



BDMG 2018 Q3

Financial Report

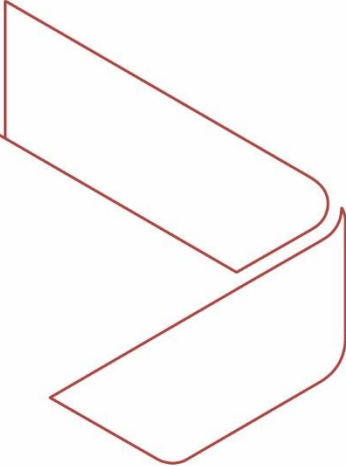
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1. INSTITUTIONAL





INSTITUTIONAL

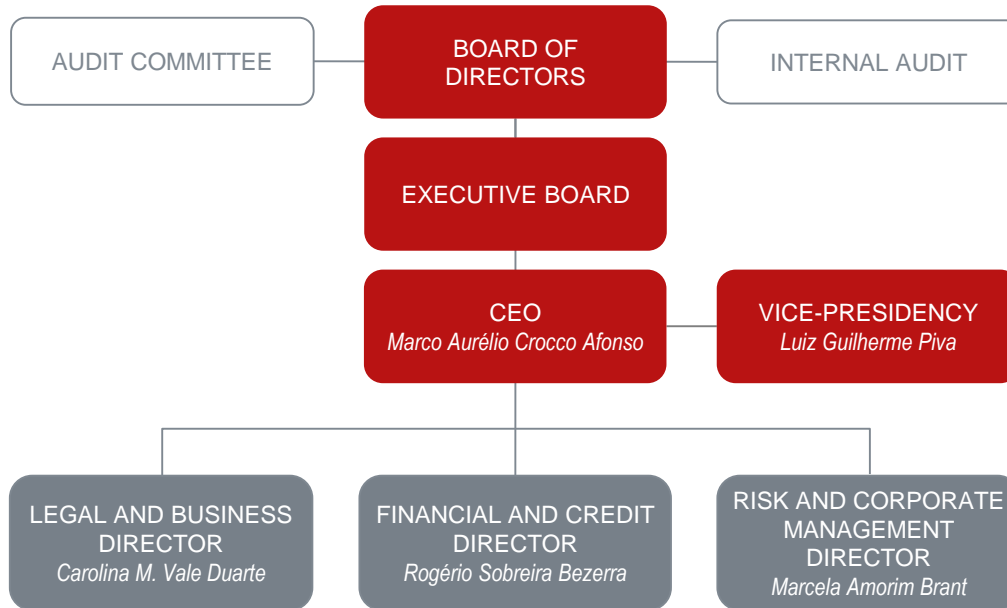
The Minas Gerais Development Bank (BDMG) is a financial institution founded in 1962 and controlled by the State of Minas Gerais, with the purpose of promoting the state's economic, financial and social development.

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.

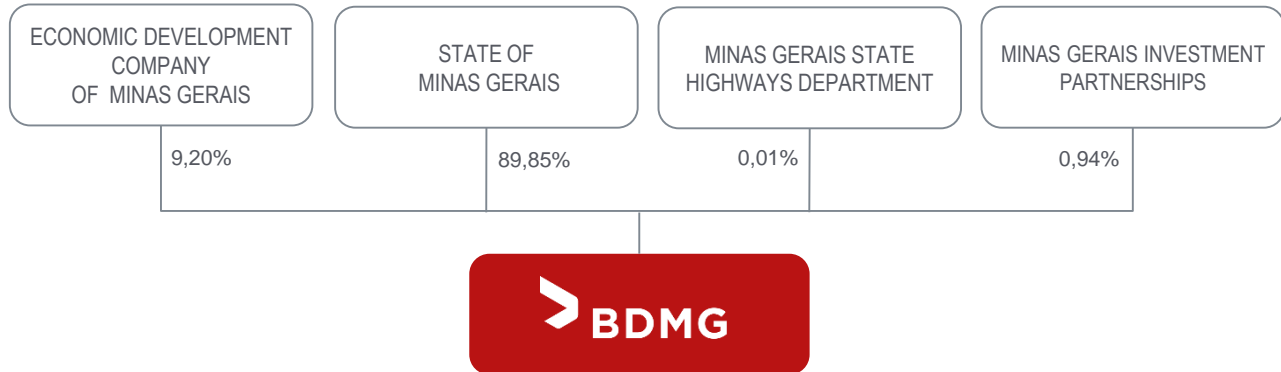
Corporate Structure



1 INSTITUCIONAL



Stockholders



“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, Dec. 6

Local and Foreign Currency

Long Term **B**

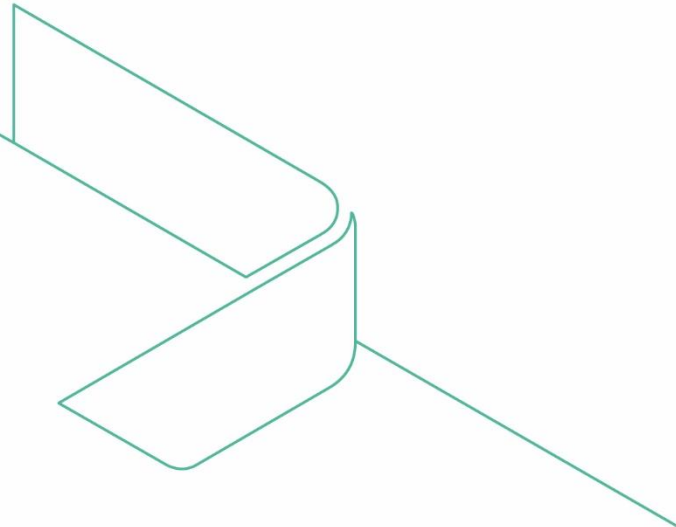
National Scale

Long Term **brA-**

Outlook

Negative

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 117 millions lent to **3177** MSMEs.



BRL 286 MM
disbursed in
Jan-Sep, 18.

Public Sector
BRL 85.6 million released to **178** municipalities.

Businesswomen from Minas Gerais
BRL 16 millions to 503 companies.



BDMG "Rio Doce"
Disbursements of
BRL 8.4 millions to **251** clients.

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



BRL 9.9 million to municipalities with low HDI (Human Development Index).

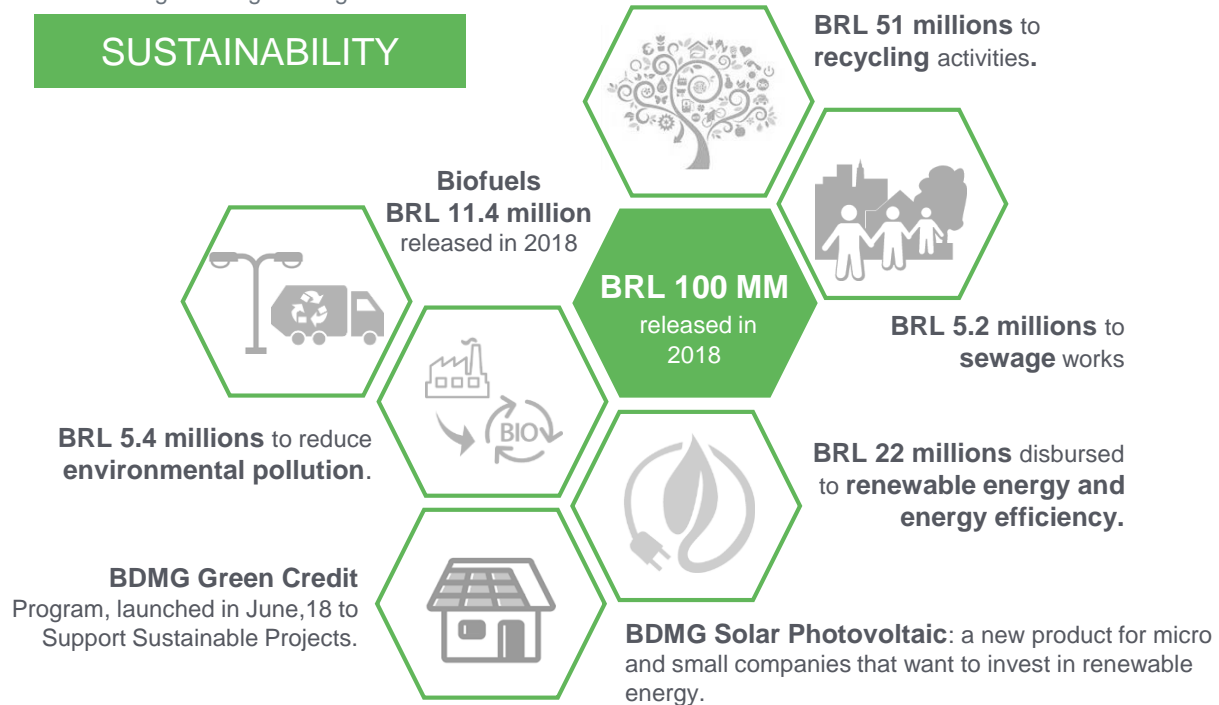
BRL 388 million disbursed to **35 municipalities**.



2 STRATEGIC GUIDELINES

Acting through Programs

SUSTAINABILITY



2 STRATEGIC GUIDELINES

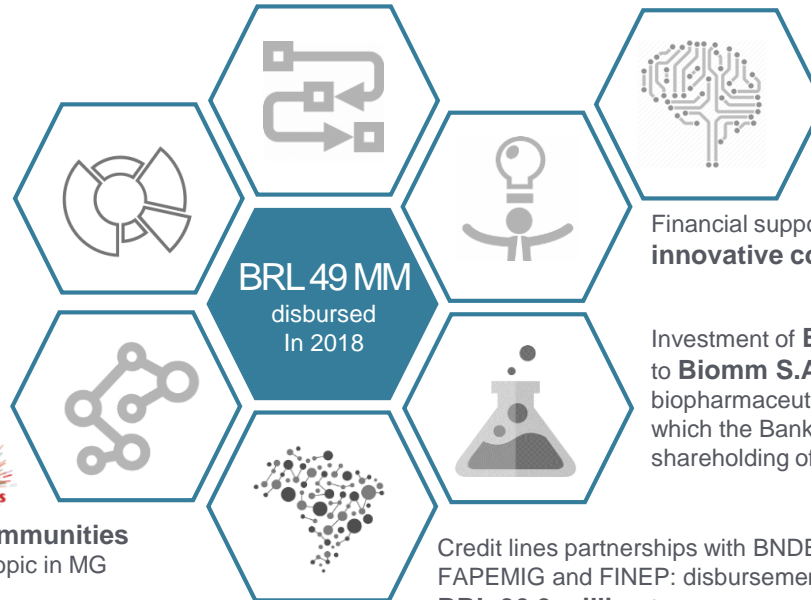
Acting through Programs

INNOVATION

BRL 4.7 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 821 K** to **30 companies** in 2018.

Financial support to **34 innovative companies**.

Investment of **BRL 7.6 million** to **Biommm S.A.**, a biopharmaceutical company in which the Bank states shareholding of 8.46%.

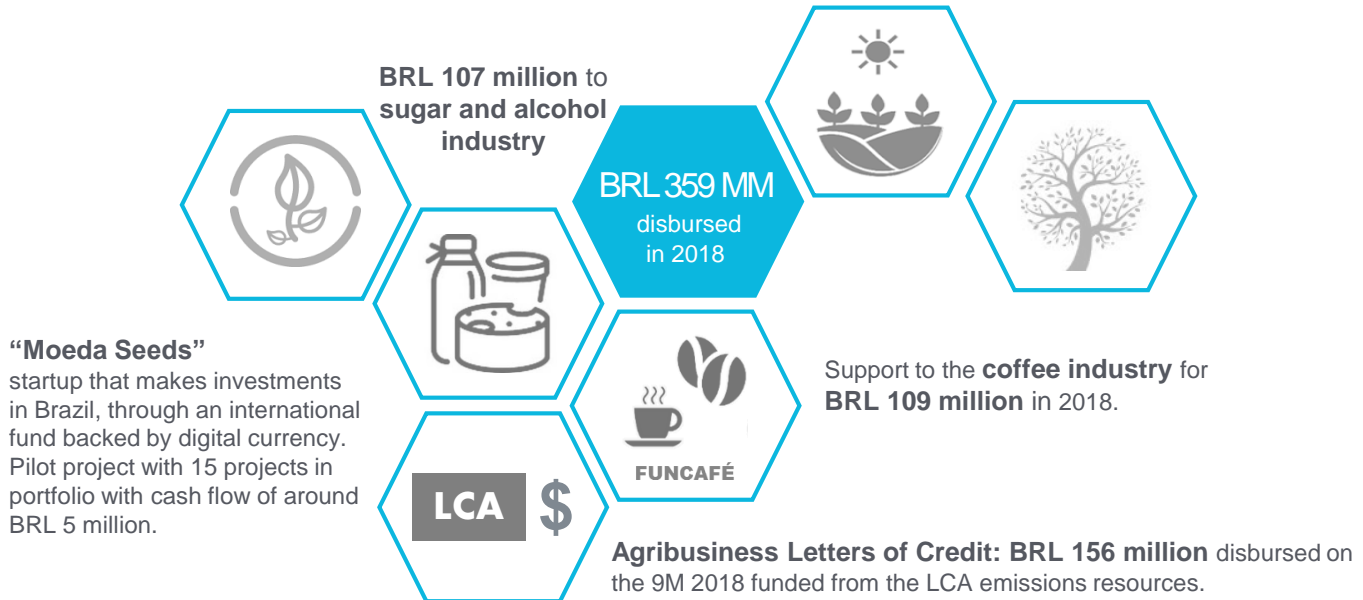
Credit lines partnerships with BNDES, FAPEMIG and FINEP: disbursements of **BRL 36.9 million** in 2018.

2 STRATEGIC GUIDELINES

Acting through Programs

AGRIBUSINESS

Rural sector accounts for **19% of BDMG's loan portfolio**, a balance of **BRL 997 million**.



2 STRATEGIC GUIDELINES

Priority Actions

Funding Diversification

- **BRL 243 million** in new resources in the first half of 2018. The funds are comprised of LCA (BRL 123 million), CDI (BRL 30 million) and CDB (BRL 40 million) and Financial Bills (BRL 50 million)

Resource optimization

- As a result of the **Zero Base Budget Project**, implemented in 2017, the bank will save up to BRL 5.5 million in operating expenses between 2018 and 2019.
- In order to reduce the BDMG payroll, the Board of Directors approved a **Voluntary Dismissal Program** and a **Incentivized Lay off**. These measures will result in savings of approximately BRL 4.3 million in the 12 months.



Social Responsibility

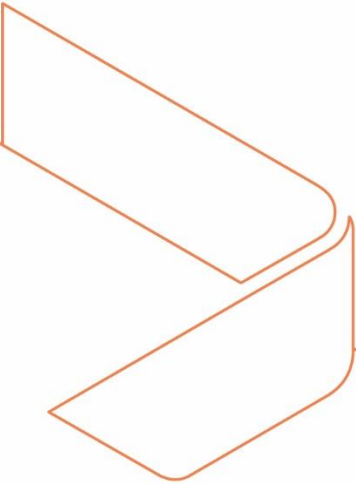
- The BDMG **Gender and Race Pro-Equity Program** works to create more humanized rooms with respect for diversity. In 2018, the BDMG became a signatory to the Standards of Conduct proposed by the UN.
- The **BDMG Cultural** celebrates 30 years of support for the development of the artistic and cultural scene in the State. Several actions were carried out, especially the BDMG project; the creation of the Flávio Henrique Prize, aimed at the valorization of songs by Minas Gerais artists; and the BDMG Cultural Trail that promoted theatrical shows, workshops and open trials in 48 cities in the interior of Minas Gerais.
- Meanwhile, **INDEC** (BDMG Employees' Citizenship Institute) celebrates 20 years of volunteering and citizenship. During this period, about 70 thousand people benefited from health, nutrition, education, sports and leisure activities, mainly aimed at low income children/teenagers.

2 STRATEGIC GUIDELINES

Risks Management

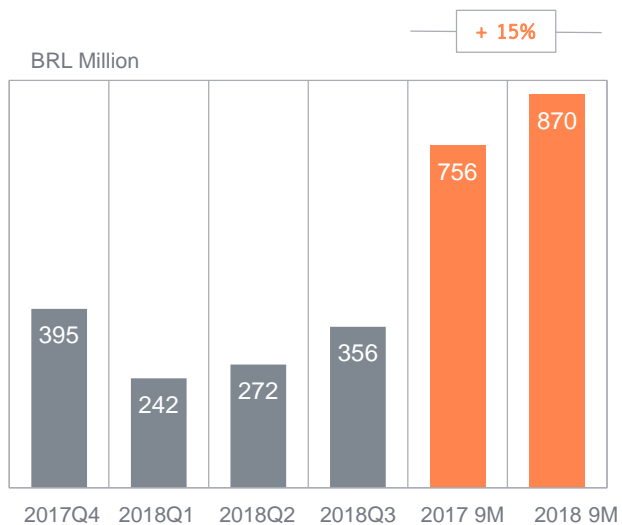
- Implementation of CMN Resolution 4,557, which deals with the integrated risks management, policies and processes to identify signs of deterioration in the credit quality of operations and the process of identifying problematic assets
- Review of **Risk Classification Methodology** for Greenfields projects.
- Review of the **Expected Loss Methodology**, used as one of the components of product pricing.
- Improvement of **Operational Risk Processes**, with risk mapping and capture of operational losses.
- Establishment of **Compliance Policy** in accordance with CMN Resolution 4,595/17.
- **Market Risk**: implementation of indicators of economic value approach and financial intermediation result approach, aimed at monitoring the risk of variation of interest rates for instruments classified in the bank portfolio (IRRBB).
- Intensification of the actions aimed at the **Credit Recovery effectiveness**, reduction of delinquency, reduction of costs, generation of revenue and profitability.
- Improvement of **Assurance, Valuation and Sale Policies of Goods** aiming at quality in business generation, alignment to strategic programs and support to the new process of credit recovery. In addition, compliance points pointed out by the BDMG control bodies were introduced.

3. OPERATIONAL PERFORMANCE

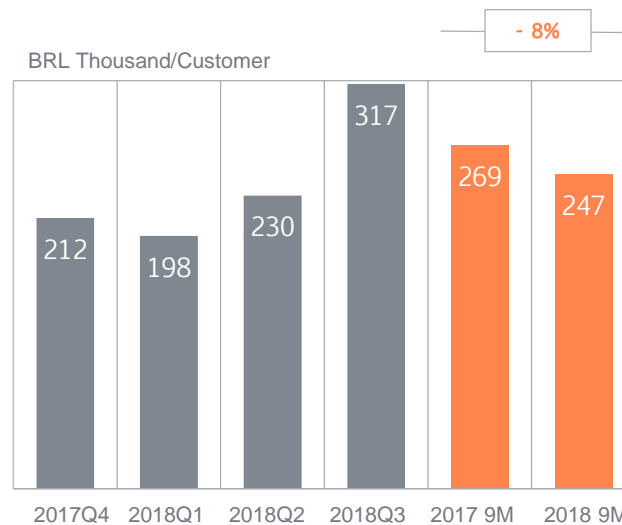


3 OPERATIONAL PERFORMANCE

Disbursement



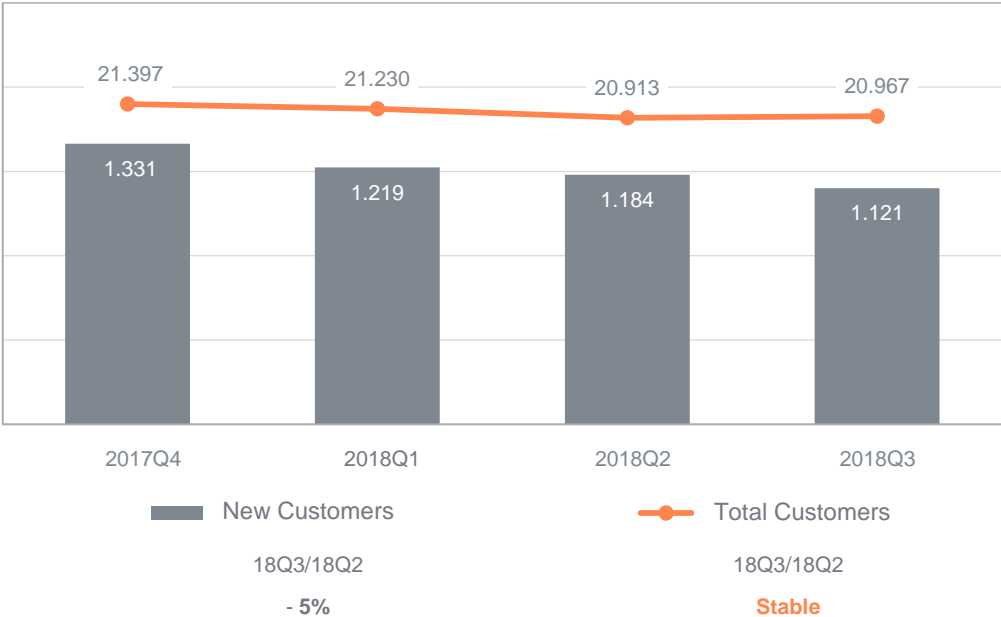
Average Ticket



3 OPERATIONAL PERFORMANCE



New Customers and Total Customers



A teal line starts from the top left, descends diagonally, and then curves to the right, ending at the bottom right. It passes behind two overlapping teal-outlined rectangular shapes that resemble a stack of papers or folders.

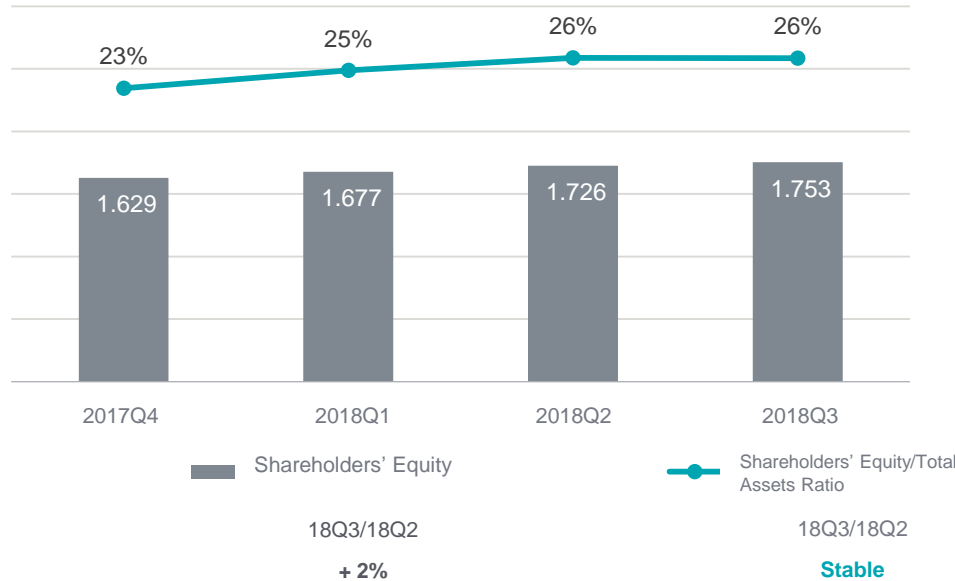
4. FINANCIAL PERFORMANCE

Loan Portfolio and Other Assets

4 FINANCIAL PERFORMANCE

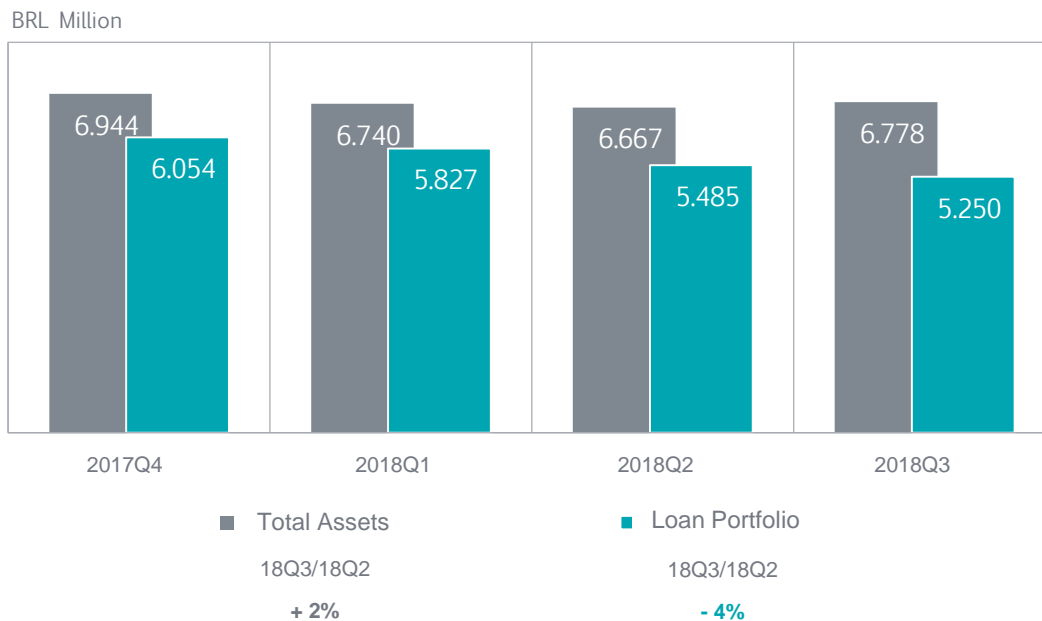
Shareholders' Equity and Shareholders' Equity/Total Assets Ratio

BRL Million and %



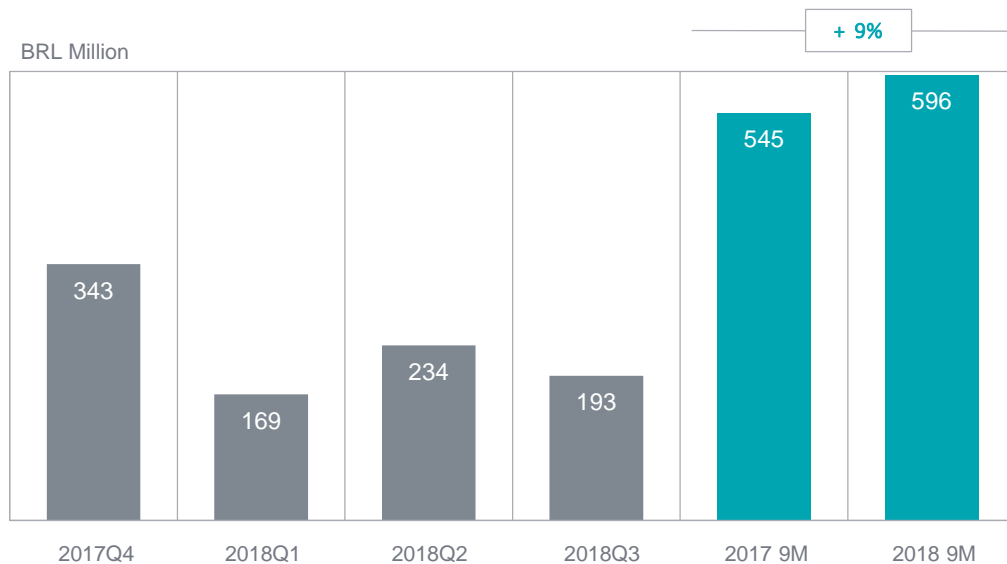
4 FINANCIAL PERFORMANCE

Total Assets and Loan Portfolio



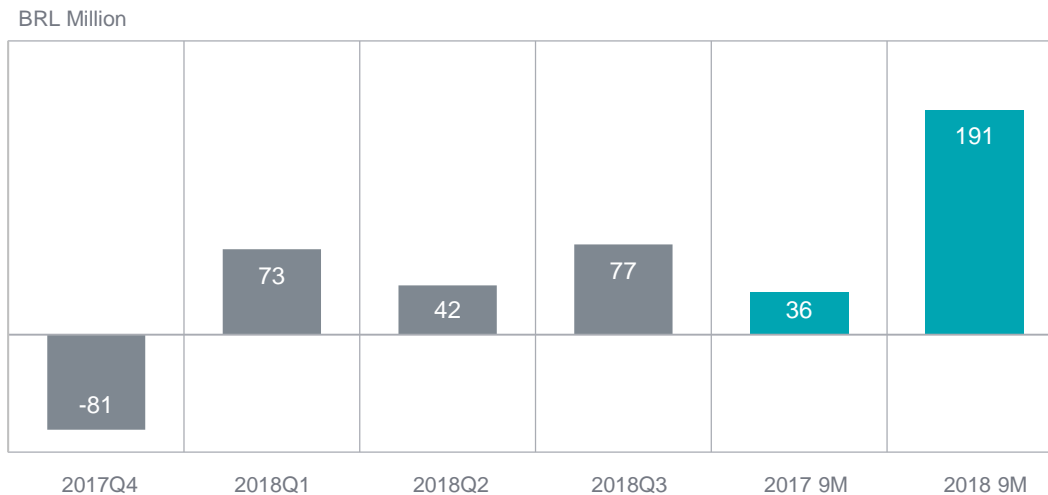
4 FINANCIAL PERFORMANCE

Financial Intermediation Income



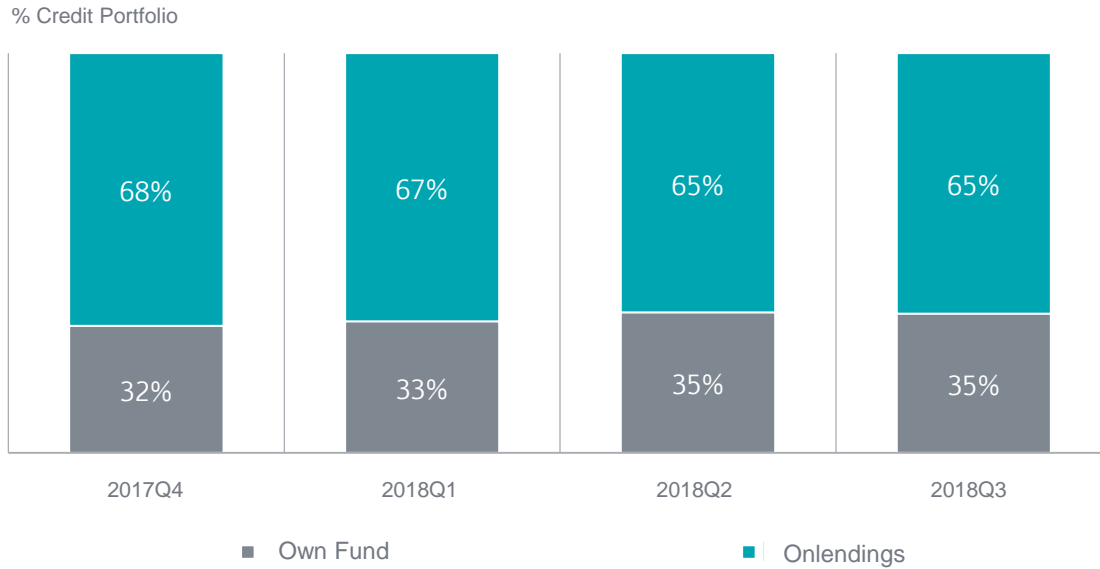
4 FINANCIAL PERFORMANCE

Gross Profit (Loss) from Financial Intermediation



4 FINANCIAL PERFORMANCE

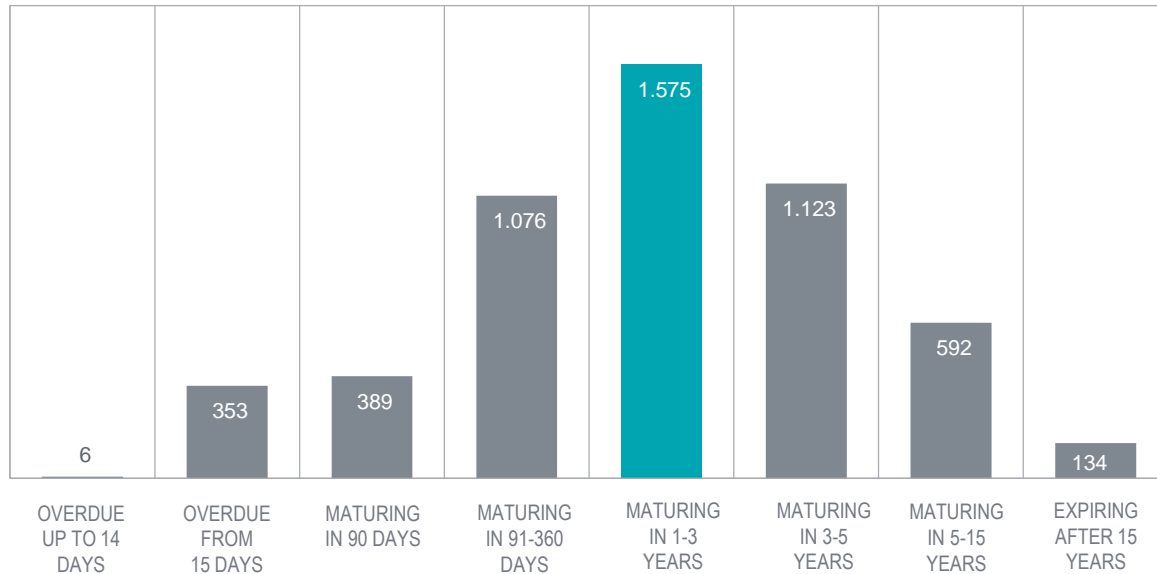
Loan Portfolio by Fund Category



4 FINANCIAL PERFORMANCE

Maturity of Loan Portfolio

BRL million (at Sep.,2018/30)



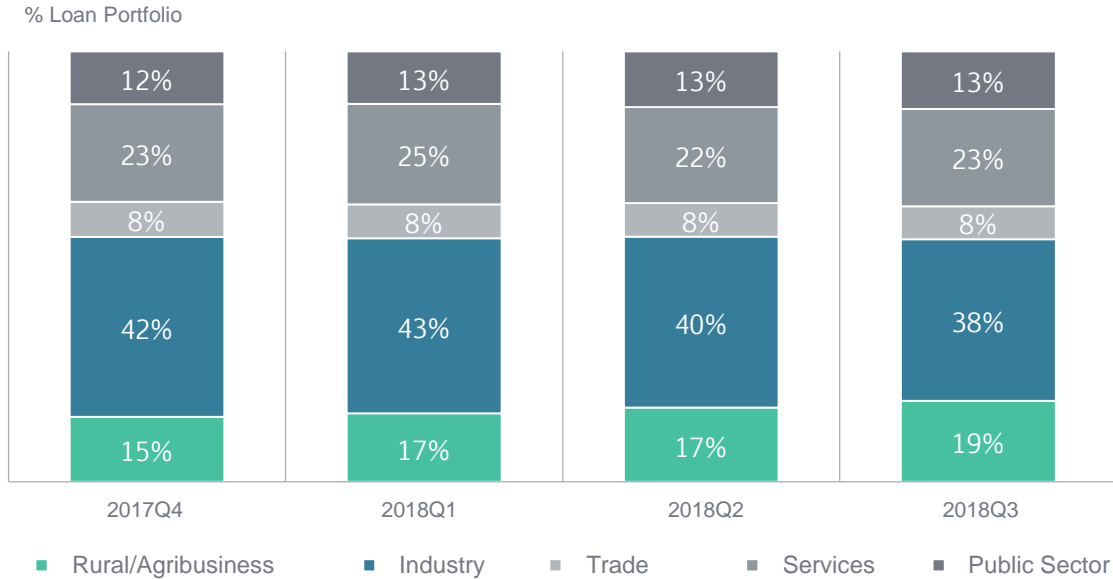
4 FINANCIAL PERFORMANCE

Concentration of Loan Portfolio



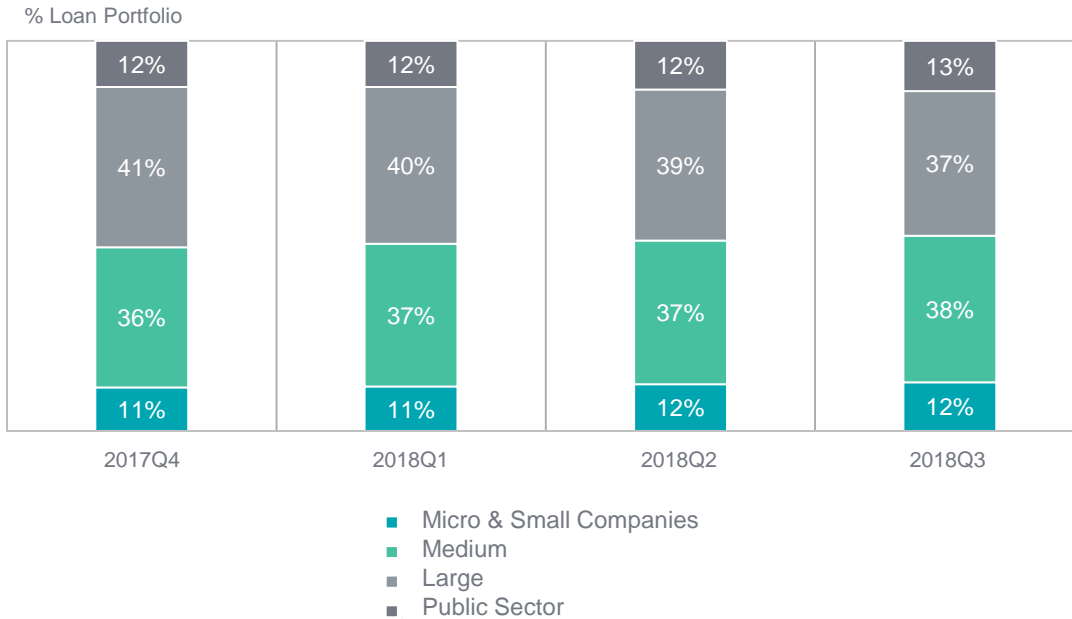
4 FINANCIAL PERFORMANCE

Loan Portfolio Breakdown by Sector



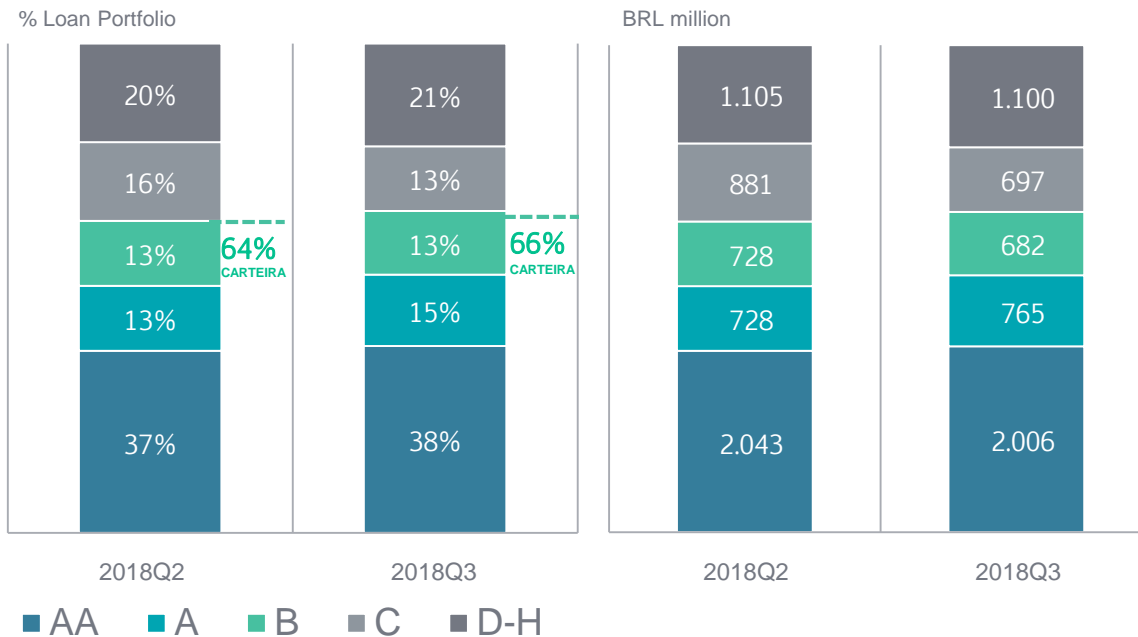
4 FINANCIAL PERFORMANCE

Loan Portfolio Breakdown by Client Size



4 FINANCIAL PERFORMANCE

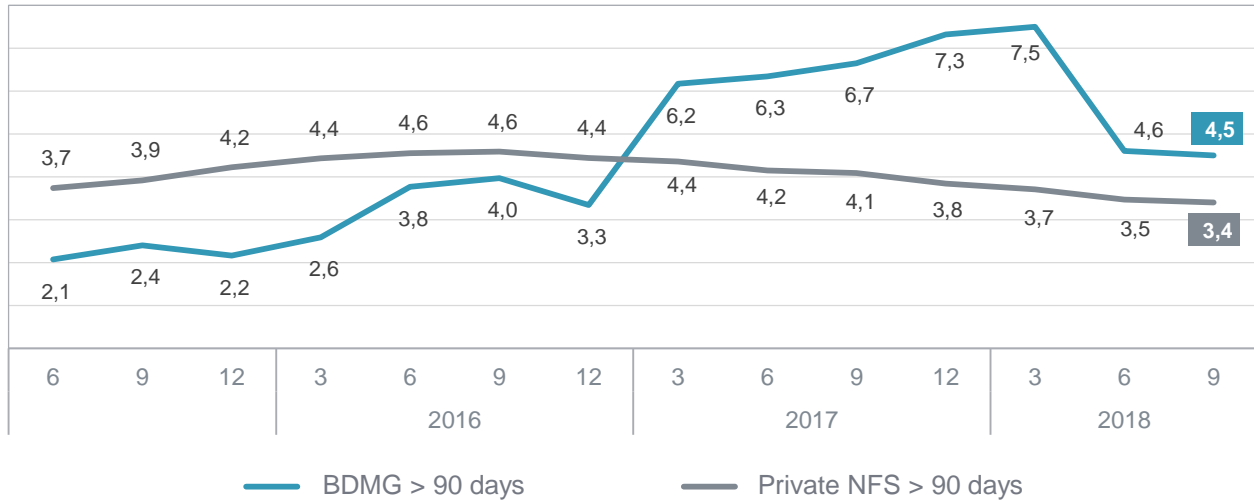
Loan Portfolio Breakdown by Risk Level



4 FINANCIAL PERFORMANCE

Delinquency Rate Evolution > 90 Days

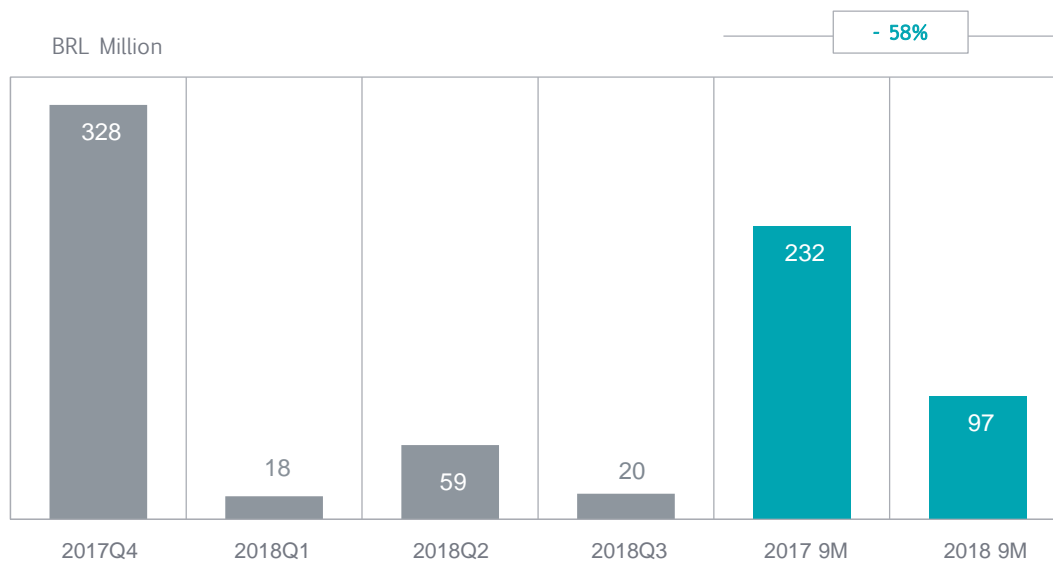
% Loan Portfolio



Coverage Index Delinquency > 90 days: 2,1 (Sep.,18)

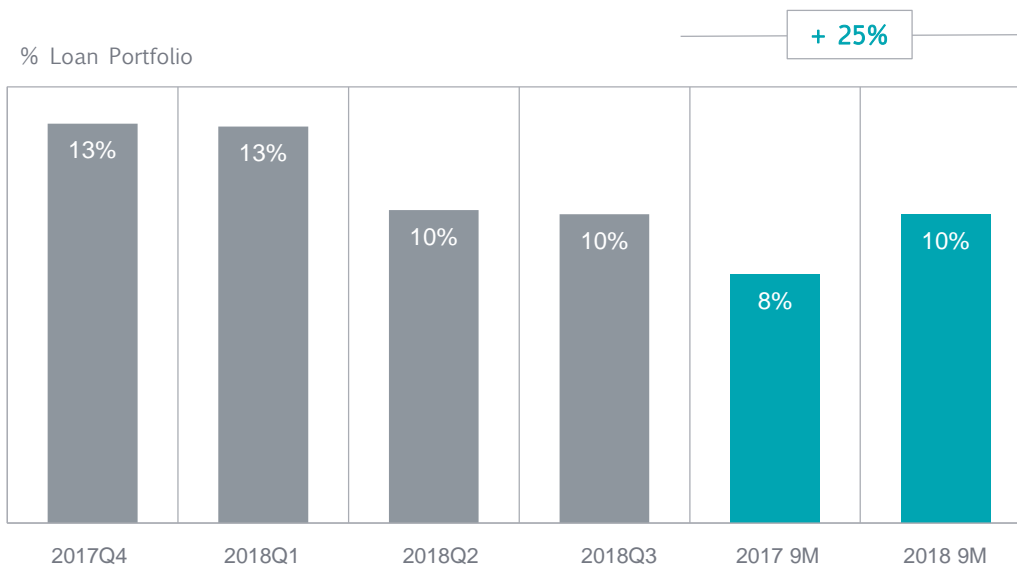
4 FINANCIAL PERFORMANCE

Loan Losses Expenses



4 FINANCIAL PERFORMANCE

Loan Losses Provision





4. FINANCIAL PERFORMANCE

Funding and Results

4 FINANCIAL PERFORMANCE

Onlending of Official Institutions

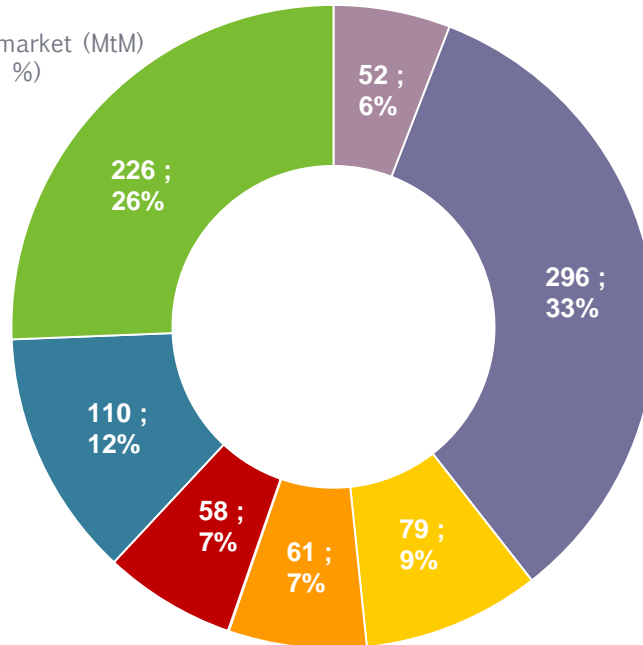
BRL million	2018 Q3	2017 Q4	(%)
BNDES	1.817	2.123	-14%
FINAME	1.173	1.379	-15%
Funcafé	290	239	21%
FINEP	108	98	10%
BNB	16	18	-11%
Others	43	32	34%
Total	3.447	3.889	-11%

4 FINANCIAL PERFORMANCE

Funding

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

As of Sep.,18



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

4 FINANCIAL PERFORMANCE

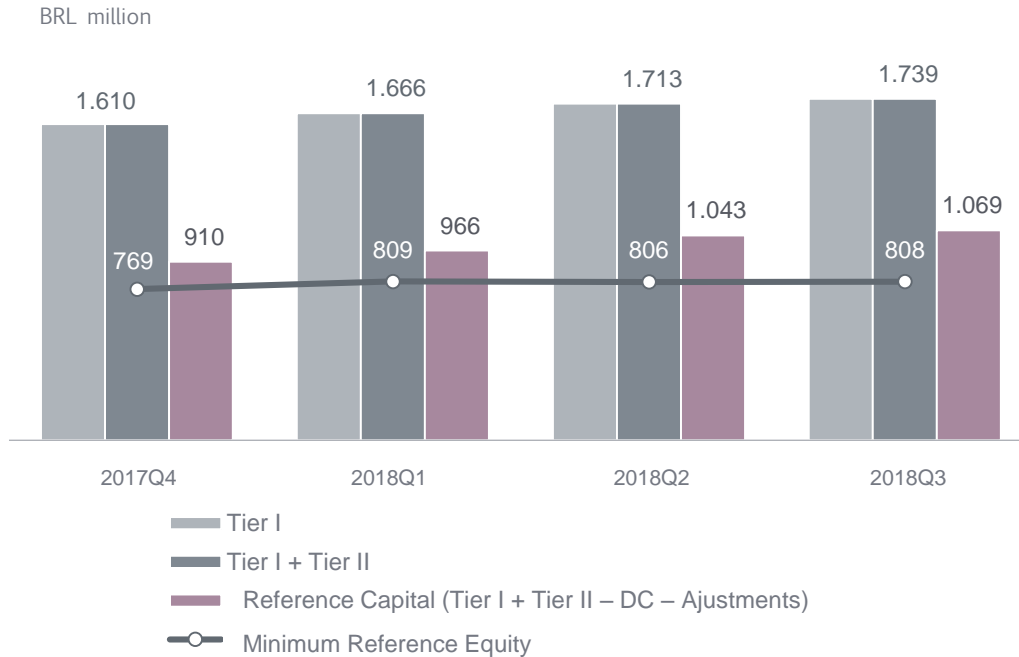


Capital Evolution

BRL million	2018 Q3	2017 Q4
Shareholders' Equity	1.753	1.629
Tier I Capital	1.919	1.906
Capital Increase	12	-
Profit Reserves	(84)	(107)
Accumulated Losses	(94)	(169)
Net Income (Losses)	76	(34)
Basel Index	17%	14%

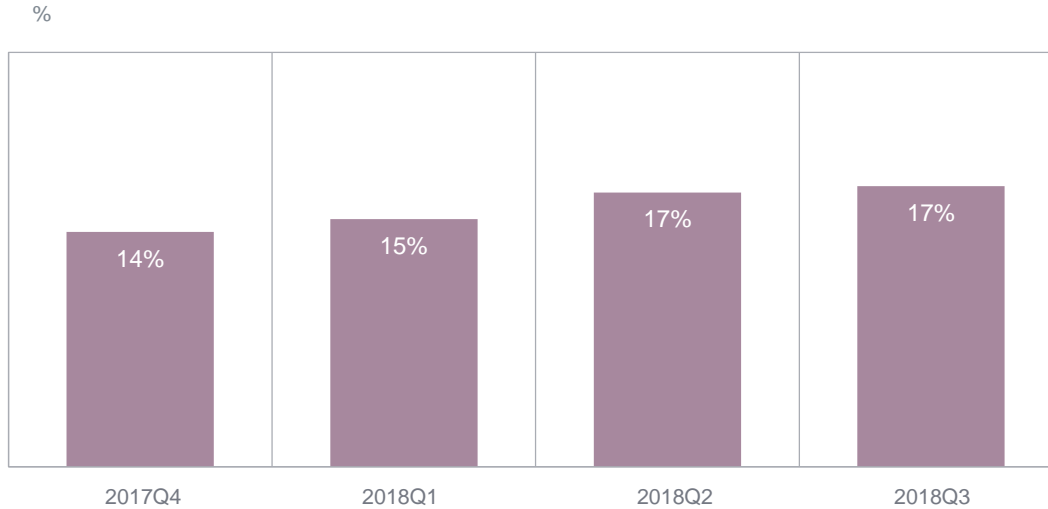
4 FINANCIAL PERFORMANCE

Reference Equity



4 FINANCIAL PERFORMANCE

Basel Index



4 FINANCIAL PERFORMANCE

Operational Limits

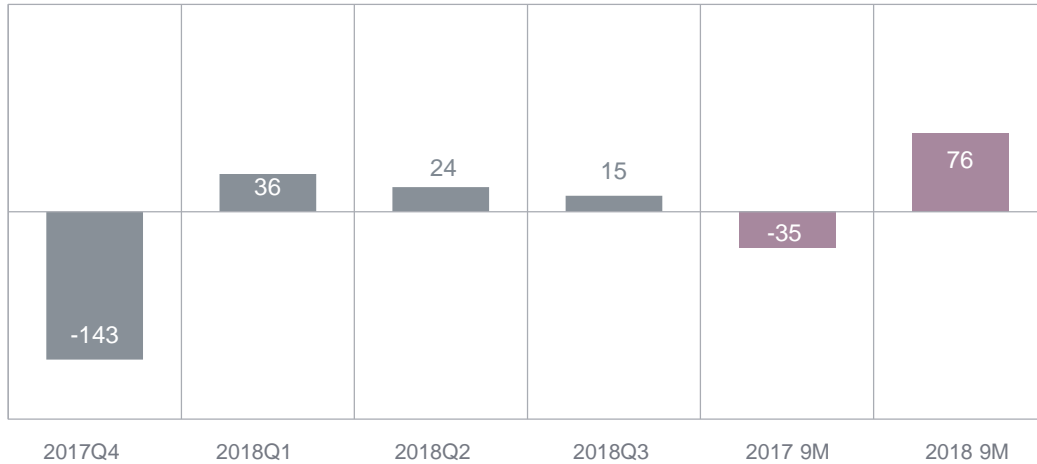
Statement of the calculation of the reference equity and Capital Ratios (BRL millions)	2018 Q3	2017 Q4
Shareholders' equity	1.753	1.629
Reference equity level I (RE level I) or Principal capital (PC) - (a)	1.739	1.610
Capital allocated to transactions with the public sector - (b)	670	700
Reference equity (RE) - (a-b)	1.069	909
All risk-weighted assets (RWA)	6.315	6.419
Credit risk (RWAcpad)	5.353	5.520
Market risk (RWAm pad)	293	235
Operational risk (RWAopad)	670	667
Part of the capital to cover for the non-negotiable portfolio interest rate risk (RWA Rban)	27	14
Minimum reference equity	808	769
Basel Index (RE/RWA)	16,9%	14,1%

4 FINANCIAL PERFORMANCE



Net Income

BRL million



**THE DEVELOPMENT
BANK OF MINAS GERAIS**

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