



THE DEVELOPMENT BANK OF MINAS GERAIS

Financial Report 3Q2016

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CONTEÚDO

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



◆ **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.*

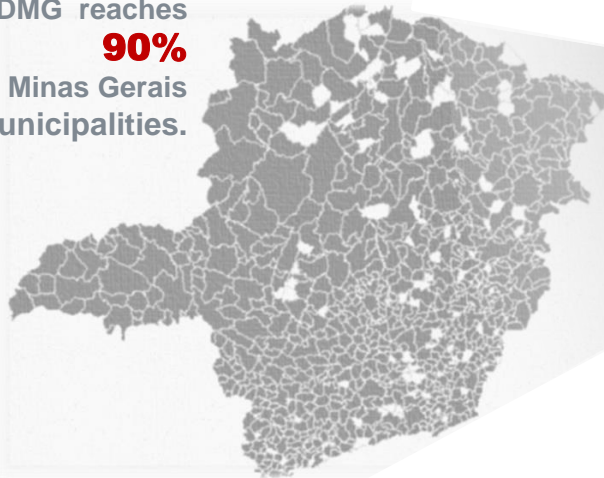
1 INSTITUCIONAL

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\$ 790 M
between 2011-16*
in bordering states

NOTE: * 2016, 1st semester.

CONTEÚDO

- 1 INSTITUCIONAL
- 2 **STRATEGIC GUIDELINES**
- 3 OPERATIONAL PERFORMANCE
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- 5 ATTACHMENTS

STRATEGIC GUIDELINES

Acting on productive restructuring of the state economy.

Fostering environmental sustainability.

Acting on regional and social development projects.

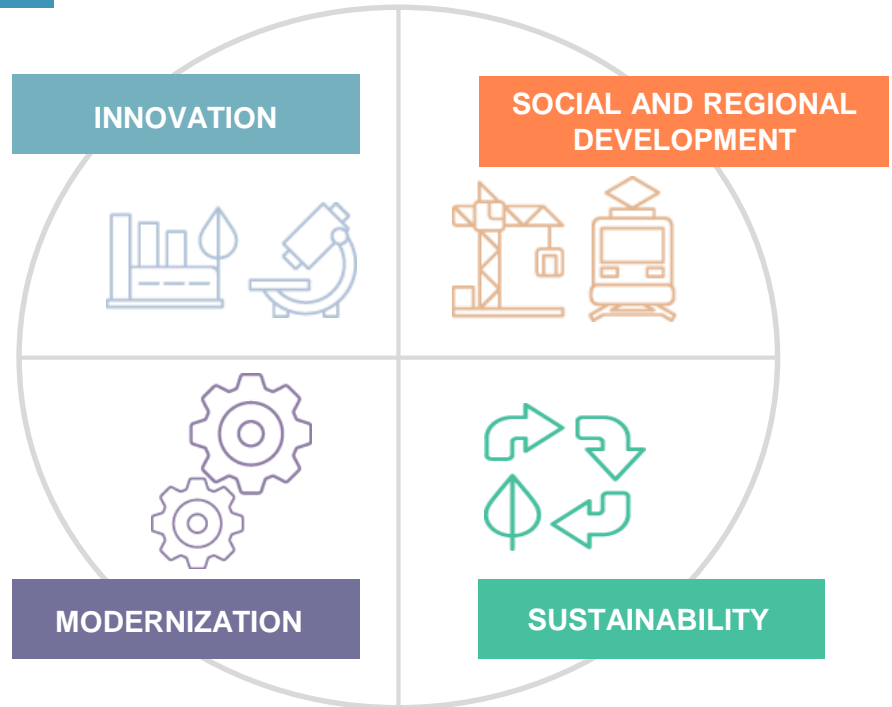
To be strategic partner in state development policy.



2 STRATEGIC GUIDELINES

LINES OF ACTION

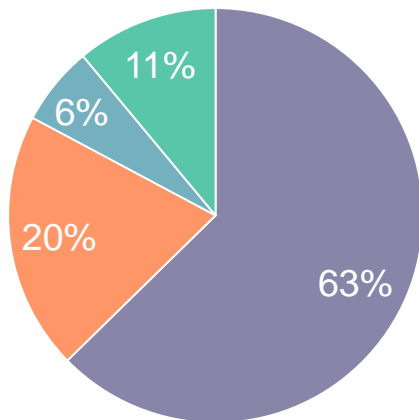
In the quadrennium 2016-2019, the BDMG elected four final lines of action to achieve the proposed strategic objectives.



2 STRATEGIC GUIDELINES

DISBURSEMENT PER LINES OF ACTION

Jan-Oct/16 (R\$ MM)



- **Modernization**
 R\$ 613 MM 
- **Social-environment**
 R\$ 197 MM 
- **Innovation**
 R\$ 60 MM 
- **Sustainability**
 R\$ 108 MM 

2 STRATEGIC GUIDELINES

INNOVATION

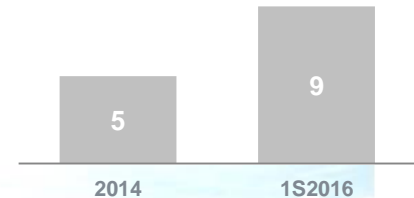
◆ **Support**

Financial products and Innovation Funds directed to technology-based companies.

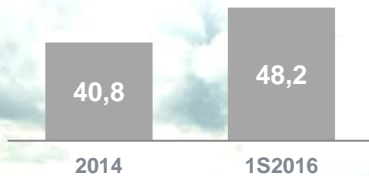
◆ **Agility + Safety**

Credit assessment processes suitable to innovative companies.

Innovation Funds
(Number)



Capital Participation at UNITEC SEMICONDUTORES
(R\$ million)



PROJECT FINANCE

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



**URBAN SOLID
RESIDUES**



URBAN DRAINAGE

Public Call (2015)
R\$ 200 MM

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

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

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

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).

2 ESTRATÉGIAS E POLÍTICAS

MODERNIZATION

INVESTMENT AND MODERNIZATION PROJECTS

R\$ 1,6 Billion

DISBURSEMENT 2015-1S2016

CREDIT LINES

- Machinery and equipment
- Installation and expansion of industrial units
- Infrastructure projects
- Export
- Capital goods



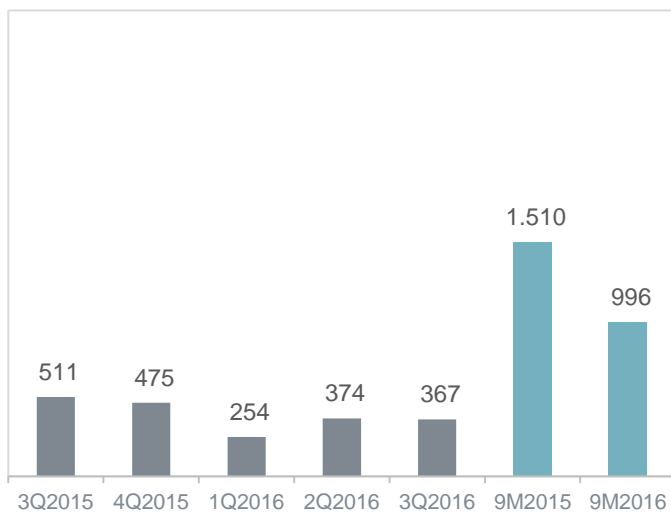
CONTEÚDO

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- 2 STRATEGIC GUIDELINES
- 3 OPERATIONAL PERFORMANCE**
- 4 FINANCIAL PERFORMANCE
- 5 ATTACHMENTS

3 OPERATIONAL PERFORMANCE

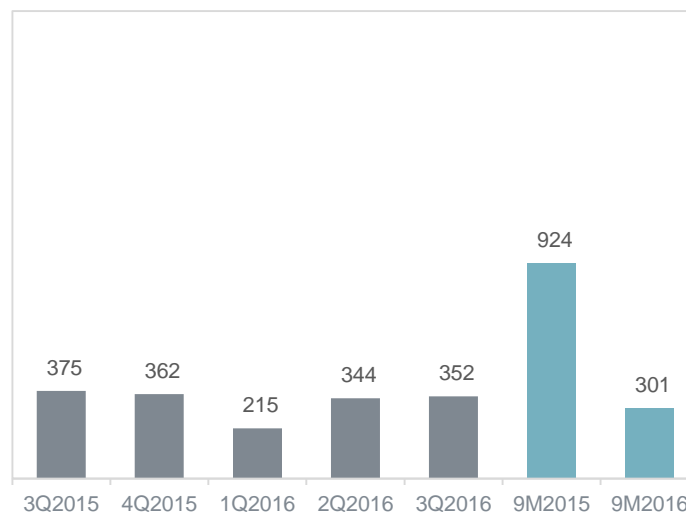
DISBURSEMENT

R\$ Million



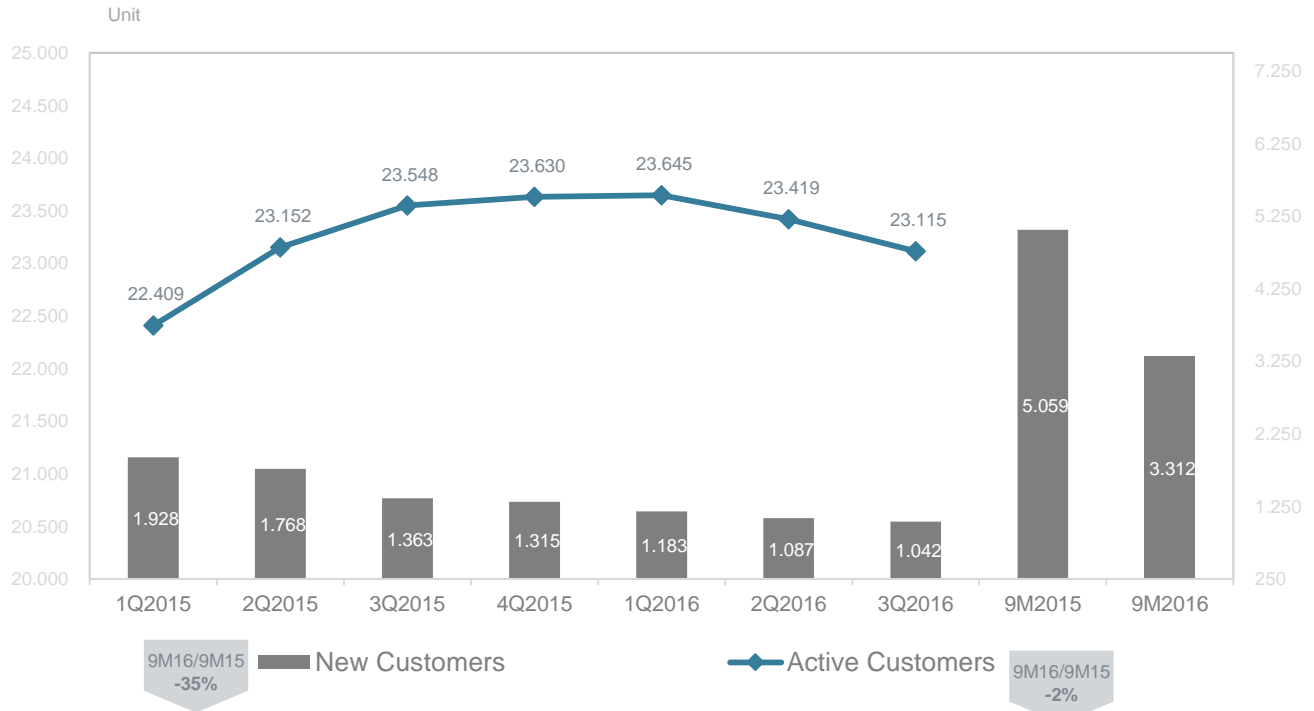
AVERAGE TICKET

R\$ Thousands/Customer



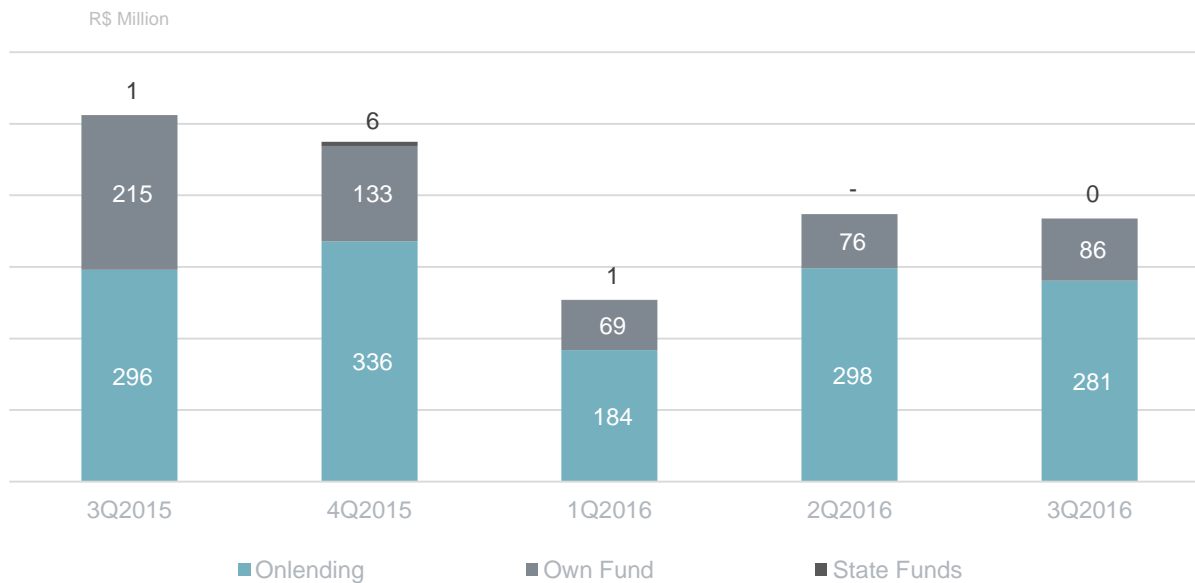
3 OPERATIONAL PERFORMANCE

NUMBER OF ACTIVE AND NEW CUSTOMERS



3 OPERATIONAL PERFORMANCE

DISBURSEMENT PER FUND CATEGORY

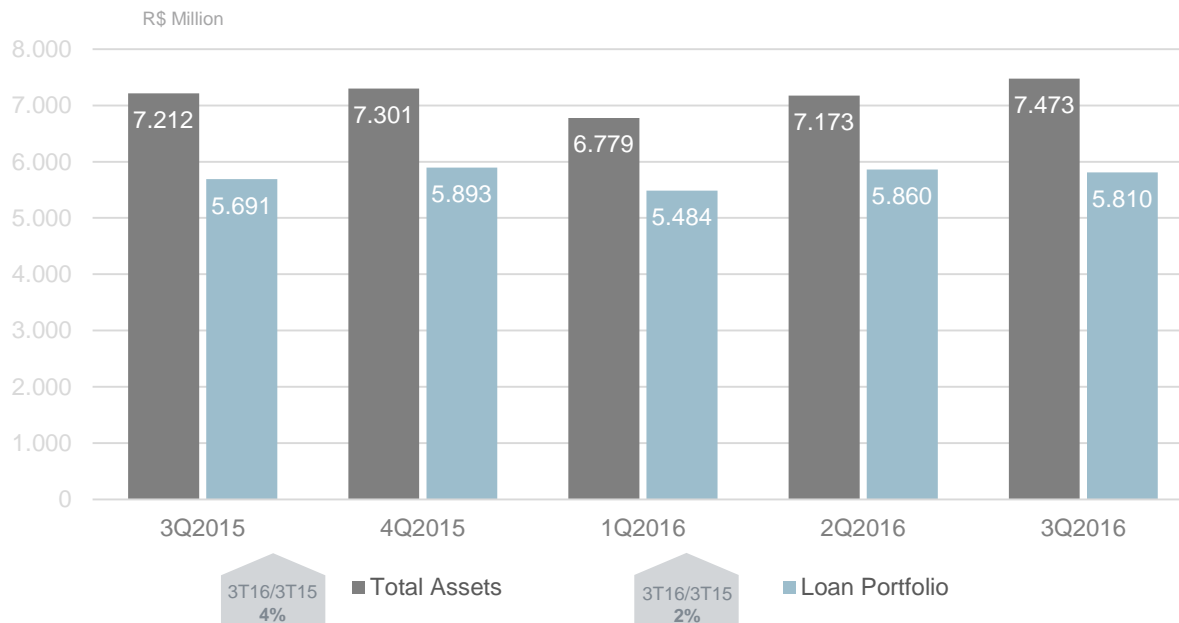


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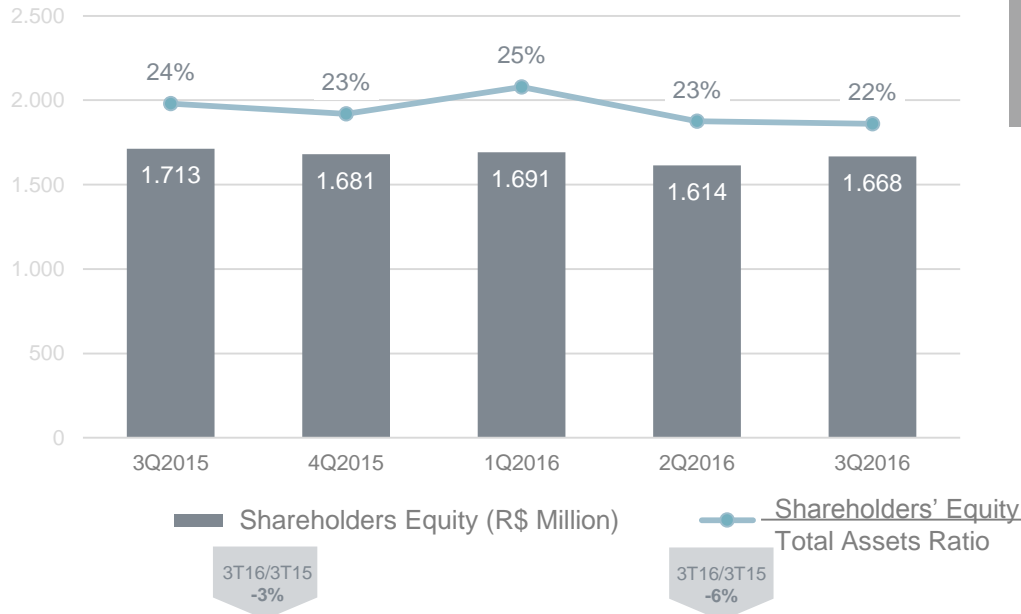
4 FINANCIAL PERFORMANCE

TOTAL ASSETS AND LOAN PORTFOLIO



4 FINANCIAL PERFORMANCE

SHAREHOLDERS' EQUITY AND SHAREHOLDERS' EQUITY/TOTAL ASSETS RATIO



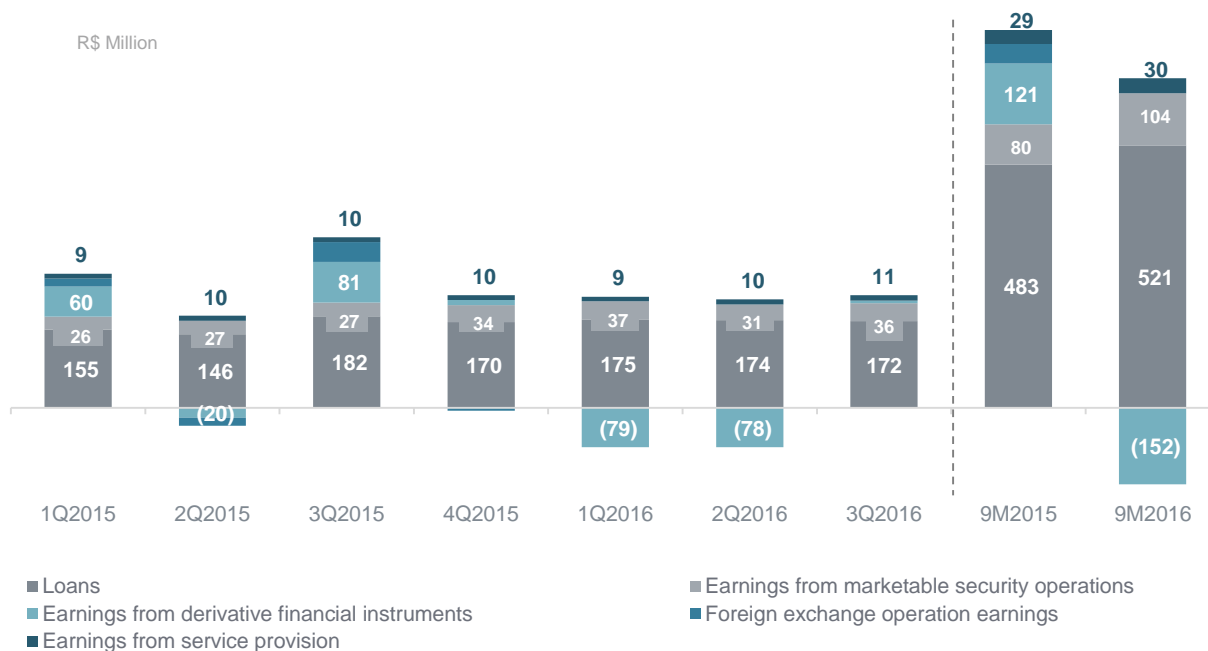
The Shareholders' Meeting ratified the Bank's capital increase of R \$ 100.7 million.

The amount comes from the reserve of investments of credit operations made by the State and that does not compete with the ordinary resources of the Treasury. **R\$ 50 were paid immediately** and the rest will be paid within one year, according to Resolution 394/1976 of the National Monetary Council (NMC) - Minutes General Shareholders' Meeting of 8/11/16.

Note: 2015^R Financial Statements Restated.

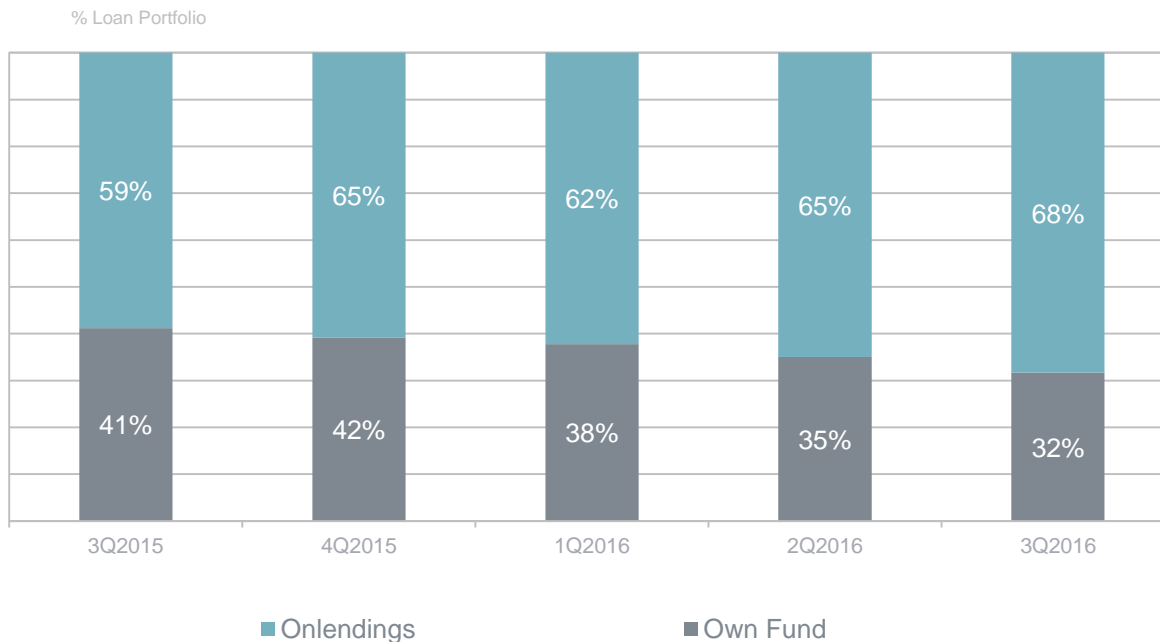
4 FINANCIAL PERFORMANCE

INCOME FROM FINANCIAL INTERMEDIATION, COMISSIONS AND FEES



4 FINANCIAL PERFORMANCE

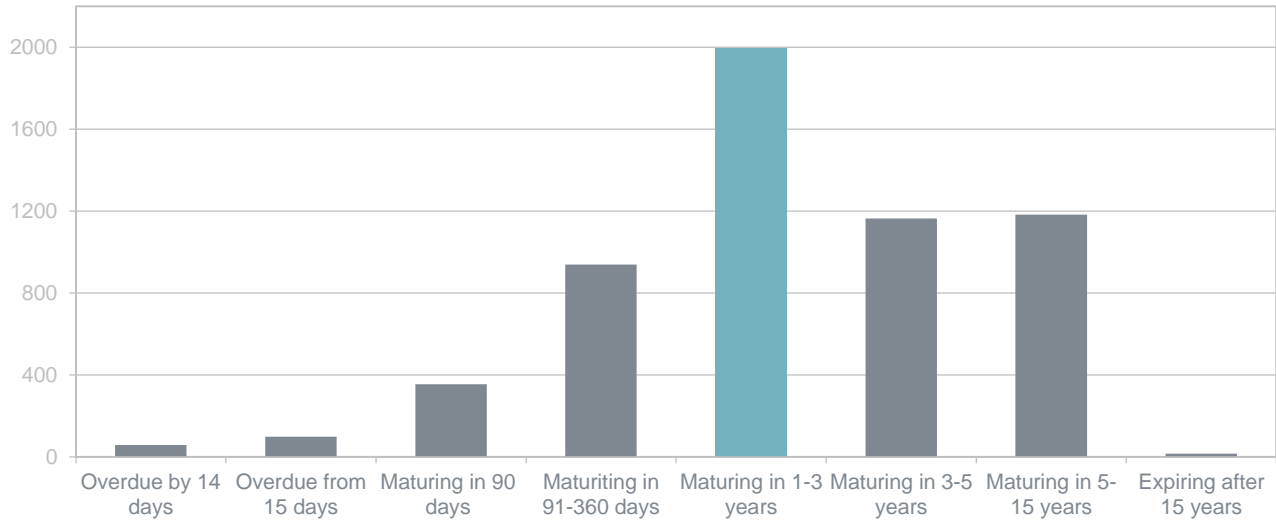
LOAN PORTFOLIO PER FUND CATEGORY



4 FINANCIAL PERFORMANCE

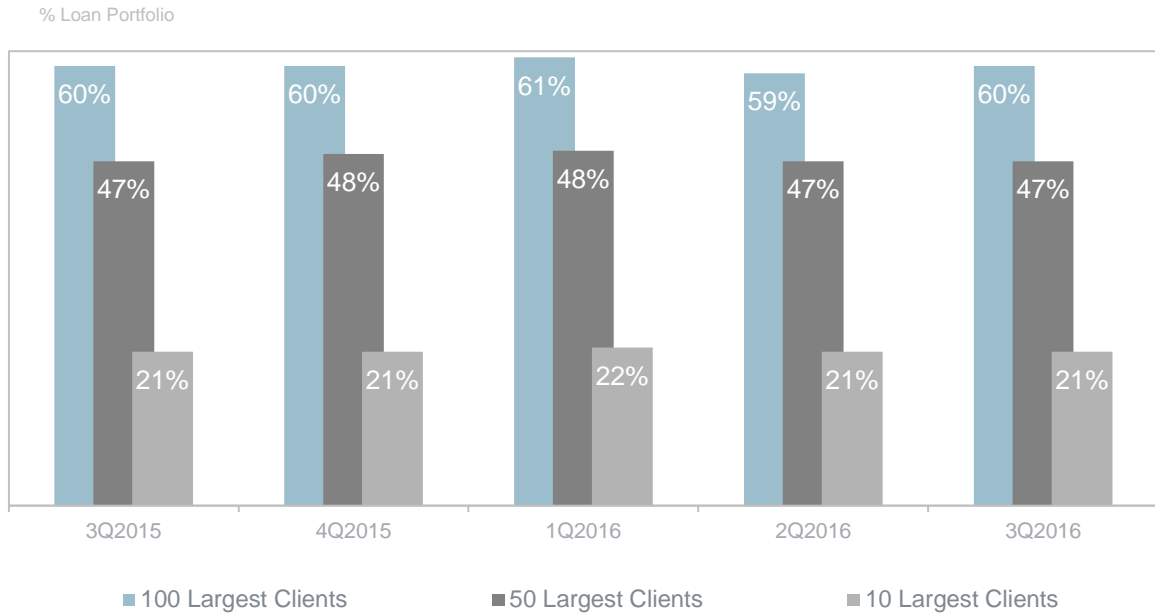
MATURITY OF LOAN PORTFOLIO

R\$ Million (Position in 9/30/16)



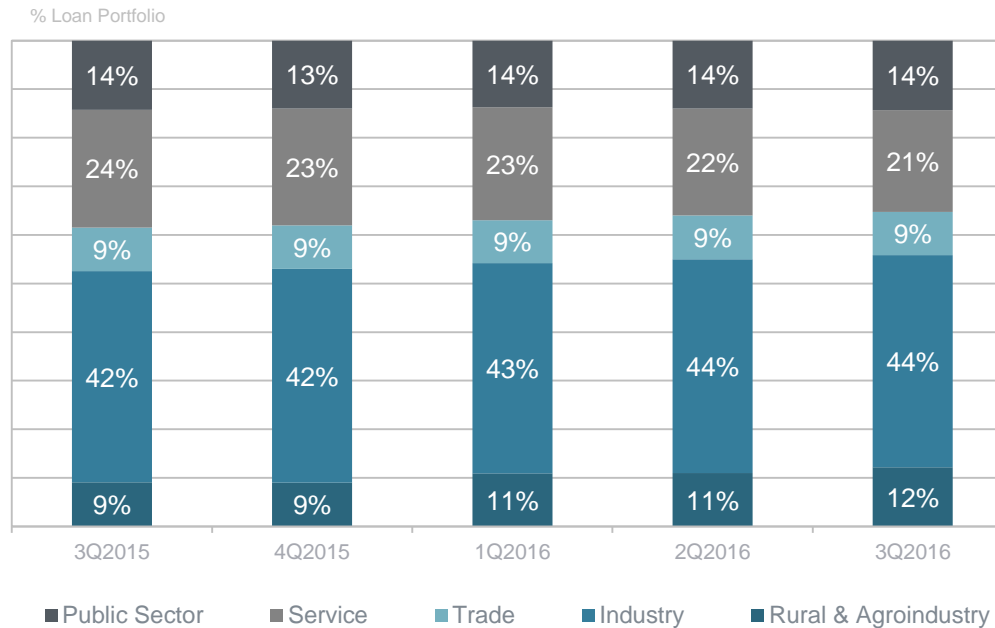
4 FINANCIAL PERFORMANCE

CONCENTRATION OF LOAN PORTFOLIO



4 FINANCIAL PERFORMANCE

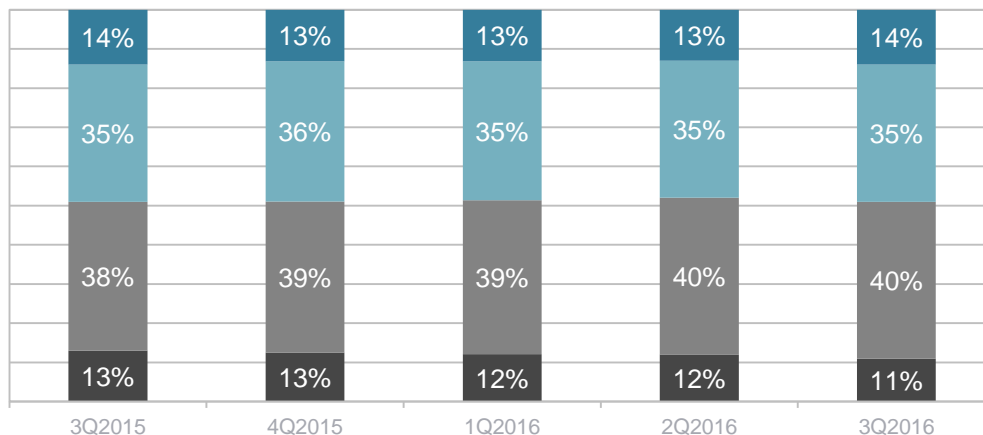
CREDIT PORTFOLIO PER SECTOR



4 FINANCIAL PERFORMANCE

CREDIT PORTFOLIO PER ENTERPRISE SIZE

% Loan Portfolio

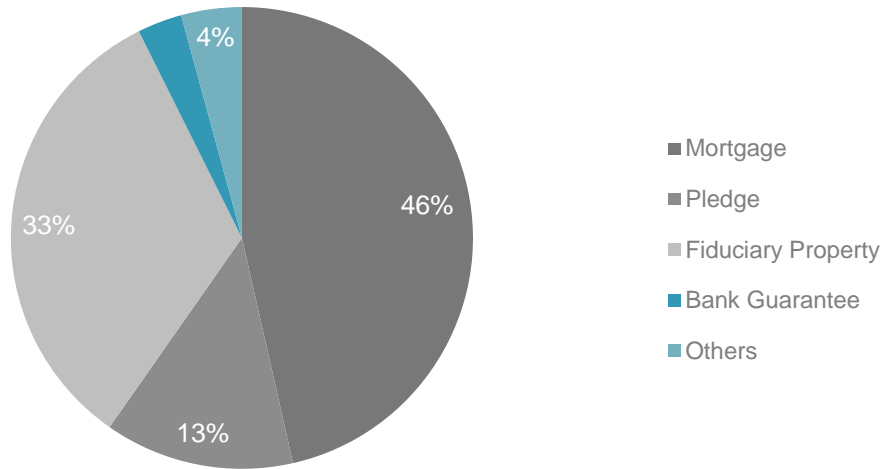


Micro & Small Companies
 Medium Companies
 Large Companies
 Public Administration

NOTE: *Size classification criteria adopted by the Central Bank (follows the Complementary Law 123/2006 and Law No11.638/2007): MSE (Gross Revenue <= R\$3,6 MM, Medium (R\$ 3,6 MM < Gross Revenue <= R\$ 300 MM); Large (Gross Revenue > R\$ 300 MM).

4 FINANCIAL PERFORMANCE

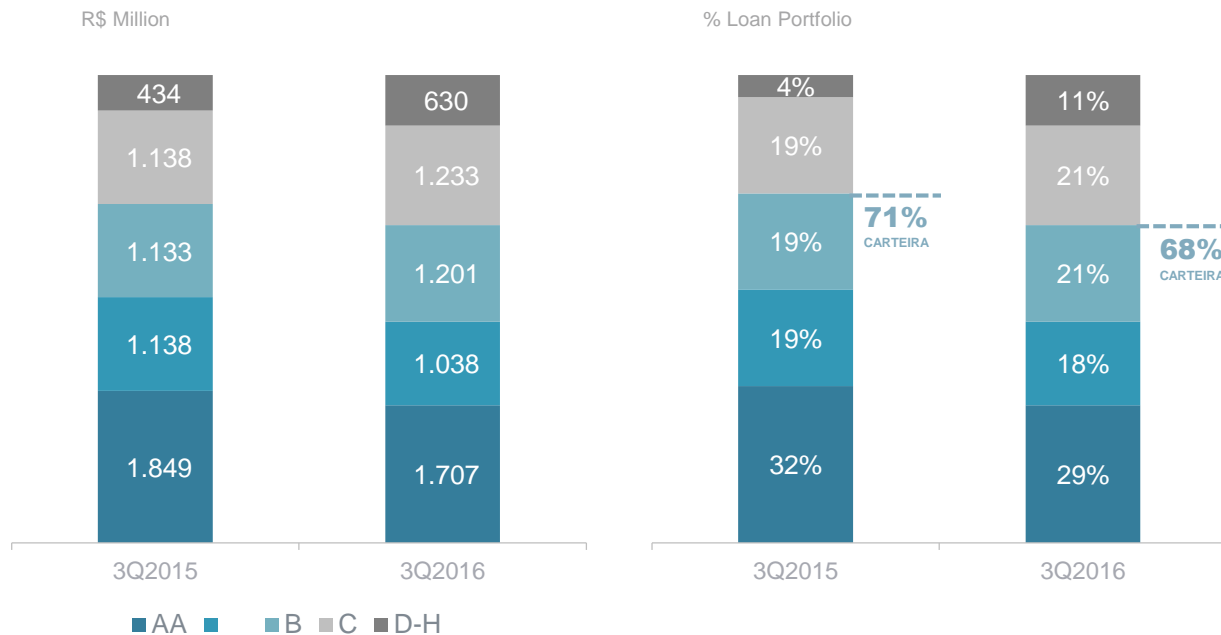
ACTIVE PORTFOLIO GUARANTEE



Position in 9/30/2016

4 FINANCIAL PERFORMANCE

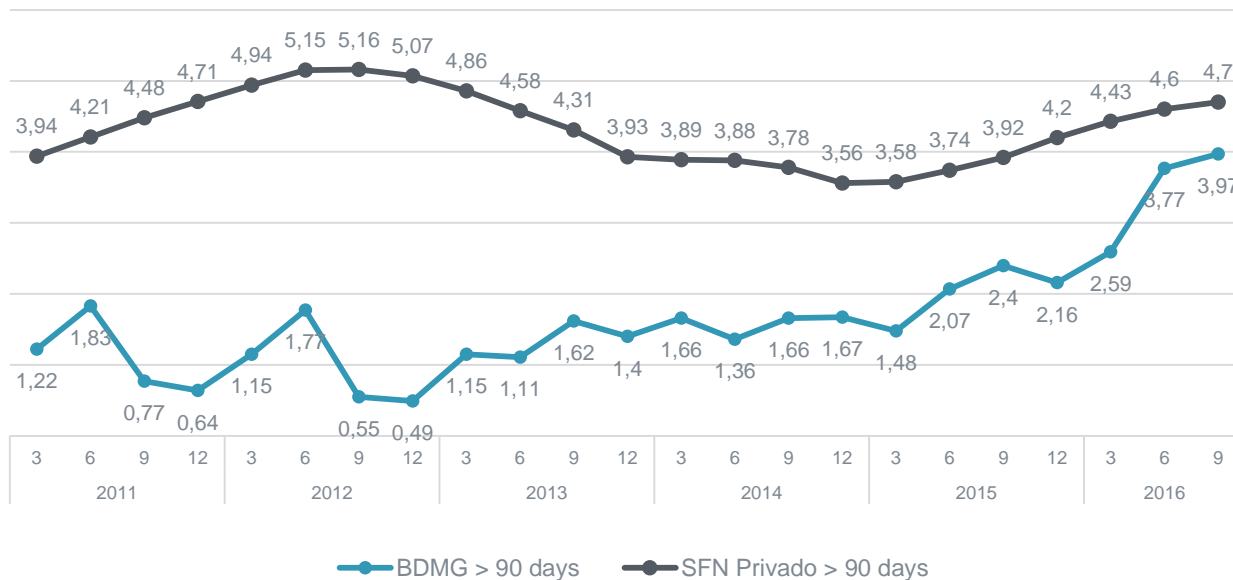
CREDIT PORTFOLIO BY RISK LEVEL



NOTE: * Risk level follows the Brazilian Central Bank criteria of Resolution 2,682 dated December 21,1999

4 FINANCIAL PERFORMANCE

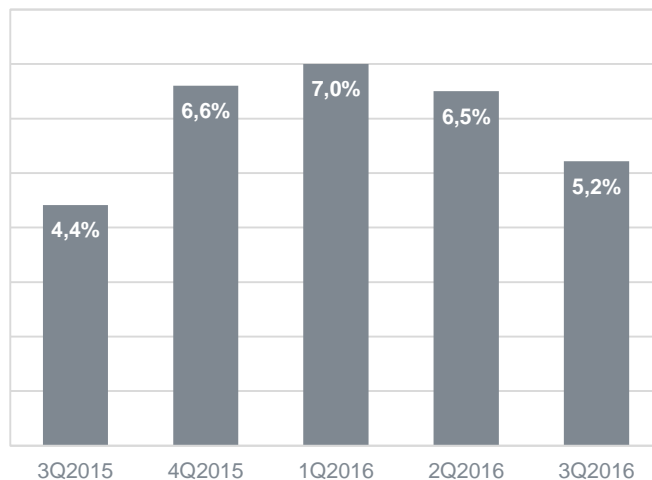
DELINQUENCY RATE EVOLUTION > 90 DAYS



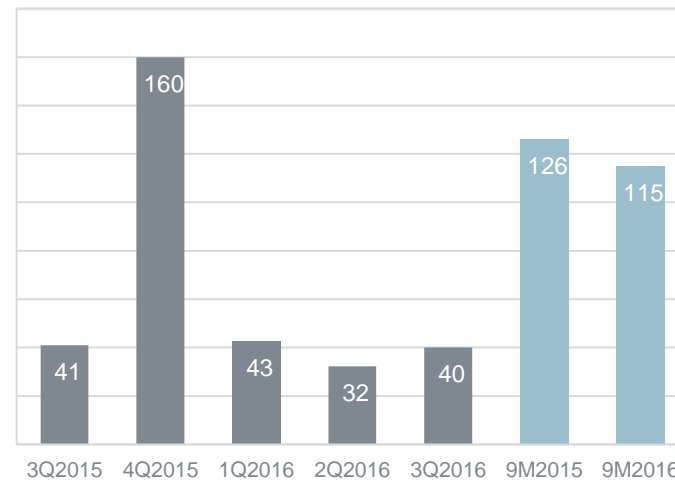
4 DESEMPENHO ECONÔMICO-FINANCEIRO

PROVISION FOR LOAN LOSSES

Provision for Loan Losses
(% Loan Portfolio)



Nonperforming Loans - Expenses
(BRL Million)



4 FINANCIAL PERFORMANCE

INTERBANK INVESTMENTS

Values in R\$ Million	3Q2015	3Q2016	3Q2016/3Q2015 (%)
Financial Treasury (Notes and Bills)	225,15	224,25	-0,4%
Interbank Deposits	11,73	26,85	128,9%
Aplicação em moeda estrangeira	99,33	-	- 100,0%
(-) Allowance for losses *	-11,73	-11,73	0,0%
Total	324,48	224,26	-30,9%

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

MARKETABLE SECURITIES

Values in R\$ Million	3Q2015	3Q2016	3Q2016/3Q2015 (%)
Financial Treasury (Notes and Bills)	584	948	62,3%
Debentures	30	24	-20,0%
Investment Fund Quotas	13	15	15,4%
Derivative Financial Instruments	151	71	-55,0%
Total	778	1.057	35,9%

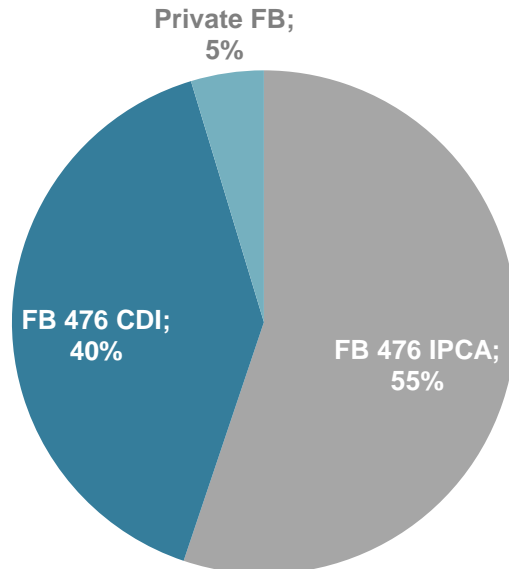
4 FINANCIAL PERFORMANCE

DOMESTIC ONLENDING – OFFICIAL INSTITUTIONS

Values in R\$ Million	3Q2015	3Q2016	3Q2016/3Q2015 (%)
BNDES	1.646	2.127	29%
FINAME	1.482	1.490	1%
BNB	27	22	-19%
Financial Treasury	13	13	0%
FINEP	26	55	112%
Others	1	84	8.300%
Total	3.196	3.761	18%
Current	546	786	44%
Non Current	2.649	2.985	13%

4 FINANCIAL PERFORMANCE

DOMESTIC FUNDING



◆ *Financial Instruments Issued (Set/16)*





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

FOREIGN FUNDING

		FINAL MATURITY
 <small>AGENCE FRANÇAISE DE DÉVELOPPEMENT</small>	€ 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

CAPITAL EVOLUTION

Values in R\$ million	3Q2015	3Q2016
Capital*	1.775	1.743
Capital Increase**	18	101
Profit Reserves	38	7
Asset Evaluation Adjustment	-150	-194
Accumulated Profits	30	11
Net Income	31	11
Basel Index	16%	14%
ROAE	2,4%	0,9%
ROAA	0,6%	0,2%

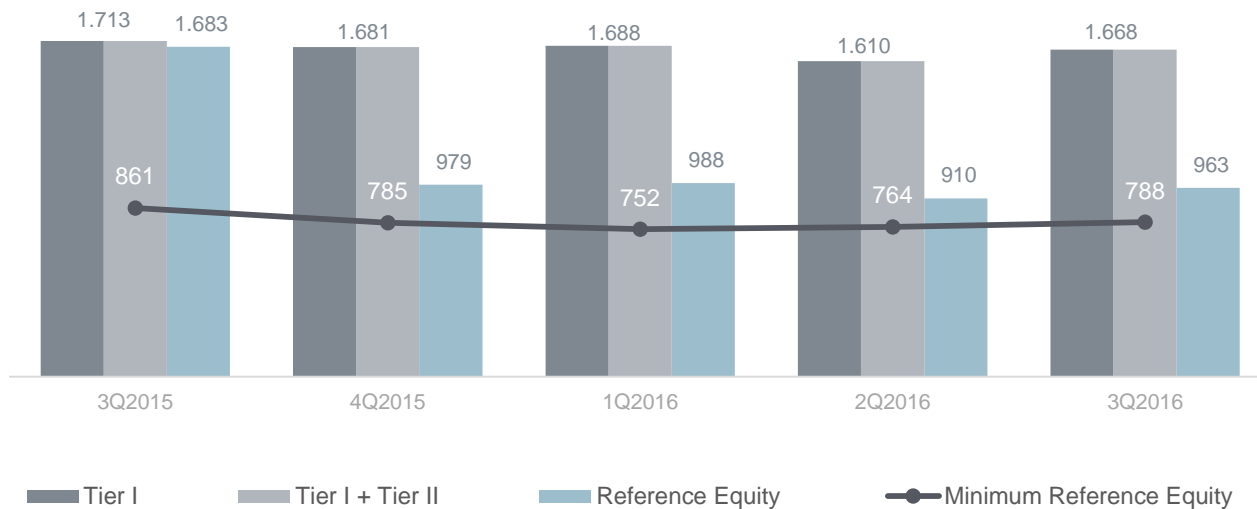
NOTE: * BDMG restated the financial statements of June 30, 2014 in compliance with the Letter of the Central Bank of Brazil, which determined the release of the provision reversal made on that date.

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

4 FINANCIAL PERFORMANCE

REFERENCE EQUITY

R\$ Millions



Note: 2015^R Financial Statements Restated.

4 FINANCIAL PERFORMANCE

OPERATIONAL LIMITS AND BASEL INDEX

Statement of the calculation of the reference equity and Capital Ratios (R\$ millions)	3Q2015 ^R	3Q2016
Owner's equity	1.713	1.668
Reference equity level I (RE level I) or Principal capital (PC) - (a)	1.684	1.663
Capital allocated to transactions with the public sector - (b)	650	700
Reference equity (RE) - (a-b)	1.033	963
All risk-weighted assets (RWA)	6.531	6,879
Credit risk (RWAcpad)	5.621	5.851
Market risk (RWAm pad)	493	592
Operational risk (RWAopad)	416	437
Part of the capital to cover for the non-negotiable portfolio interest rate risk (RWA RBAN)	298	23
Minimum reference equity	861	788
Basel Index (RE/RWA)	15,8%	14,3%
Wider Basel Index (RE/(RWA + RWA RBAN))	14,2%	13,8%

Note: 2015^R Financial Statements Restated.

*Prudential adjustments: as of October 2013, the methodology for calculating the Reference Equity began to adopt criteria in accordance with Resolution No. 4,192 / 13.

4 FINANCIAL PERFORMANCE

RATING

Moody's

Global Scale

Jul 1, 2016

Local Currency

Longo Prazo **B1**

National Scale

Longo Prazo **Baa3.br**

Curto Prazo **BR-3**

Outlook

Negative

Standard & Poor's

Global Scale

Set 22, 2016

Local and Foreign Currency

Longo Prazo **BB-**

National Scale

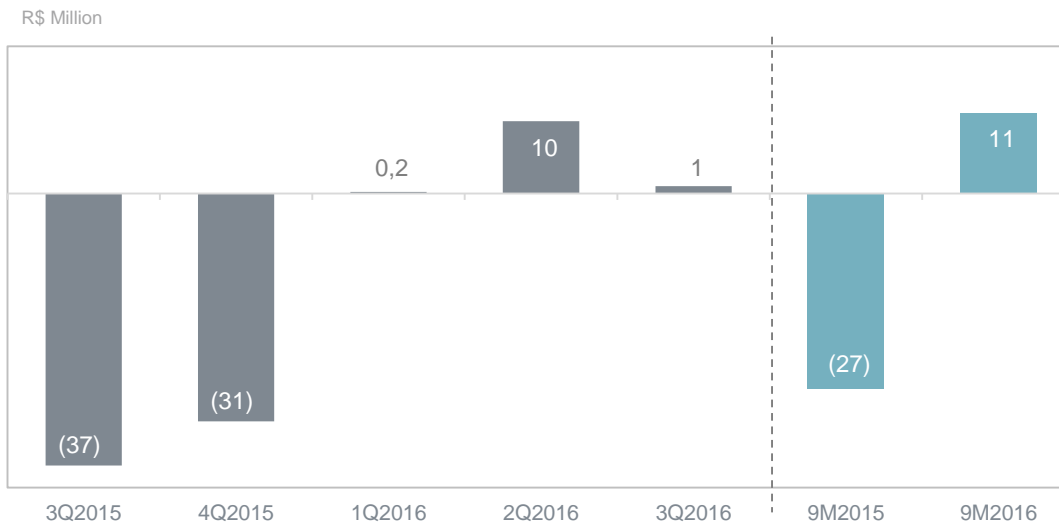
Longo Prazo **brA**

Outlook

Negative

4 FINANCIAL PERFORMANCE

NET INCOME



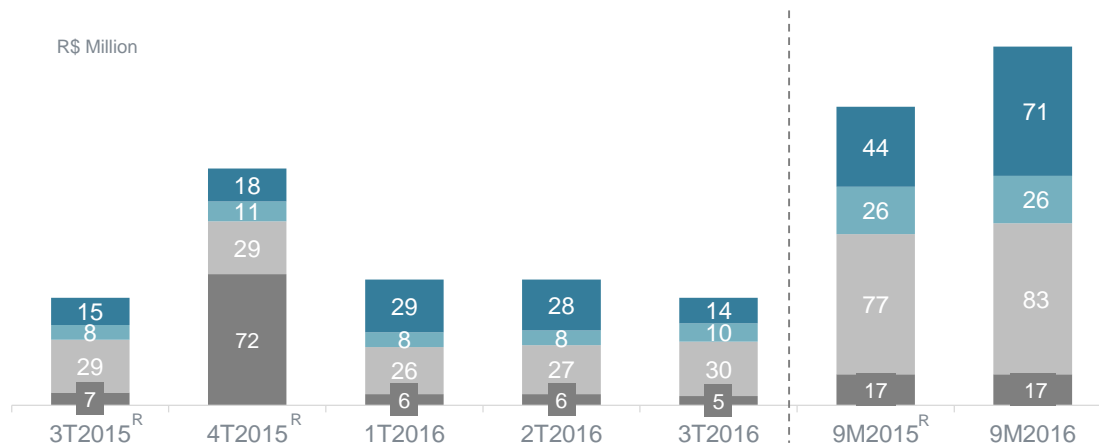
Note: 2015^R Financial Statements Restated.

4 FINANCIAL PERFORMANCE

ADMINISTRATIVE AND OPERATIONAL EXPENSES

Efficiency Ratio (3Q2016): 75%

R\$ Million



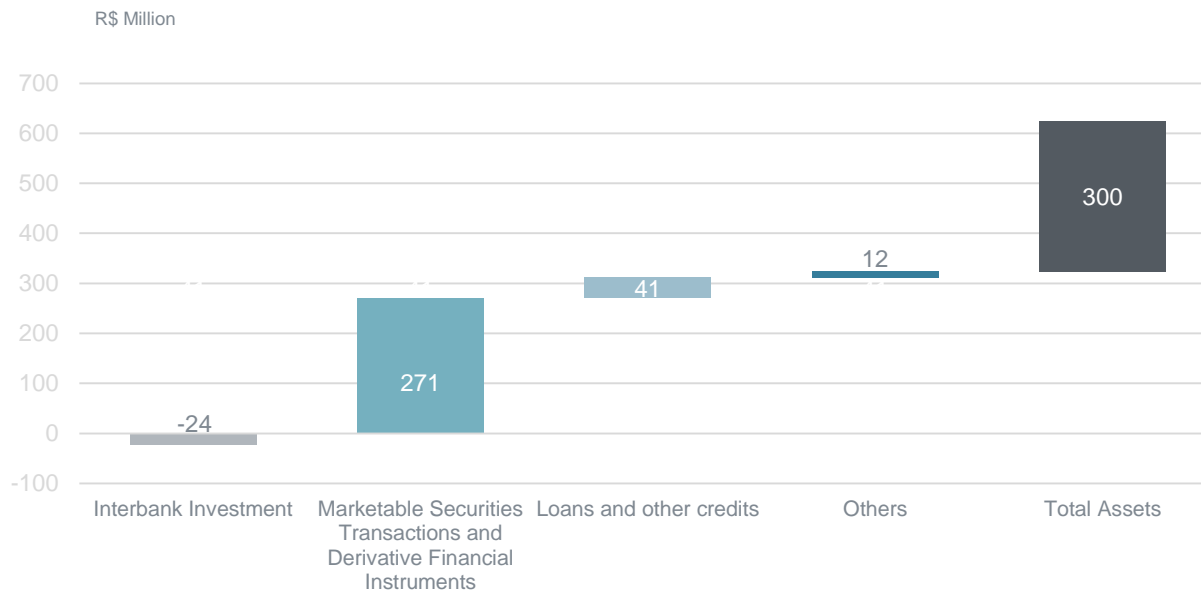
■ Tax expenses ■ Staff expenses ■ Administrative expenses ■ Other operating expenses

Note: 2015^R Financial Statements Restated.

***The BDMG resubmitted the financial statements of June 30, 2014 in compliance with the Official Letter of the Central Bank of Brazil, which determined the reversal of the reversal of provision made on that date**

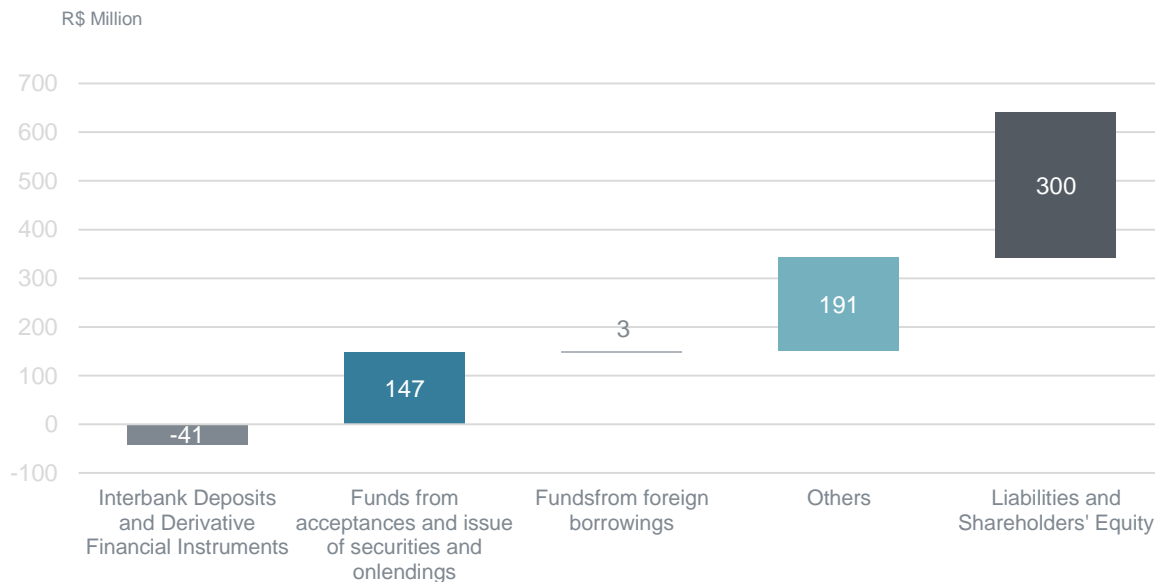
4 FINANCIAL PERFORMANCE

MAIN VARIATIONS OF TOTAL ASSETS 3Q2016



4 FINANCIAL PERFORMANCE

MAIN VARIATIONS OF LIABILITIES AND EQUITY 3Q2016



CONTEÚDO

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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.

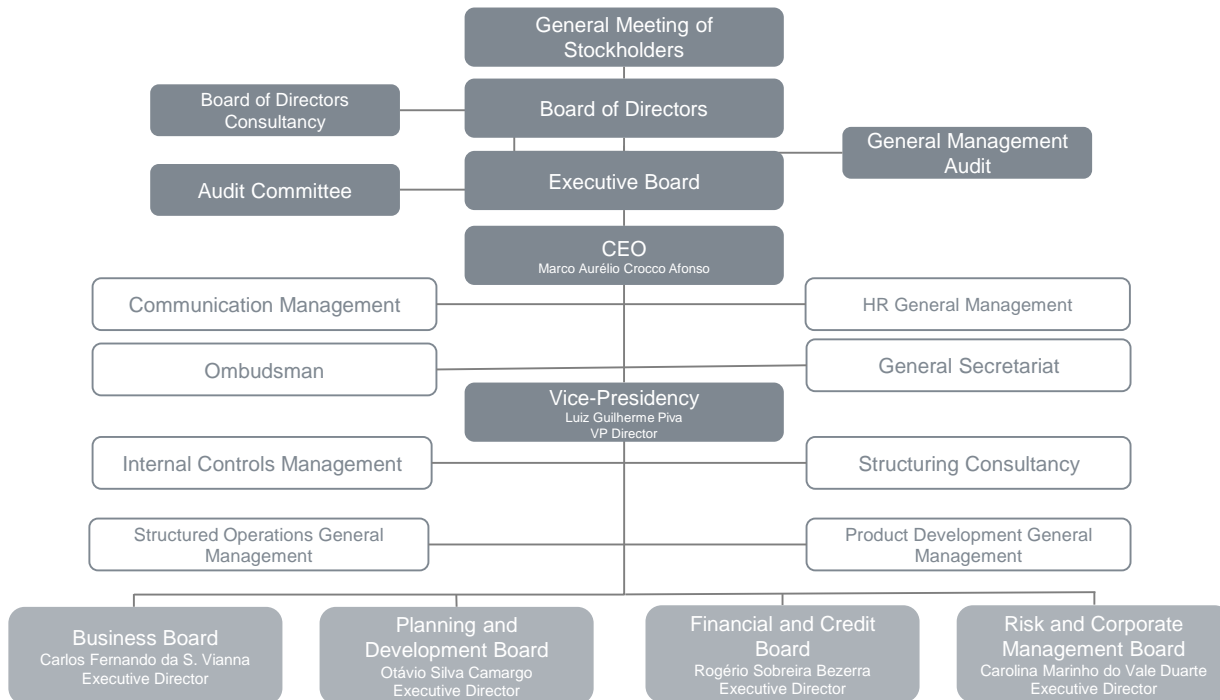
◆ **OTÁVIO SILVA CAMARGO**
Director of Planning and Development

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.

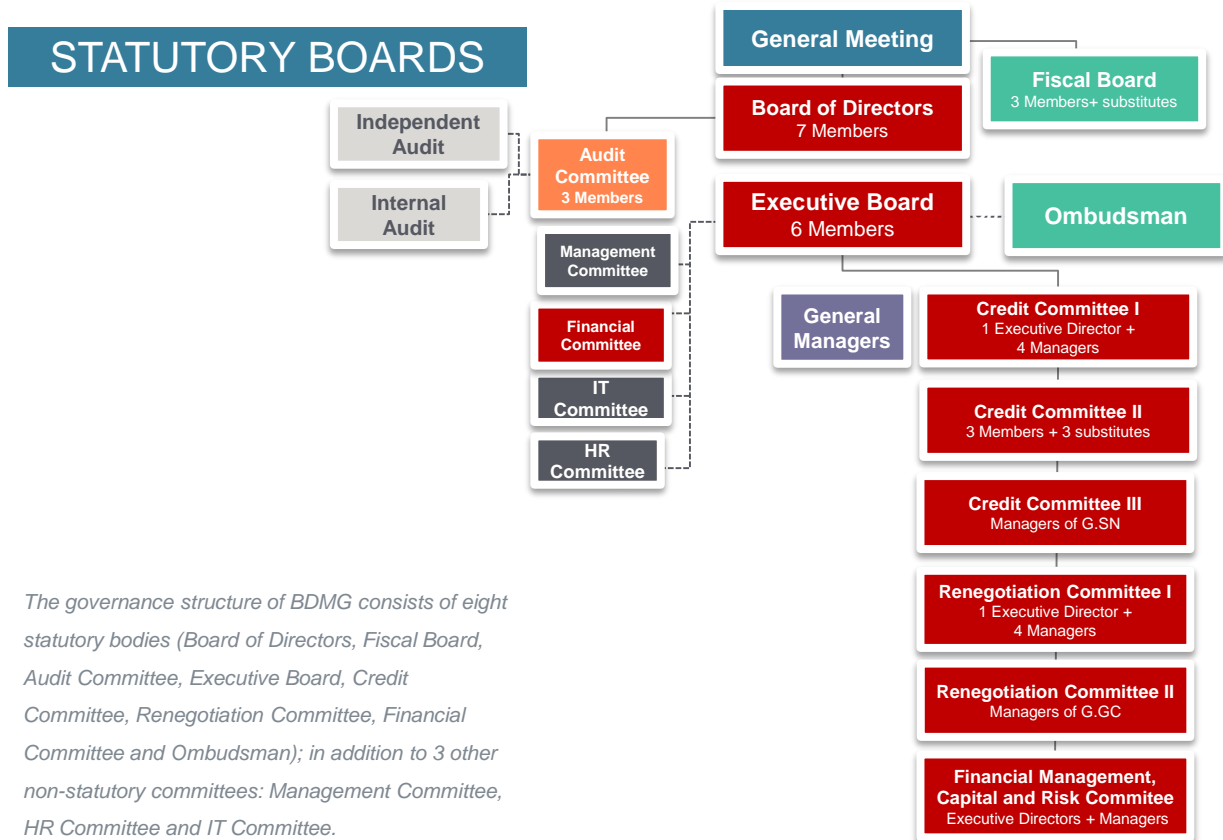
◆ **ROGÉRIO SOBREIRA BEZERRA**
Financial and Credit Director

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*



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.



Para o BDMG, o desenvolvimento e a cultura caminham sempre juntos. Por isso orgulha-se de incentivar a diversidade criativa de Minas Gerais. As obras deste relatório fazem parte do acervo do Instituto BDMG Cultural.



BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A.

Relações com Investidores

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www.bdmg.mg.gov.br/RelacoesInvestidores

