



BDMG 2018 Q2

Financial Report

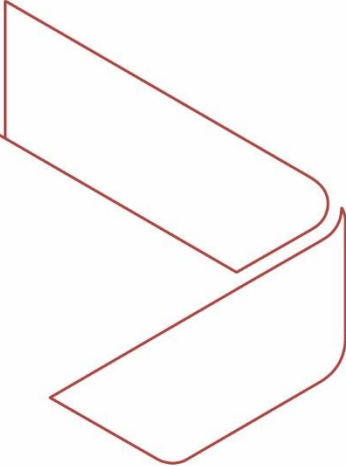
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1. INSTITUTIONAL





INSTITUTIONAL

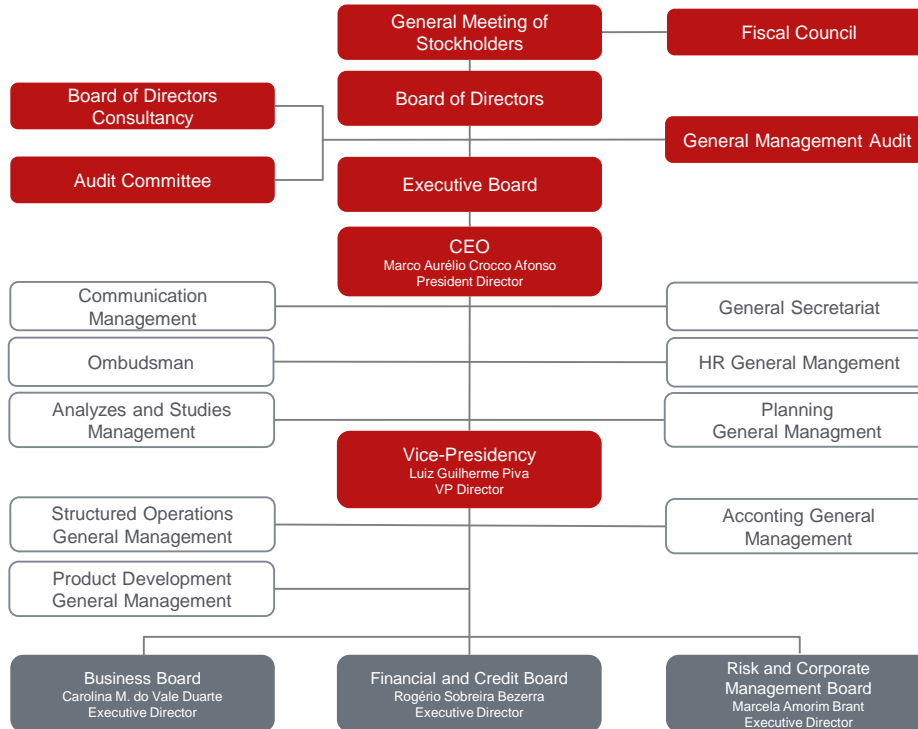
The Minas Gerais Development Bank (BDMG) is a financial institution founded in 1962 and controlled by the State of Minas Gerais, with the purpose of promoting the state's economic, financial and social development.

For more than 50 years BDMG has actively participated in the development of Minas Gerais. In its history, it has focused on generating opportunities and sustainable regional growth.

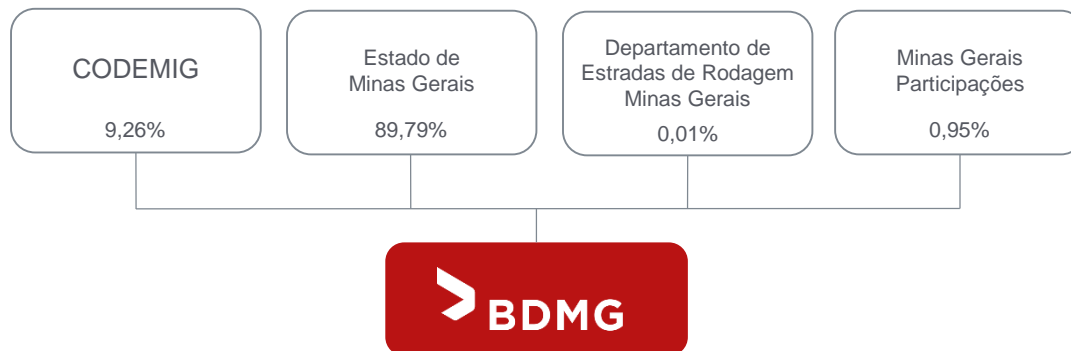
Its actions are distributed throughout the territory of the State and serve various sectors of the economy - industry, agriculture, agribusiness, commerce and services. In addition to these sectors, BDMG finances infrastructure and urbanization projects in the cities of Minas Gerais.

It operates with its own resources and as financial agent of BNDES, Funcafé, Finep, BNB among others besides being the financial agent of the Development Funds of the State of Minas Gerais.

Corporate Structure



Estrutura Acionária



“BDMGTEC Participação S.A.”, a wholly owned subsidiary created by BDMG in 2012, was merged into the Bank’s capital (BRL 96 million) in 6/26/2018.

Rating

Moody's

Global Scale

2018, Apr/11

Local Currency

Long Term **B2**

National Scale

Long Term **Ba1.br**

Short Term **BR-4**

Outlook

Stable

Standard & Poor's

Global Scale

2018, Jul/12

Local and Foreign Currency

Long Term **B-**

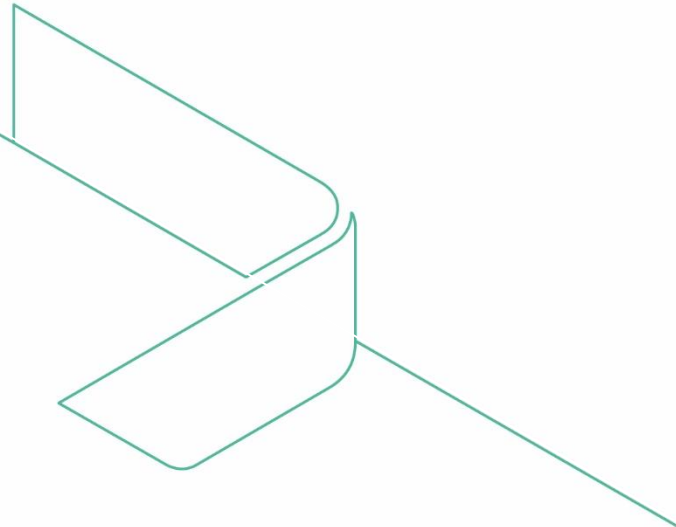
National Scale

Long Term **brBBB-**

Outlook

Stable

2. STRATEGIC GUIDELINES



2 STRATEGIC GUIDELINES

Strategic Guidelines



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.

2 STRATEGIC GUIDELINES

Strategy 2018-2022 | *Acting through Programs*



SUSTAINABILITY

- Photovoltaic Projects
- Public lighting
- Sanitation
- Sustainable mobility
- Protection of the environment



INNOVATION

- Investment Funds in Participations (FIP)
- Financing for innovative companies
- Partnerships in the innovation ecosystem



AGRIBUSINESS

- Medium and large companies
- Cooperatives
- Integration
- Option of sustainable practices in agribusiness



REGIONAL & SOCIAL

- Micro and Small Business
- Public Sector
- Health and Education
- Infrastructure

2 STRATEGIC GUIDELINES

Acting through Programs

REGIONAL & SOCIAL

Public-Private Partnerships
BDMG has actively participated structuring PPPs in MG.



BRL 125 millions lent to **2.186 MSMEs** in 1S 2018.



BRL 187 MM
disbursed in 1st sem/18.

Public Sector
BRL 54 million released to **135 municipalities**.

Businesswomen from Minas Gerais
BRL 8.3 millions to 257 companies.



Repair and Compensation for the population affected by the rupture of the Fundão dam in Mariana



Healthy
Disbursements of **BRL 7.2 millions** .

BRL 5.9 million
disbursed to **171 municipalities** in 1S 2018.

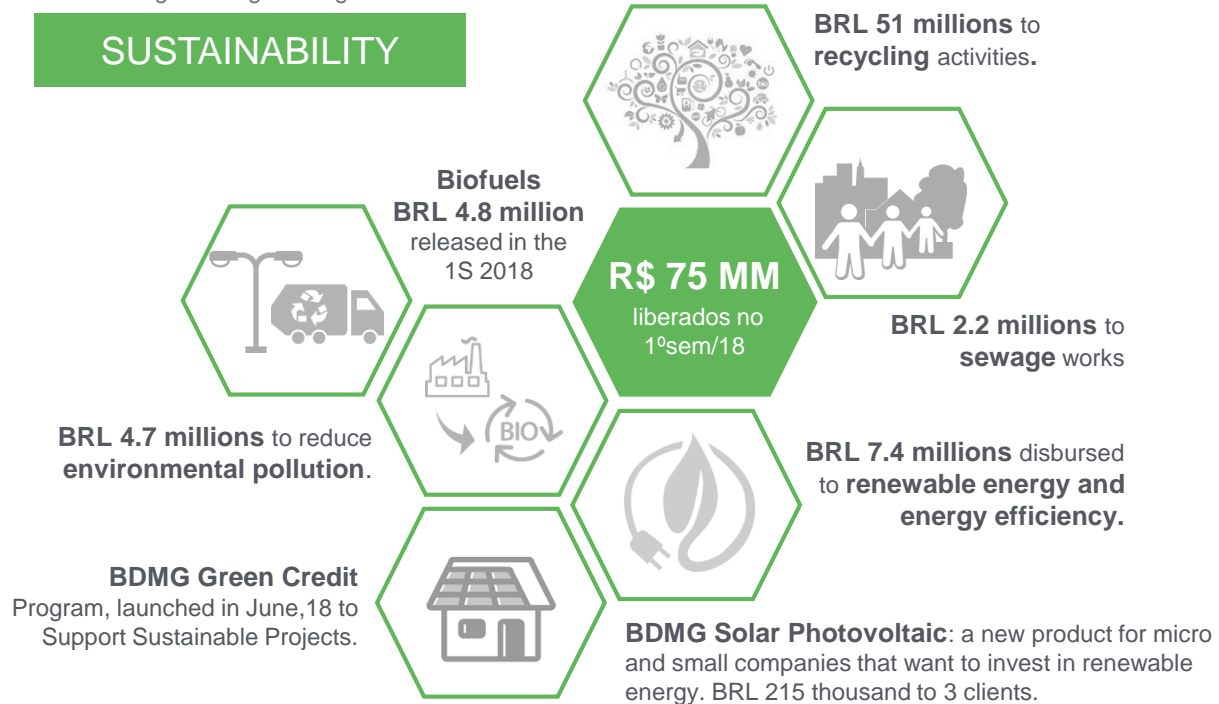


BRL 6.6 million to municipalities with low HDI (Human Development Index).

2 STRATEGIC GUIDELINES

Acting through Programs

SUSTAINABILITY



2 STRATEGIC GUIDELINES

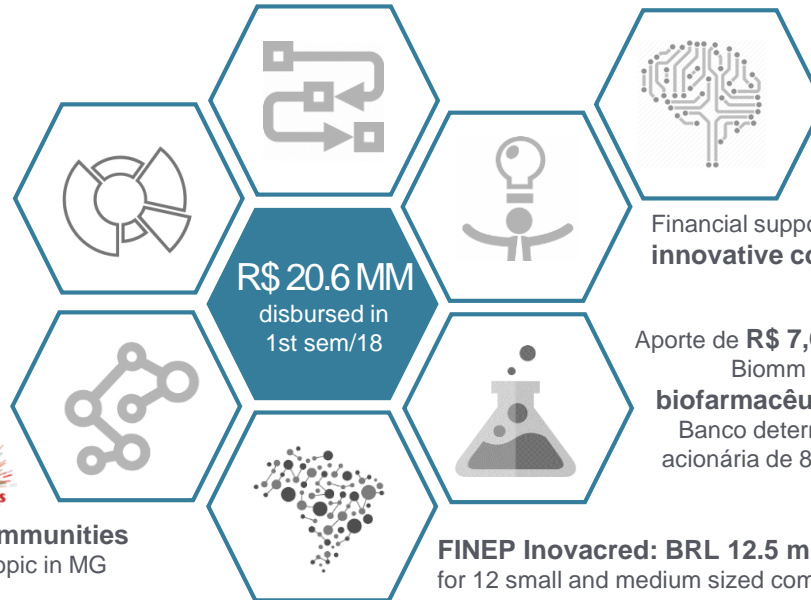
Acting through Programs

INNOVATION

BRL 2.8 million invested in **FIPs** (Investment Funds in Participations) enabling projects of companies with high growth potential.



Participation in **communities** addressed to the topic in MG



Minas Criativa financings of BRL 700 thousand to **25 companies** in the 1s 2018.

Financial support to **34 innovative companies**.

Aporte de **R\$ 7,6 milhões** na Biom S.A., empresa **biofarmacêutica** na qual o Banco detém participação acionária de 8,46% (abr/18).

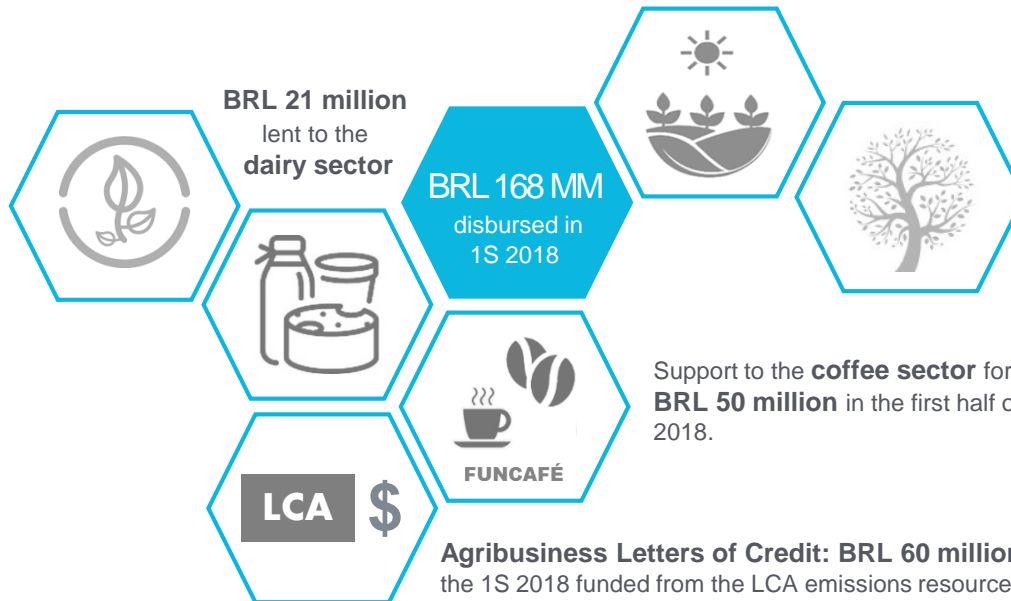
FINEP Inovacred: BRL 12.5 million for 12 small and medium sized companies.

2 STRATEGIC GUIDELINES

Acting through Programs

AGROBUSINESS

Rural sector accounts for **17% of BDMG's loan portfolio**, a balance of **BRL 870 million**.



2 STRATEGIC GUIDELINES

Priority Actions

1. Quality and Concentration of loan portfolio

- implementation of Resolution 4,557 (CMN) which provides **Integrated Risk Management**.
- **Review of risk classification methodology** for companies in implementation.
- New indicators implemented in the **monitoring of market risk**.
- Intensification of the actions aimed at the **effective credit recovery, reduction of delinquency and costs, generation of revenue and profitability**.

2. Intentionality

- Participation in the **structuring of infrastructure projects**, eg. of the sewage system in the Zona da Mata and Sul, SEPLAG technological platform, route of the Peter Lund caves, hospital infrastructure, Fapemig (convention center) and state schools.
- Structuring of **PPPs** in several areas, mainly public lighting and solid waste disposal.



3. BDMG Digital

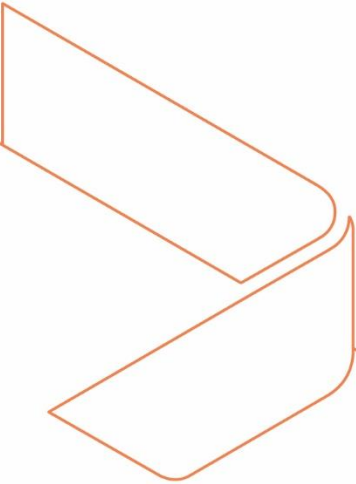
- In March, **BDMG profiles** were launched on **LinkedIn** and **Facebook**, the latter with the goal of disseminating financial education practices for the segment.



4. Funding Diversification

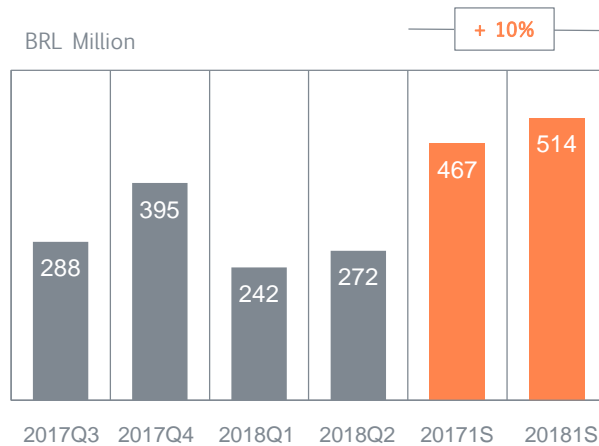
- **BRL151.6 million** in new resources in the first half of 2018. The funds are comprised of **LCA** (BRL 40.8 million), **CDI** (BRL 30 million) and **CDB** (BRL 31 million) and **FB** (BRL 49.8 million)

3. OPERATIONAL PERFORMANCE

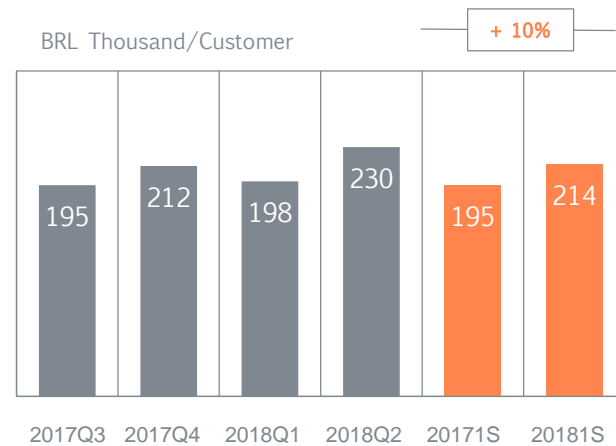


3 OPERATIONAL PERFORMANCE

Disbursement



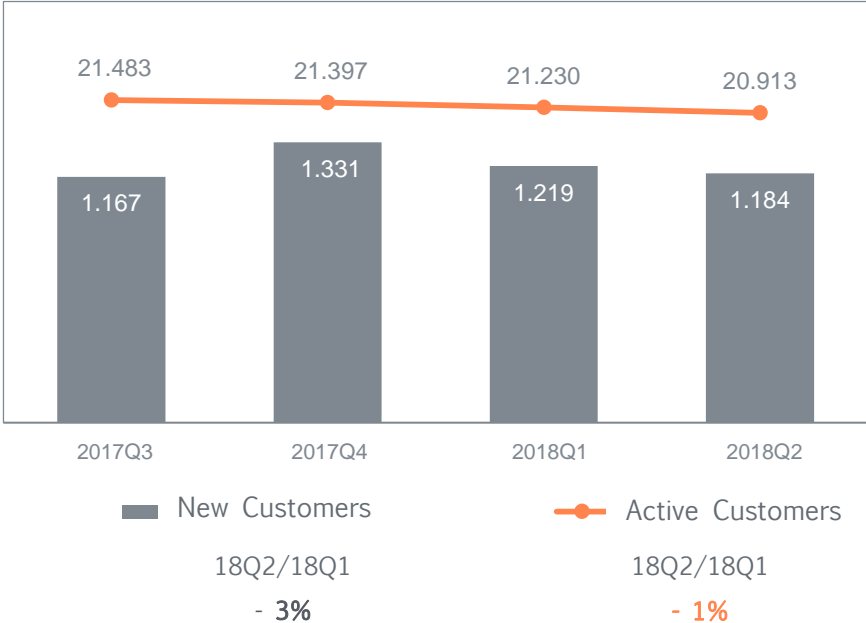
Average Ticket



3 OPERATIONAL PERFORMANCE



New Customers and Active Customers



A teal line starts from the top left, descends diagonally, and then splits into two paths: one continues down to the right, and the other turns down and then right. The line that continues down and right has a 3D effect, appearing as two overlapping rounded rectangular shapes. The line that turns down and right is a single line.

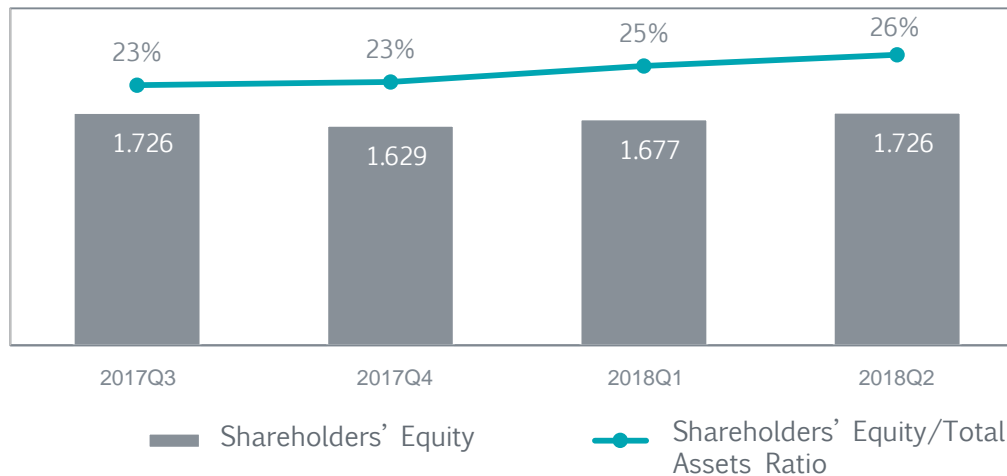
4. FINANCIAL PERFORMANCE

Loan Portfolio and Other Assets

4 FINANCIAL PERFORMANCE

Shareholders' Equity and Shareholders' Equity/Total Assets Ratio

BRL Million and %



18Q2/18Q1

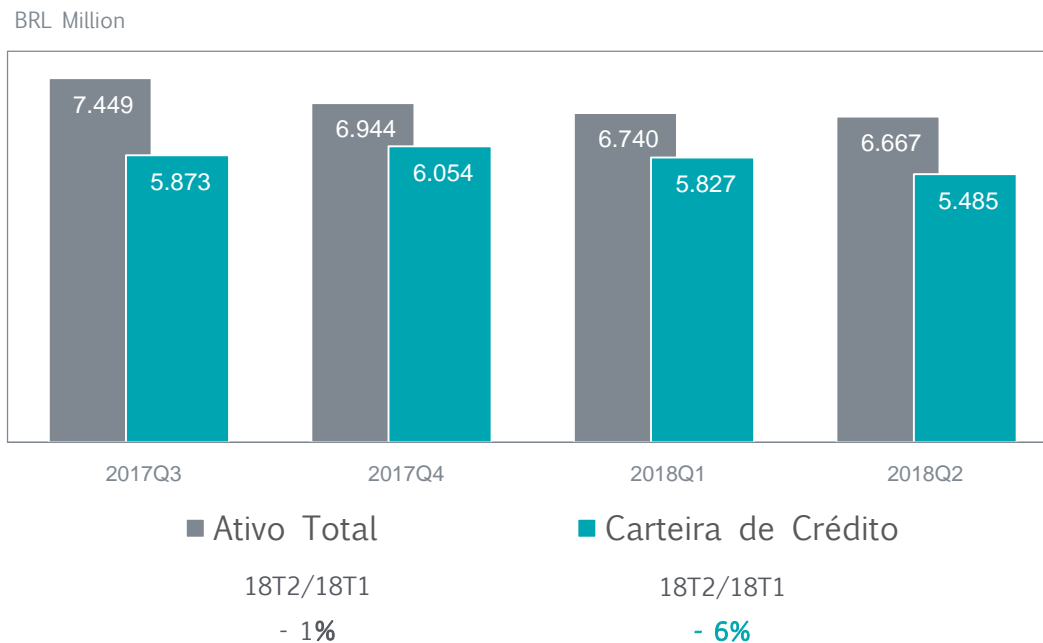
+ 3%

18Q2/18Q1

+ 4%

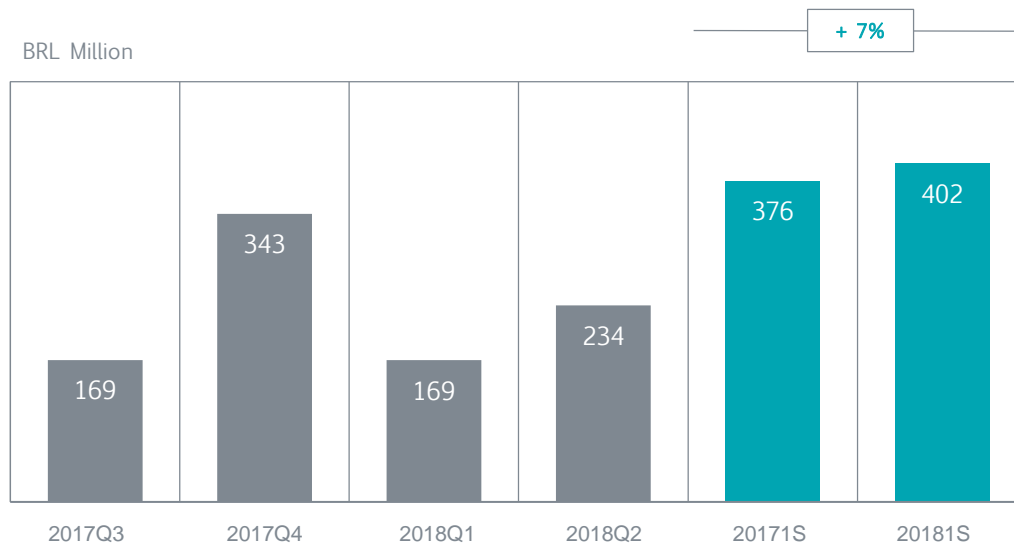
4 FINANCIAL PERFORMANCE

Total Assets and Loan Portfolio



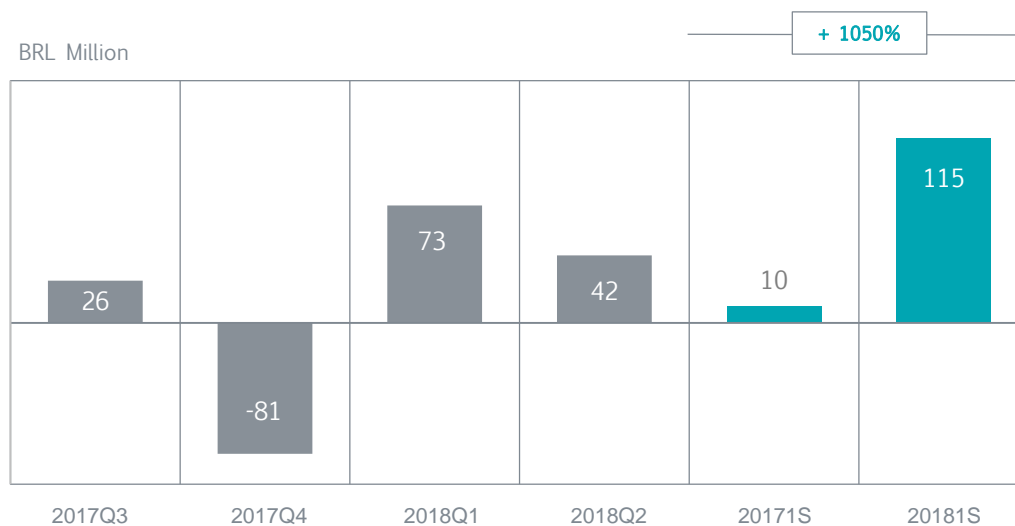
4 FINANCIAL PERFORMANCE

Financial Intermediation Income



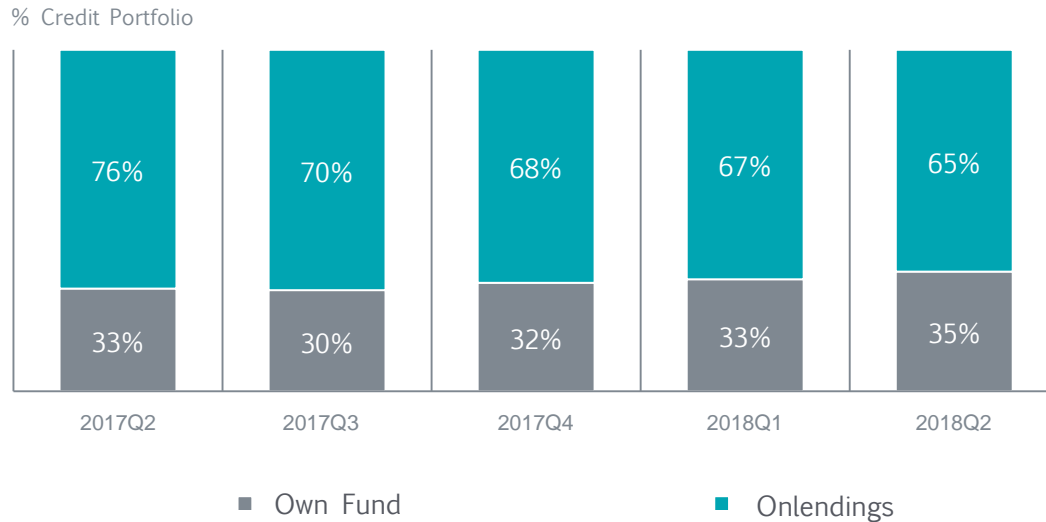
4 FINANCIAL PERFORMANCE

Gross Profit (Loss) from Financial Intermediation



4 FINANCIAL PERFORMANCE

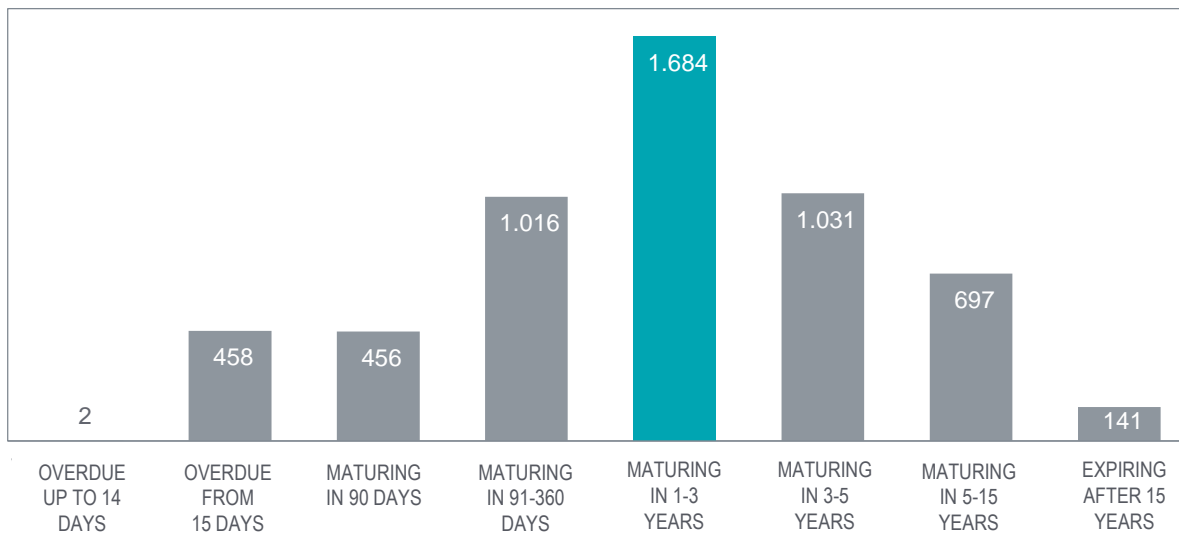
Loan Portfolio by Fund Category



4 FINANCIAL PERFORMANCE

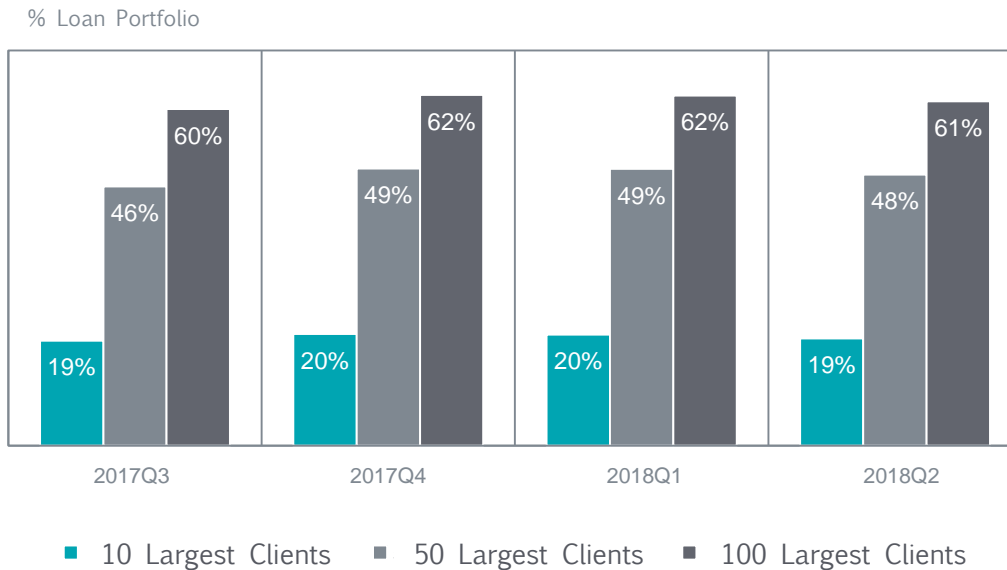
Maturity of Loan Portfolio

BRL million (at July, 2018/30)



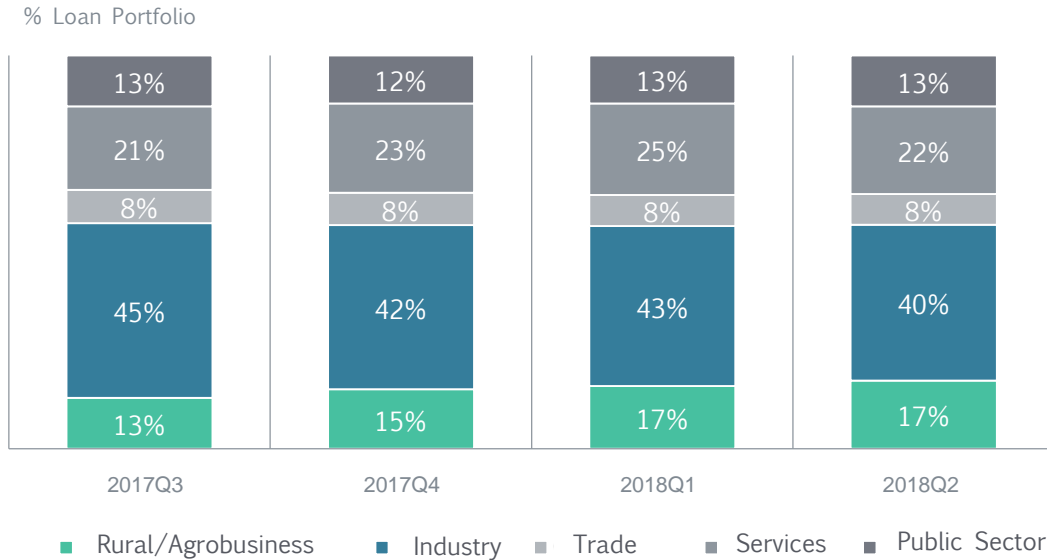
4 FINANCIAL PERFORMANCE

Concentration of Loan Portfolio



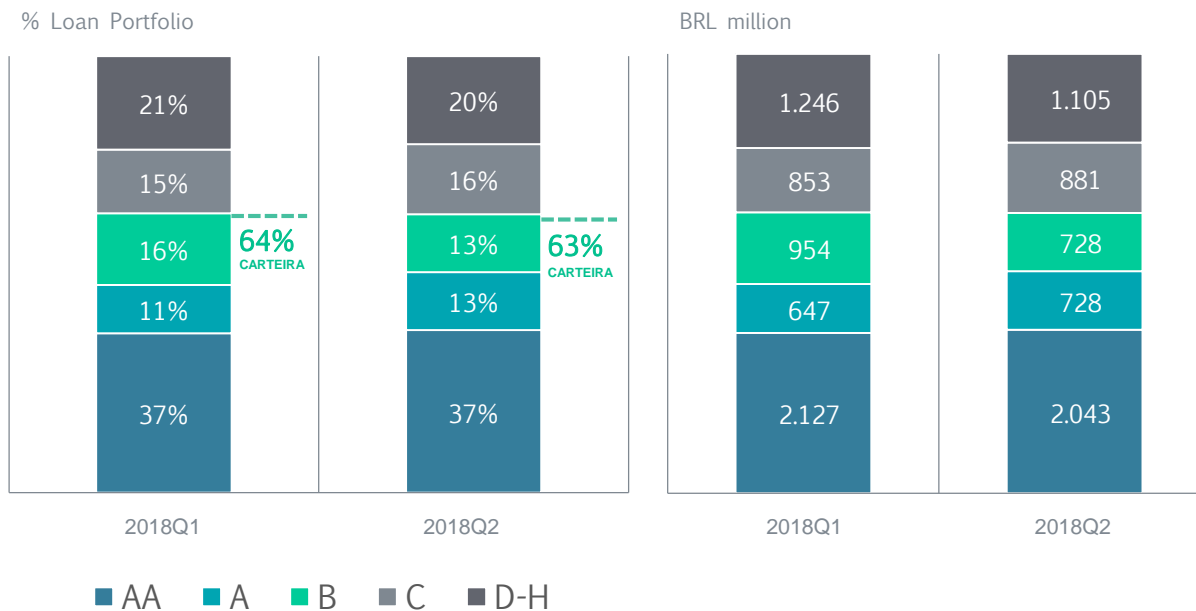
4 FINANCIAL PERFORMANCE

Loan Portfolio Breakdown by Sector



4 FINANCIAL PERFORMANCE

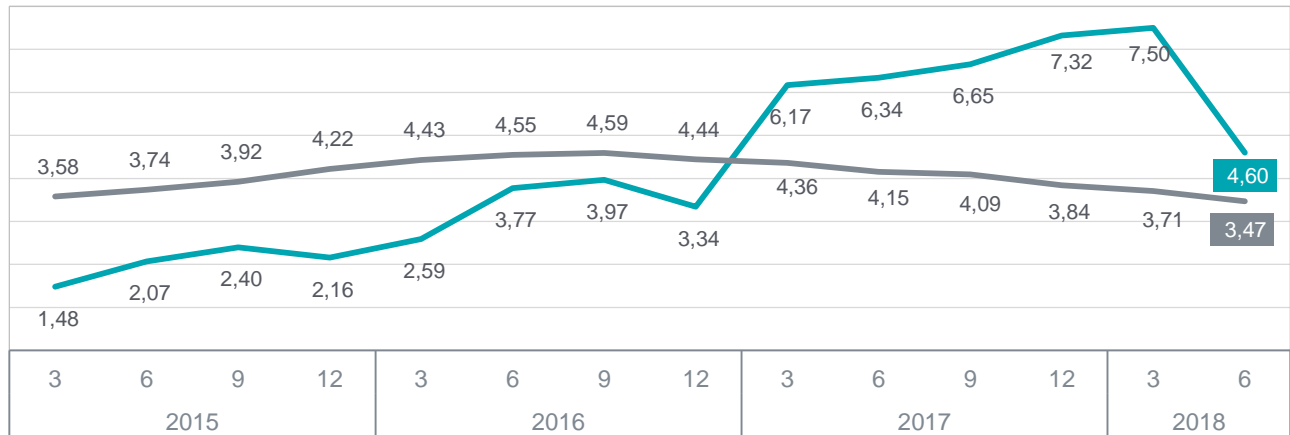
Loan Portfolio Breakdown by Risk Level



4 FINANCIAL PERFORMANCE

Delinquency Rate Evolution > 90 Days

% Loan Portfolio

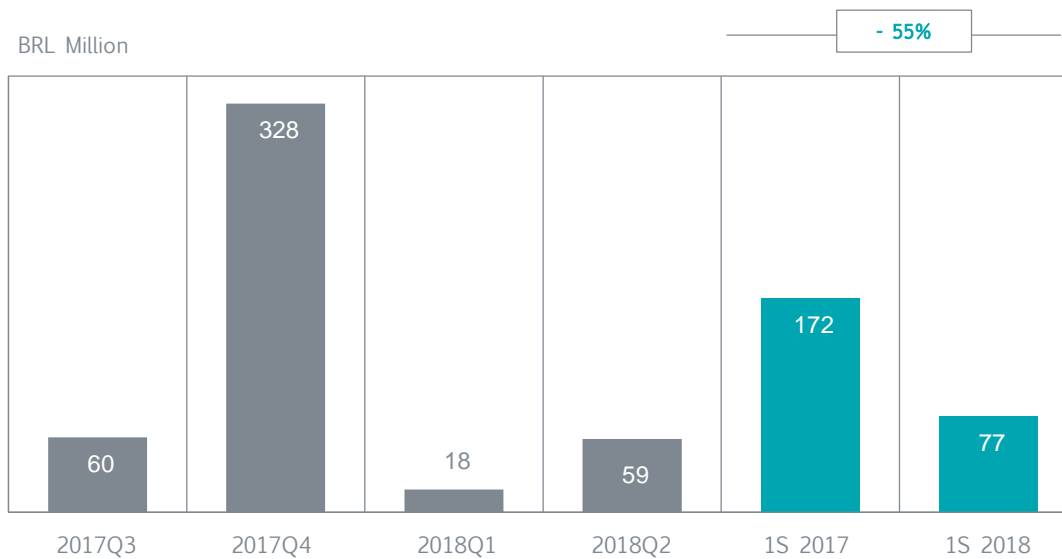


— BDMG > 90 days

— Private NFS > 90 days

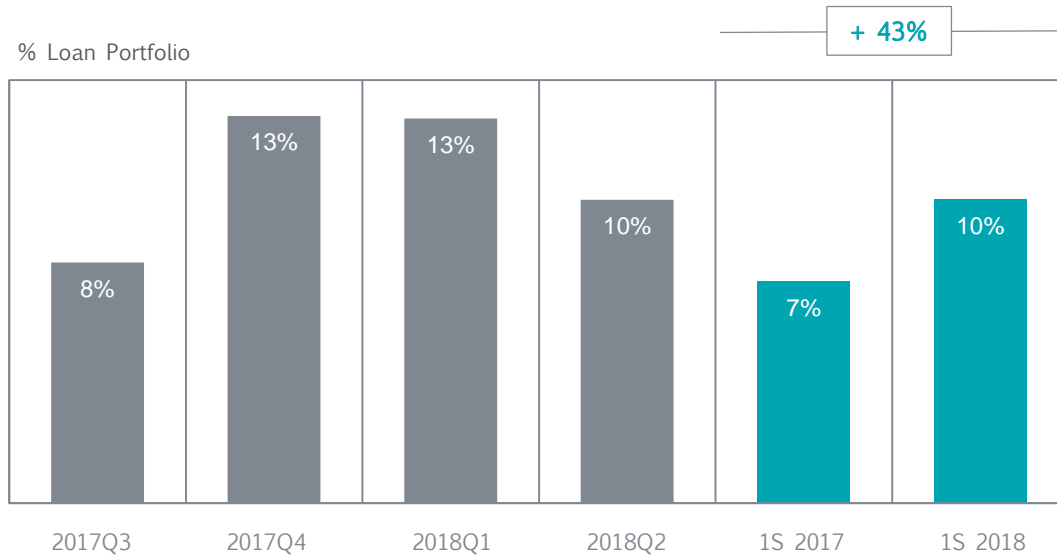
4 FINANCIAL PERFORMANCE

Loan Losses Expenses



4 FINANCIAL PERFORMANCE

Loan Losses Provision





4. FINANCIAL PERFORMANCE

Funding and Results

4 FINANCIAL PERFORMANCE

Onlending of Official Institutions

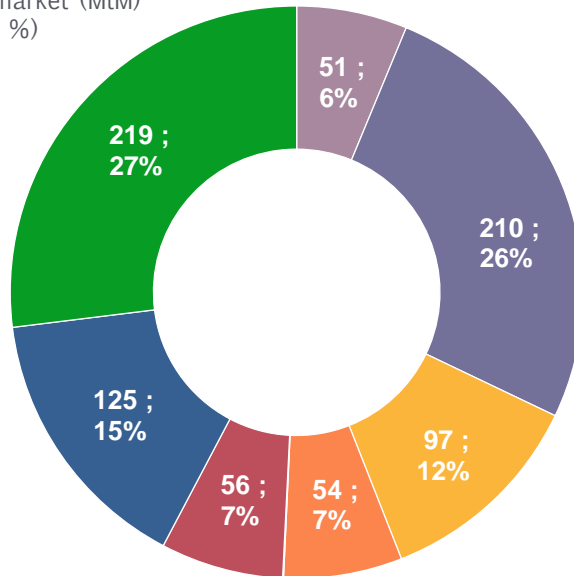
Valores (em R\$ Milhões)	1S2018	1S2017	(%) 1S2018/1S2017
BNDES	1.909	2.228	-14%
FINAME	1.247	1.421	-12%
Funcafé	139	96	45%
FINEP	107	81	32%
BNB	16	19	-16%
Others	35	16	118%
Total	3.454	3.861	-11%
Current	971	908	7%
Non Current	2.483	2.953	-16%




4 FINANCIAL PERFORMANCE

Funding

Values marked to market (MtM)
(In BRL million and %)

In 30/6/18



- Financial Bills
- Agribusiness Credit Bill (LCA)
- CDI
- Time Deposits
-  AFD
-  IDB
-  CNF

4 FINANCIAL PERFORMANCE

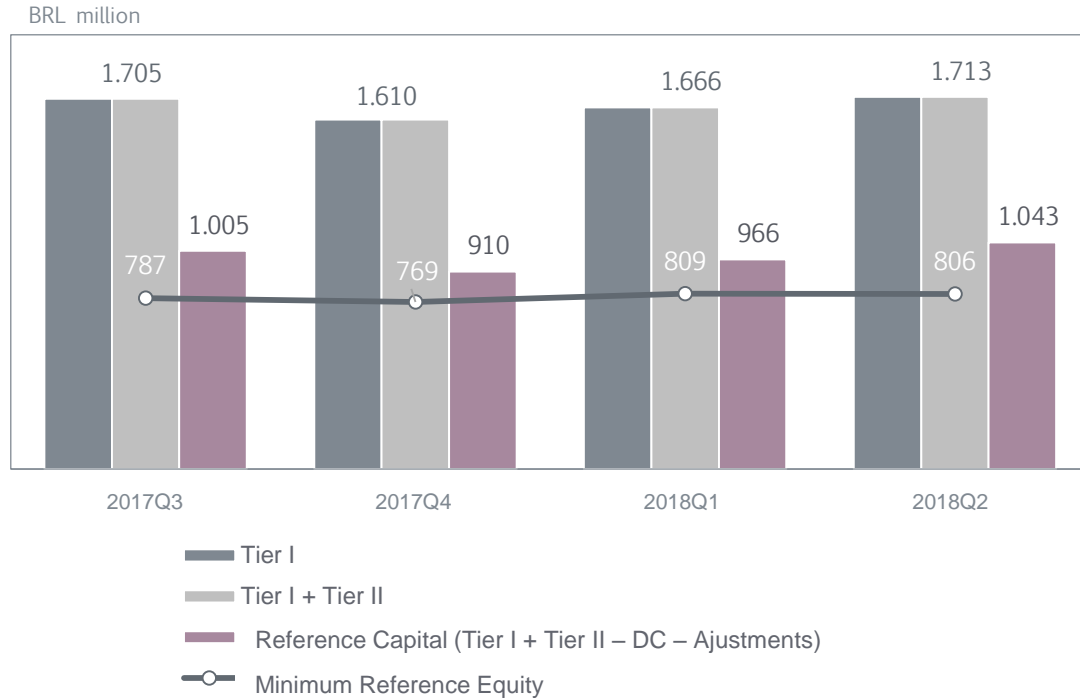


Capital Evolution

BRL million	1S 2018	1S 2017
Shareholders' Equity	1.726	1.677
Capital	1.919	1.906
Capital Increase	-	12
Profit Reserves	-	8
Asset Evaluation Adjustment	(84)	(119)
Accumulated Losses	(109)	(36)
Net Income (Losses)	60	(36)
Basel Index	17%	15%

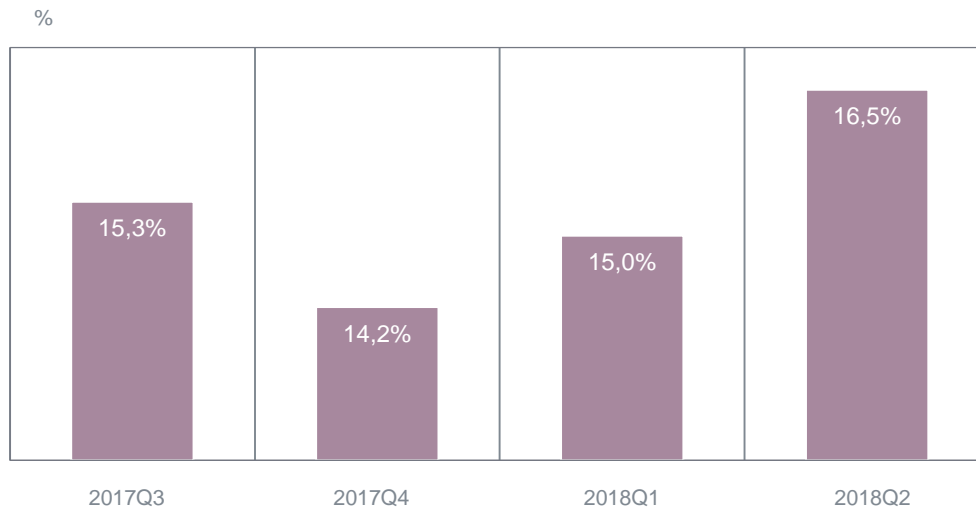
4 FINANCIAL PERFORMANCE

Reference Equity



4 FINANCIAL PERFORMANCE

Basel Index



4 FINANCIAL PERFORMANCE

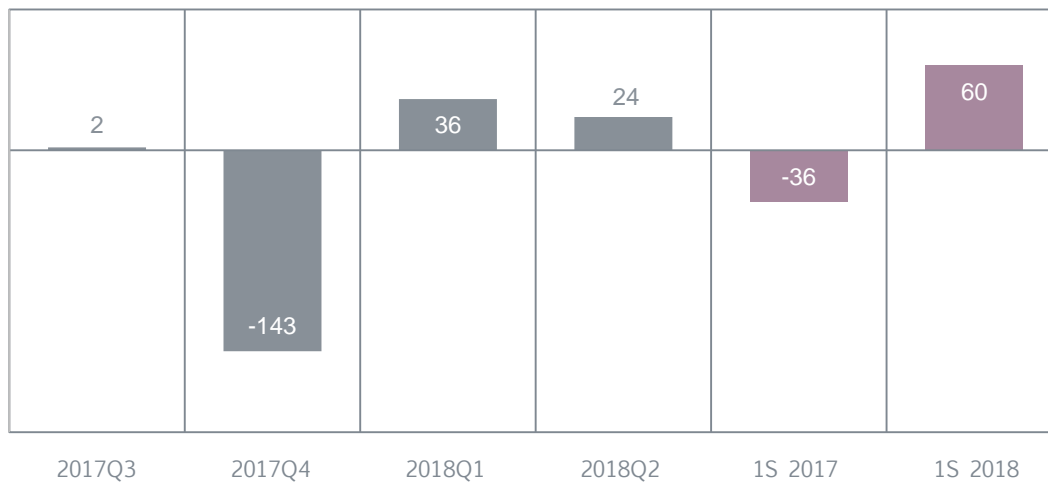
Operational Limit

Statement of the calculation of the reference equity and Capital Ratios (BRL millions)	2018 Q2	2017 Q2
Shareholders' equity	1.726	1.722
Reference equity level I (RE level I) or Principal capital (PC) - (a)	1.713	1.689
Capital allocated to transactions with the public sector - (b)	670	700
Reference equity (RE) - (a-b)	1.043	989
All risk-weighted assets (RWA)	6.306	6.454
Credit risk (RWAcpad)	5.458	5.752
Market risk (RWAm pad)	178	204
Operational risk (RWAopad)	670	499
Part of the capital to cover for the non-negotiable portfolio interest rate risk (RWA Rban)	26	34
Minimum reference equity	806	793
Basel Index (RE/RWA)	16,5%	15,3%

4 FINANCIAL PERFORMANCE

Lucro Líquido

BRL million



**THE DEVELOPMENT
BANK OF MINAS GERAIS**

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