MOODY'S RATINGS

CREDIT OPINION
24 November 2025

Update

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RATINGS

Banco de Desenvolvimento de Minas Gerais S.A.

Domicile	Belo Horizonte, Minas Gerais, Brazil
Long Term CRR	Ba3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Issuer Rating	Not Available
Type	Not Available
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Banco de Desenvolvimento de Minas Gerais S.A.

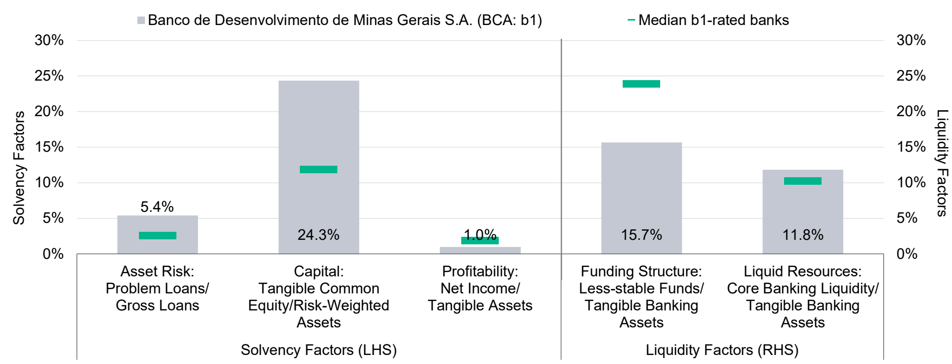
Update following rating affirmation; outlook remains positive

Summary

The B1 issuer rating of Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) reflects the bank's strong alignment and importance of its operations to the development policy of the State of Minas Gerais (B1 positive), its parent, and its limited geographic coverage. BDMG's b1 Baseline Credit Assessment (BCA) also incorporates a track record of high borrower concentration, despite recent efforts to diversify loans to micro and small companies, and a large volume of renegotiations and deferrals that add volatility to its asset-risk and profitability metrics. At the same time, the bank's financial profile acknowledges its robust capitalization that provides a buffer against asset risks, and its efforts around funding diversification that has been enhancing its liquidity profile.

BDMG's ratings outlook remains positive, reflecting the banks recent performance and execution, as well as the potential impact on its financial profile stemming from the strong economic activity in the state of Minas Gerais that will continue to support the bank's operations.

Exhibit 1
Rating Scorecard - Key financial ratios
As of June 2025



Note: Ratios are from Moody's banking scorecard. Capital ratio is as of most recent period; Asset Risk and Profitability ratios are the worse of the most recent year-to-date period or the average of the last three years and the most recent year-to-date; Funding Structure and Liquid Resources ratios are as of the most recent year-end.
Source: Moody's Ratings

Credit strengths

» Key role in the regional economic development program, which is fully aligned with the objectives of its owner, the State of Minas Gerais

» Very high capitalization levels

» High reserve buffers against unexpected increases in asset risk

» Funding stability and long term profile

Credit challenges

» Concentrated loan portfolio by geography and borrower, which poses higher risk to its asset quality

» Strained profitability because of its concentrated credit stream

Outlook

The positive outlook for BDMG reflects the bank's recent performance and execution, as well as the potential impact on its financial profile stemming from the strong economic activity in the state of Minas Gerais that will continue to support the bank’s operations.

Factors that could lead to an upgrade

An upgrade of the BDMG's ratings and assessments would be considered if the bank continues to report consistent growth in loan volumes origination while maintaining manageable problem loan ratios, preserving funding diversification and adequate profitability. In addition, the bank's ratings could face upward pressure if the ratings of the State of Minas Gerais were to be upgraded.

Factors that could lead to a downgrade

The bank's B1 issuer ratings have a positive outlook, and therefore, downward pressures are less likely at this point. However, a sudden change to BDMG’s financial fundamentals, including adverse selection that would build problem loans and/or unexpected capital reduction, could trigger the downgrade pressure to its standalone assessment currently at b1.

Key indicators

Exhibit 2
Banco de Desenvolvimento de Minas Gerais S.A. (Unconsolidated Financials) [1]

	06-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (BRL Million)	13,491.2	12,453.7	8,832.0	8,194.3	8,412.8	14.4[4]
Total Assets (USD Million)	2,471.9	2,015.9	1,818.2	1,552.0	1,508.7	15.2[4]
Tangible Common Equity (BRL Million)	2,103.9	2,009.0	1,868.9	1,981.4	1,844.4	3.8[4]
Tangible Common Equity (USD Million)	385.5	325.2	384.7	375.3	330.8	4.5[4]
Problem Loans / Gross Loans (%)	5.4	2.1	1.4	1.7	1.2	2.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	24.3	23.2	23.4	26.9	28.1	25.2[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.4	5.8	3.7	4.0	2.9	6.5[5]
Net Interest Margin (%)	4.3	5.2	6.2	5.2	4.3	5.0[5]
PPI / Average RWA (%)	3.2	2.6	3.2	2.6	3.8	3.1[6]
Net Income / Tangible Assets (%)	1.0	1.1	1.1	1.7	2.8	1.5[5]
Cost / Income Ratio (%)	51.8	56.8	50.4	56.7	40.9	51.3[5]
Gross Loans / Due to Customers (%)	193.6	187.0	446.2	503.2	768.2	419.7[5]
Core Banking Liquidity (Non-HQLA) / Tangible Banking Assets (%)	17.4	11.8	--	--	--	14.6[5]
Less-stable Funds (Non-LCR) / Tangible Banking Assets (%)	16.3	15.7	--	--	--	16.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Profile

Founded in 1962, Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) is a development bank owned by the State of Minas Gerais, with a mandate of fostering economic and social development in the region. BDMG provides financing to small, medium and large companies, as well as to municipalities.

Detailed credit considerations

Continued expansion of credit portfolio with efforts to reduce borrower concentration

With a policy mandate to be the development bank of the state of Minas Gerais, BDMG's business scope are geographically limited. Additionally, the long tenure of outstanding transactions also adds concentration at the borrower level. BDMG's top 20 borrowers represented 20.5% of the expanded loan book as of June 2025 (25% in 2024). The bank diversified its credit portfolio into micro&small companies and municipalities, in an effort to have a more granular customer base, although large companies remains with the largest share of loans (34% in 2024) and medium-sized companies with 23%. In the twelve months ended in June 2025, BDMG presented a 28% increase in its loan portfolio.

Problem loans, calculated as loans in arrears in the E to H risk categories according to local regulation, reached 2.1% in 2024, showing a deterioration relative to 2023's 1.4%, as a result of its moves towards attending riskier segments. Under the IFRS 9 standards[1] effective in 2025, Stage 3 loans accounted for 5.4% of total loans in June 2025, with allowances for loan losses covering 1.2x stage 3 loans. Rising asset risks are mitigated by the high collateralization of the banks' portfolio, including exposure to municipalities being fully collateralized by tax receivables from the federal and state governments. Noteworthy, the bank's renegotiated loans continued to increase recent quarters and accounted for 8.6% of the loan portfolio in June 2025, which could add asset-quality volatility.

Capitalization remains a cornerstone for BDMG's credit profile

BDMG's tangible common equity (TCE) to risk-weighted assets (RWA) ratio, Moody's preferred metric for capitalization, decreased to 24.3% in June 2025 from 25.7% in June 2024, reflecting the significant increase in the loan book. In this capital ratio, we deduct most deferred tax assets from capital. In Q2 2025, the bank's reported regulatory capital decreased to 23.7% from 24.7% in Q2 2024, remaining comfortably above the minimum system requirement.

Relatively stable profitability with lower margins and controlled costs

In H1 2025, BDMG's profitability, as measured by net income to tangible assets, remained stable at 1.0%, that compares to 1.1% in H1 2024. The bank continued to benefit from recoveries higher than provision expenses, as the Central Bank regulation allowed provisions associated with the accounting standards change to be recognized directly in capital. A decrease in the net interest margin was mitigated by cost controls that lead to a 0.3% year-over-year decrease in operating expenses. Looking forward we expect the bank's profitability to benefit from BDMG's loan book expansion.

BDMG has historically reported volatile and relatively low profitability metrics, compared to peers, partially explained by its mandate to support local companies' long-term financing needs in the state of Minas Gerais. This earnings profile is incorporated in the assigned score for profitability. In H1 2025, net income to tangible assets remained roughly flat at 1%, with a decline in net interest margin mitigated by lower cost. Looking forward, we expect profitability gradually to improve benefiting from loan book expansion.

Improving funding diversification is positive

Since 2016, the bank has been successfully diversifying its funding base by accessing local capital markets and foreign resources. Although BNDES remained the single largest provider, these resources accounts for about 15% of total funding, in June 2025, falling from more than 20% in 2024 and 75% in 2017. In June 2025, international funding facilities grew 67% year-over-year, from BRL 1.6 billion to BRL 2.7 billion, provided by six multilateral agencies, which represented 27.2% of total funding. Term deposits increased 33.4% year-over-year in June 2025, and the bank has BRL388 million in financial bills in the local market, with an average maturity of 2.2 years. This combination of government related funds, multilateral agencies and market funds provide adequate tenor profile and diversification to BDMG's operations. The bank also had BRL1.8 billion of special deposits stemming from the legal settlement of two judicial disputes following a dam failure in Minas Gerais. The bank will oversee disbursements of funds of around BRL10 billion over a 15 year period. BDMG's less stable funds to tangible assets stands at 16.3% as of H1 2025.

Adequate liquidity supports BDMG sustained growth

In June 2025, core banking liquidity to tangible banking assets stands at 17.4%, remaining at an adequate level to cope with the bank's growth strategy. The vast majority of BDMG's liquid assets were comprised by Brazilian government bonds or reverse repos backed by government securities reflecting the bank conservative management of its liquidity.

Notably, BDMG manages the funds related to the legal settlement of two judicial disputes following a dam failure in Minas Gerais. The bank will oversee the disbursement of approximately BRL 10 billion over a 15-year period. As of Q2 2025, the deposits and government securities totaled BRL 1.8 billion, consisting of a ring-fenced fund made up of government securities associated with the bank's special deposits, which cannot be used as liquidity. We factor this restriction into our liquidity assessment of the bank.

Qualitative adjustments

As a state-owned development bank, BDMG has an inherent geographic concentration in Minas Gerais and a limited business scope. To capture these risks, we apply two notches of negative qualitative adjustment in business and geographic diversification.

BDMG's credit profile reflects Brazil's Moderate Macro Profile

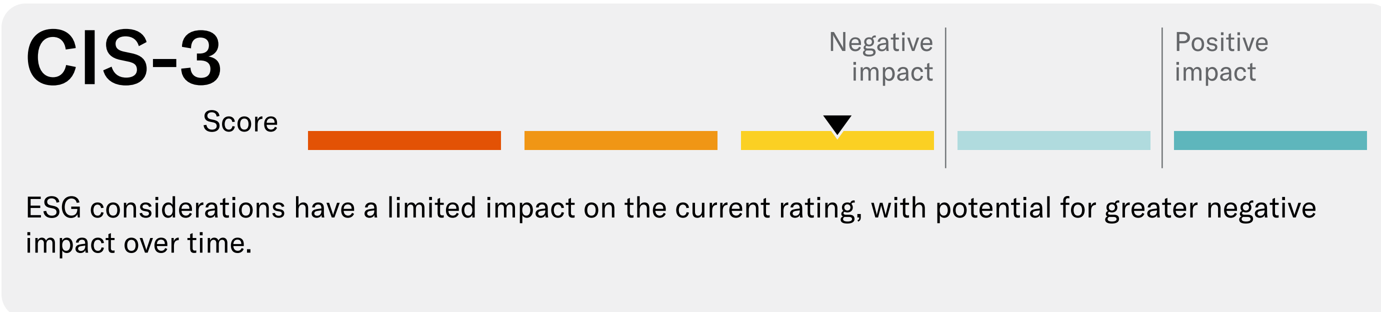
Brazil's (Ba1 stable) Macro Profile of “Moderate” is supported by the country's large and highly diversified economy with limited exposure to external financing risks. It also incorporates improvements in the business environment for banks from recent reforms, including the independence of the central bank; the state-owned company law with focus on improving corporate governance; the labor reform; and a collateral framework that reduced uncertainties about judicial disputes and the potential for political intervention in the financial system. We forecast real GDP growth of 2% in 2025 and 2026, after growing around 3.0% in the previous three years.

Our assessment acknowledges the current momentum as Brazil's banking system moves out of the credit cycle's downturn, with declining but still-high delinquency ratios and high household indebtedness amid tighter liquidity on global capital markets. These challenges will continue to pressure credit conditions ahead.

ESG considerations

Banco de Desenvolvimento de Minas Gerais S.A.'s ESG credit impact score is CIS-3

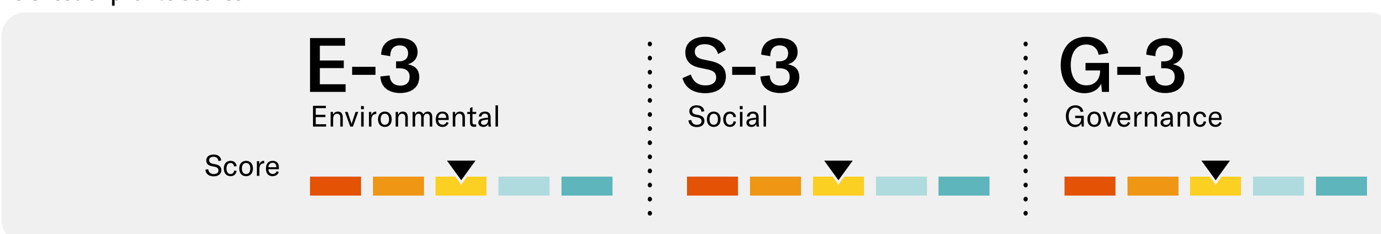
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

BDMG's **CIS-3** reflects the limited credit impact of environmental and social factors on the rating to date. The **CIS-3** also reflects possible increase in corporate governance risks over time because of concentrated government ownership and the high potential for senior manager turnover every four years upon changes of gubernatorial administration.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

BDMG faces moderate exposure to environmental risks because of its portfolio exposure to carbon transition and physical climate risks associated with agricultural and industrial loans in the State of Minas Gerais.

Social

BDMG faces moderate industrywide social risks related to customer relations. The bank plays an important role in developing and providing long-term financing to companies in the local economy. Moreover, BDMG also has credit lines to support borrowers through climate catastrophes in the State of Minas Gerais.

Governance

BDMG's governance risks are moderate, mostly reflecting the bank's concentrated ownership by the government of the State of Minas Gerais and the potential of political interference in management. BDMG's CEO is appointed by the governor of the State of Minas Gerais and vetted by the central bank, which results in potential replacement every four years.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Notching considerations

In the absence of a bail-in resolution regime framework in Brazil, the ratings of subordinated debts, bank hybrids and contingent capital securities follow the Additional Notching Guidelines in accordance with our Banks rating methodology. In these cases, the approach takes into account other features specific to debt classes, resulting in additional notching from the Adjusted BCA of the issuer.

Affiliate support

We believe there is a high probability of affiliate support for BDMG from the State of Minas Gerais. This assessment reflects Minas Gerais' full ownership of the bank. Given Minas Gerais' ratings, when the Joint Default Analysis is applied, BDMG's Adjusted BCA doesn't receive any notch of uplift from its BCA.

Government support

We believe there is a low likelihood of federal government support for BDMG's debt, which reflects the bank's small share of deposits and assets in Brazil's banking system.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for instance, swaps), letters of credit, guarantees and liquidity facilities.

The bank's CR Assessment is positioned one notch above its Adjusted BCA and, therefore, above its issuer rating, reflecting our view that its probability of default is lower for operating obligations than for deposits. The CR Assessments of BDMG do not benefit from government support.

Counterparty Risk Ratings (CRRs)

Our CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

BDMG's global local- and foreign-currency CRRs are positioned one notch above the bank's Adjusted BCA, reflecting the lower probability of default of CRR liabilities and our expectation of a normal level of loss given default.

Methodology and scorecard

About Moody's Bank scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in Rating Committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5
Rating Factors

Macro Factors							
Weighted Macro Profile	**Moderate**	**100%**					

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	5.4%	ba2	↔	ba3	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	24.3%	a2	↔	baa3	Expected trend	
Profitability						
Net Income / Tangible Assets	1.0%	ba1	↔	ba1	Earnings volatility	
Combined Solvency Score		baa2		ba1		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	15.7%	baa1	↔	ba1	Limited market access	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	11.8%	ba2	↔	ba2	Expected trend	
Combined Liquidity Score		baa3		ba1		
Financial Profile		baa2		ba1		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				-2		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				-2		
Sovereign or Affiliate constraint				Ba1		
BCA Scorecard-indicated Outcome - Range				ba2 - b1		
Assigned BCA				b1		
Affiliate Support notching				-		
Adjusted BCA				b1		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	ba3	0	Ba3	Ba3
Counterparty Risk Assessment	1	0	ba3 (cr)	0	Ba3(cr)	
Senior unsecured bank debt	0	0	b1	0	B1	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A.	
Outlook	Positive
Counterparty Risk Rating	Ba3/NP
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	b1
Counterparty Risk Assessment	Ba3(cr)/NP(cr)
Issuer Rating -Dom Curr	B1
ST Issuer Rating -Dom Curr	NP
PARENT: MINAS GERAIS, STATE OF	
Outlook	Positive
Baseline Credit Assessment	caa1
Issuer Rating	B1

Source: Moody's Ratings

Endnotes

1 Resolution CMN No 4,966.

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