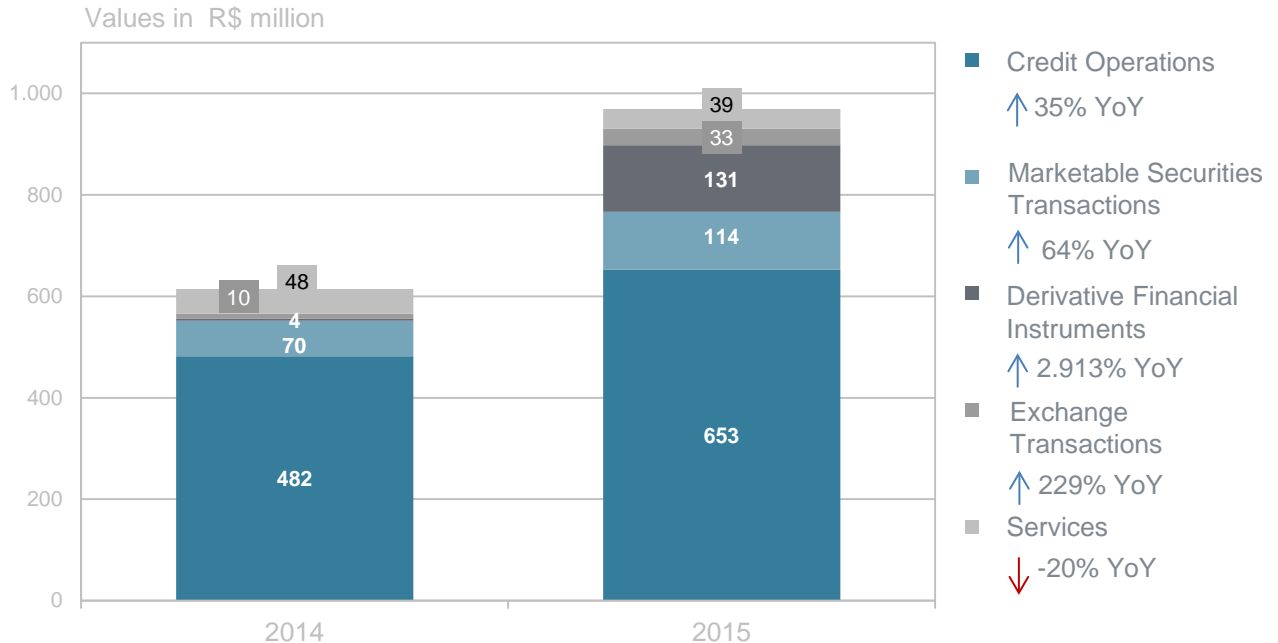
FUNDING – EXTERNAL MARKET

		FINAL MATURITY
 AGENCE FRANÇAISE DE DEVELOPPEMENT	€16 MM	2025
	US\$ 50 MM	2021
	US\$ 100 MM	2020
	US\$ 50 MM	2019

NOTE: The displayed values refer to actual disbursements.

4 FINANCIAL PERFORMANCE

REVENUE BY SEGMENT



4 FINANCIAL PERFORMANCE

CAPITAL EVOLUTION

Values in R\$ million	2014*	2015
Capital**	1.772	1.794
Capital Increase**	4	-
Profit Reserves	56	15
Asset Evaluation Adjustment	(123)	(120)
Dividends and Interest on Capital	(38)	-
Net Profit	59	(23,5)
Basel Index	17%	15%
ROAE	3,5%	-1,4%
ROAA	1,5%	-0,4%

NOTE: * BDMG restated the financial statements of June 30, 2014 in compliance with the Letter of the Central Bank of Brazil, which determined the release of the provision reversal made on that date.

**The line Capital represents the balance at the end of period net of capital to be paid in.



4 FINANCIAL PERFORMANCE

RATING

Moody's	Standard & Poor's
Ba2 	BB 
Ba3  	BB-  

4 FINANCIAL PERFORMANCE

RATING

Moody's

Global Scale

Local Currency

Long Term **Ba3**

National Scale

Long Term **A2.br**

Short Term **BR-1**

Outlook

Negative

Standard & Poor's

Global Scale

Foreing and Local Currency

Long Term **BB-**

National Scale

Long Term **brA**

Outlook

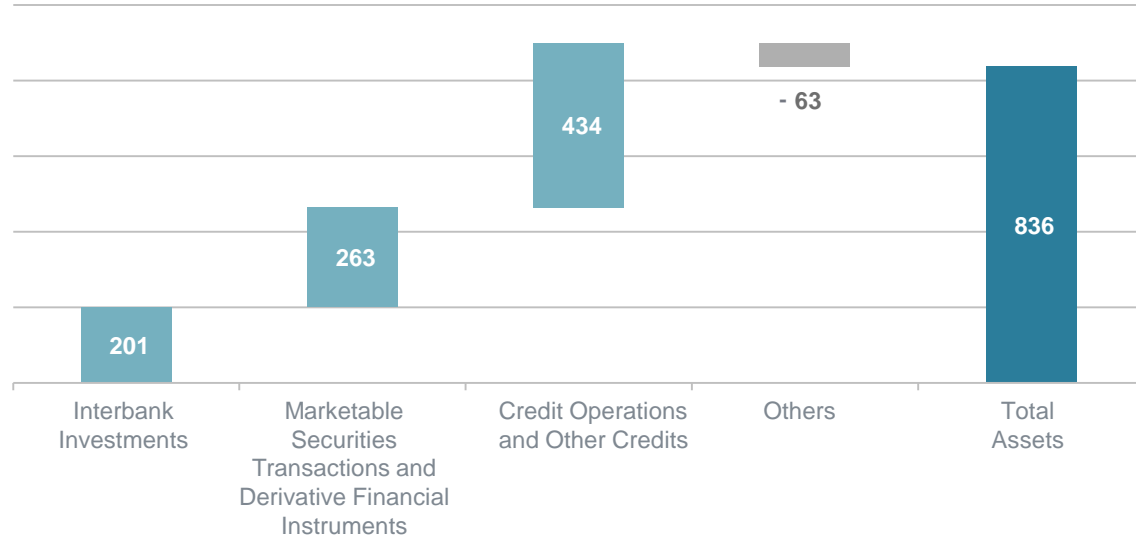
Negative



4 FINANCIAL PERFORMANCE

MAIN VARIATIONS OF TOTAL ASSETS 2015

Values in R\$ million

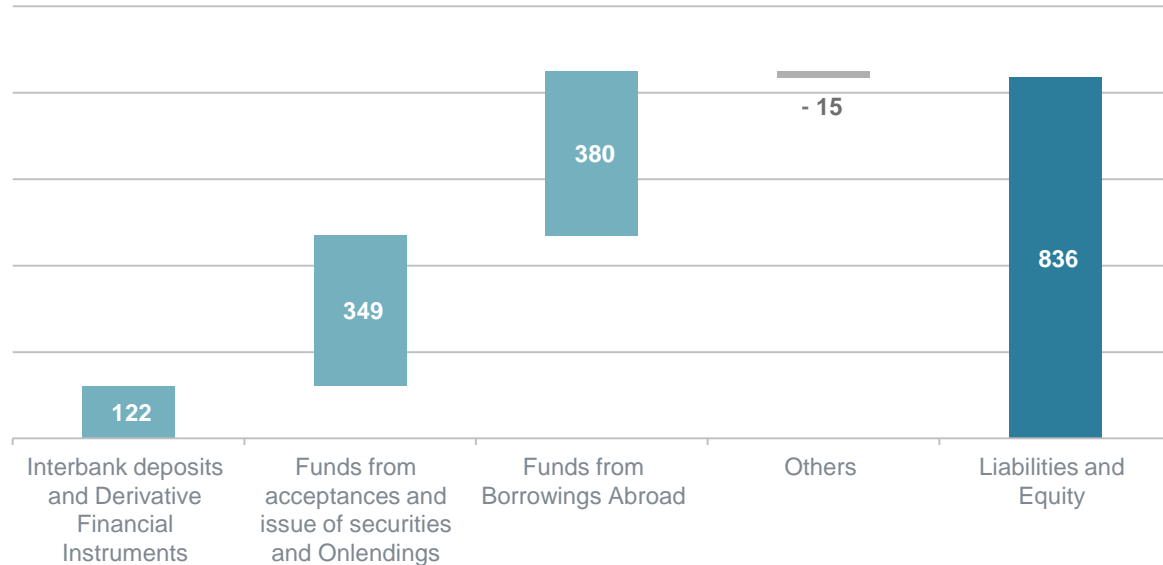




4 FINANCIAL PERFORMANCE

MAIN VARIATIONS OF LIABILITIES AND EQUITY 2015

Values in R\$ million





- 1 INSTITUCIONAL
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MANAGEMENT COMPOSITION

◆ Board of Directors

Helvécio Miranda Magalhães Junior
President

Marco Aurélio Crocco Afonso
Vice President

Aluísio Eustáquio de Freitas Marques
Adviser

Ângelo Oswaldo de Araújo Santos
Adviser

César Cristiano de Lima
Adviser

João Cruz Reis Filho
Adviser

Bernardo Gouthier Macedo
Adviser

Dyogo Henrique de Oliveira
Adviser

Adézio de Almeida Lima
Adviser

◆ Executive Board

Marco Aurélio Crocco Afonso
CEO

Luiz Guilherme Piva
VP Director

Carlos Fernando da S. Vianna
Executive Director

Carolina Marinho do Vale Duarte
Executive Director

Rogério Sobreira Bezerra
Executive Director

Otávio Silva Camargo
Executive Director

BOARD OF DIRECTORS – CURRICULUM VITAE

◆ **MARCO AURÉLIO CROCCO AFONSO**
CEO

Post Doctoral Degree by the Universities of Cambridge (England) and Paris-Dauphine (France). Master of Industrial Economics and Technology from UFRJ and PhD in Economics from the University of London. Bachelor's Degree in Economics from the Federal University of Minas Gerais.

◆ **LUIZ GUILHERME PIVA**
VP Director

PhD in Political Science from the University of São Paulo. Master in Political Science from the Federal University of Minas Gerais. Bachelor's Degree in Economics from the Federal University of Juiz de Fora.

◆ **CARLOS FERNANDO DA S. VIANNA**
Business Director

Postgraduate degree in Public Administration from The George Washington University and MBA in Organizational Management from IBMEC. Bachelor's Degree in Mechanical Engineering from the Federal University of Minas Gerais and expert in Economic Engineering from Fundação Dom Cabral.

◆ **CAROLINA M. DO VALE DUARTE**
Director of Risk and Corporate Management

Specialist in Law of Economics and Business from Fundação Getúlio Vargas and certified in International Business Law from the University of California / Irvine. Bachelor's Degree in Law from Universidade Federal de Minas Gerais.

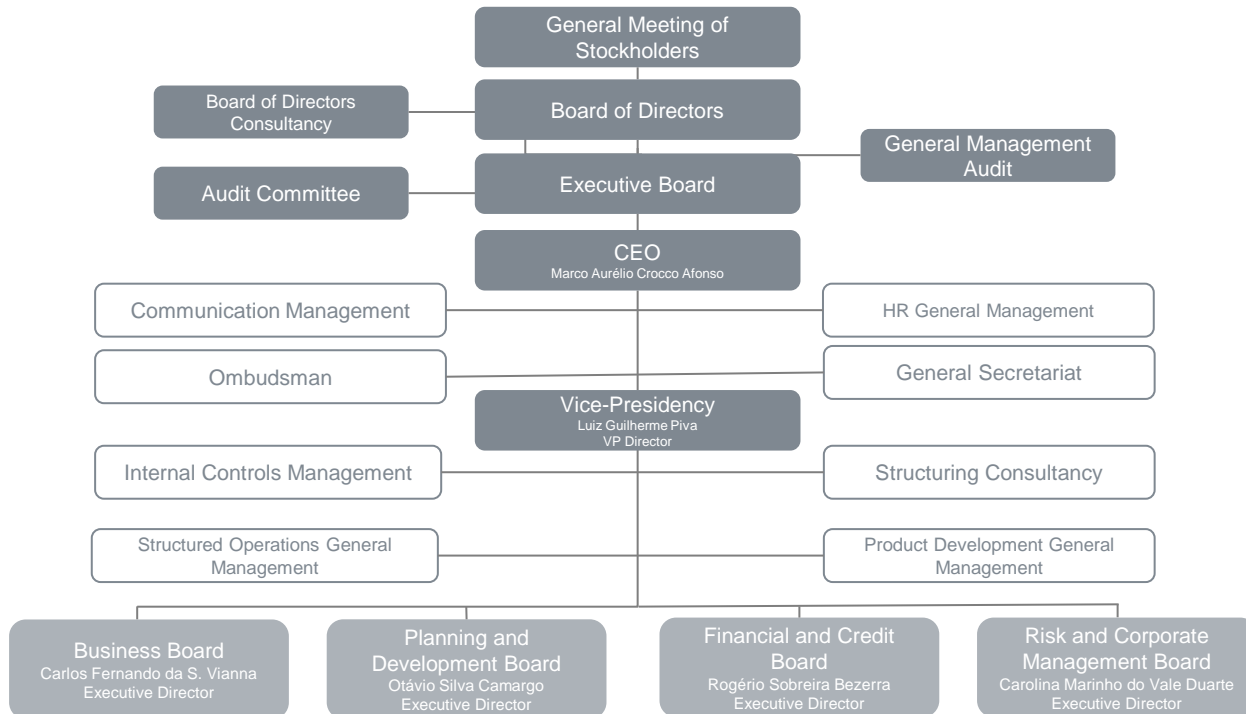
◆ **OTÁVIO SILVA CAMARGO**
Director of Planning and Development

Doctor and Master in Economics from the Centre for Development and Regional Planning (CEDEPLAR) at Universidade Federal de Minas Gerais. Bachelor's Degree in Economics from the State University of Campinas.

◆ **ROGÉRIO SOBREIRA BEZERRA**
Financial and Credit Director

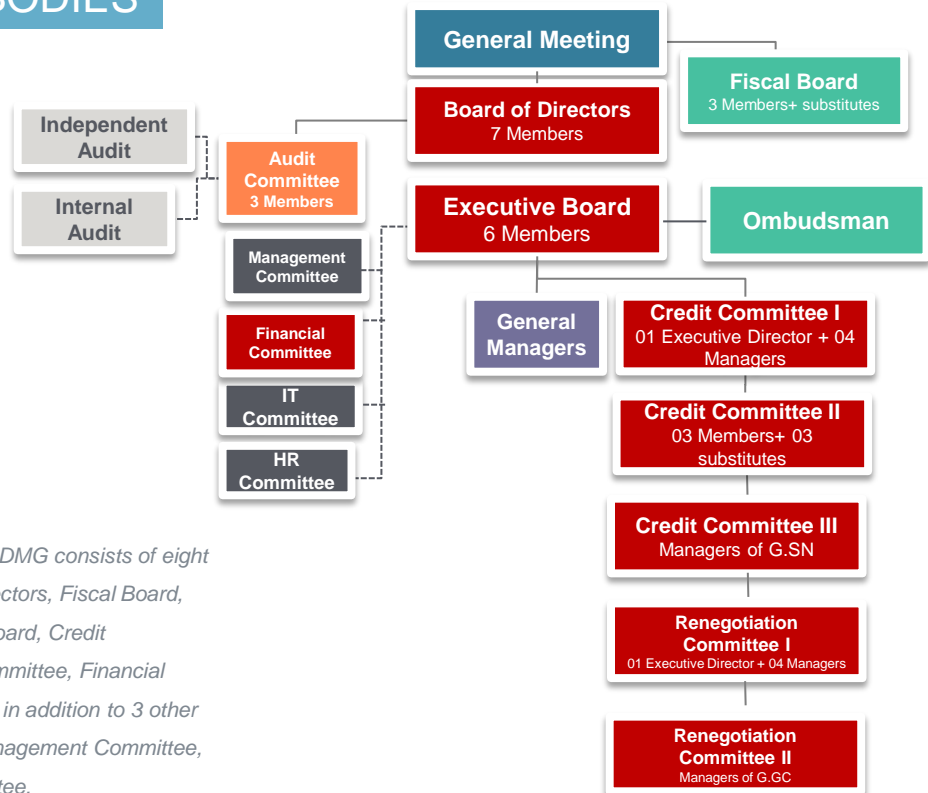
PhD in Industry Economics and Technology from Federal University of Rio de Janeiro. Master in Economics from the Universidade Federal Fluminense. Bachelor's Degree in Economics from the Federal University of Pernambuco.

CORPORATE STRUCTURE



5 ANNEX Corporate Governance

STATUTORY BODIES



The governance structure of BDMG consists of eight statutory bodies (Board of Directors, Fiscal Board, Audit Committee, Executive Board, Credit Committee, Renegotiation Committee, Financial Committee and Ombudsman); in addition to 3 other non-statutory committees: Management Committee, HR Committee and IT Committee.

5 ANNEX *Corporate Governance*

◆ **Board of Directors**

The Board of Directors is composed of up to nine members, representatives of the shareholders, who meet one or more times per month. The Summary minutes of the meetings are posted on the website. The *modus operandi* of the body is defined by its Internal Rules.

The Board establishes guidelines for the performance of BDMG in fostering economic and social development of the State, including strategic plans.

Deliberates on the annual budget, establishment of subsidiaries, organizational structure of the Bank, development programs and institution of committees, among other skills.

◆ **Audit Committee**

The Audit Committee, a body of the Board of Directors, with permanent operations, consists of at least three and at most five members elected by the Board of Directors, the legal requirements observed. The Committee can be integrated also up to three external independent members, at least two with proven knowledge of auditing and accounting.

Discusses, monitors and advises the Executive Board and the Board of Directors to fix and improve policies, practices and procedures on matters relating to internal controls, internal and independent audits, controllership, ombudsman, compliance and risk management to ensure the transparency and integrity of financial statements and to protect the best practices for internal controls.

5 ANNEX *Corporate Governance*

◆ **Credit Committee**

The Credit Committee is composed of five managers designated by Chief Executive Officer being one Executive Director, who shall preside, and four managers, of which at least two general managers. The credit committee is incumbent to (i) decide on limit and use credit up to the amount equivalent to 1% of the equity of the Bank, subject to the risk criteria defined by the Board of Directors and (ii) recommend to the Board limit opening and use with values above those set out in item (i).

In addition, the Board of Directors may institute Credit Committees, with varying composition as provided in the Statute, with the competence to decide on limits and use credit to the equivalent of 0.2% of the equity of the Bank.

◆ **Financial Committee**

The Financial Committee is composed of five members appointed by the Chief Executive Officer, being one Executive Director and the other, managers; one responsible for financial management. It is assumed also an expert in the financial market, kept the number of members provided.

The Financial Committee is incumbent to (i) recommend to the Executive Board's investment policy and decide on its implementation in order to maximize and preserve the resources available; (ii) decide on the participation of BDMG in investment funds as a way to encourage the development of the state; (iii) decide on credit limits for credit unions to the equivalent of 1% of the equity of the Bank; (iv) recommend to the Executive Board credit limit for credit unions with values higher than the equivalent of 1% of the equity of the Bank; (v) recommend to the Executive Director credit limits for other financial institutions.

To BDMG, development and culture always go together. For this reason we are proud to encourage creative diversity in Minas Gerais. The artworks of this report are part of the collection of BDMG Cultural Institute.



THE DEVELOPMENT BANK OF MINAS GERAIS

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