CREDIT OPINION

24 September 2025

Update

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Banco de Desenvolvimento de Minas Gerais S.A.

Update to credit analysis

Summary

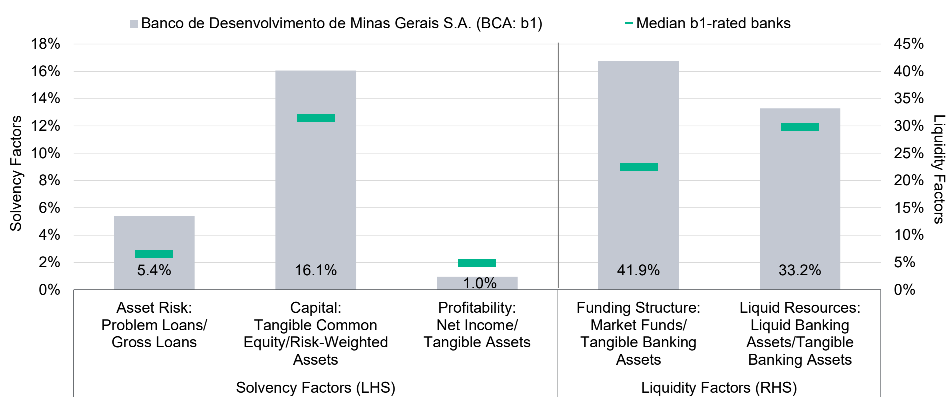
The B1 issuer rating of Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) reflects the bank's entrenched operations in its regional market, as well as the strong alignment and importance of its operations to the development policy of the State of Minas Gerais (B1 positive), its parent. BDMG's b1 Baseline Credit Assessment (BCA) is supported by the credit fundamentals that reflect its borrower concentration stemming from the focus on medium and large enterprises, despite its recent efforts to diversify loans to micro and small companies, and geographical concentration in the state of Minas Gerais. The credit profile also reflects the bank's historically large volume of renegotiations and deferrals that may add volatility to its asset-risk and profitability metrics. At the same time, the bank's rating assessments reflect its robust capitalization that provides a buffer against asset-risk deterioration, and its successful efforts to diversify funding stream by accessing funding from several multilateral agencies and other domestic instruments.

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 30 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

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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EMEA	44-20-7772-5454

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

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	2,009.1	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 (%)	16.1	17.7	23.4	26.9	28.1	22.4[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 (%)	2.2	2.5	3.2	2.6	3.8	2.9[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]
Market Funds / Tangible Banking Assets (%)	44.0	43.0	46.4	46.9	54.8	47.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	36.7	33.2	22.9	22.6	23.5	27.8[5]
Gross Loans / Due to Customers (%)	193.6	194.0	446.2	503.2	768.2	421.1[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.

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

Expansion of credit portfolio continues with a decrease in borrower concentration risk

BDMG's loan portfolio has traditionally been geographically concentrated because of its footprint and mission in Minas Gerais, which can expose the bank to asset-quality volatility. 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, although lower if compared with the 25.0% one year earlier. The bank diversified its credit portfolio into micro&small companies and municipalities, in an effort to have a more granular customer base. As of December 2024, micro&small accounted for 27% of the expanded loan portfolio and municipalities for 11%, from 24% and 10% respectively in the prior year. However, large companies continued representing the largest share of loans with 34%. Medium-sized companies with 23% and onlending with 5% completed the portfolio. In the twelve months ended in June 2025, BDMG presented a 28.0% increase in its loan portfolio, as the bank accelerated disbursements in still strong operating conditions in Minas Gerais.

Problem loans, calculated for all periods up to 2024 as loans in arrears in the E to H risk categories according to local regulation, reached 2.1% in December 2024 from 1.4% as of December 2023, in line with the bank's expansion into riskier segments. In light of the revised Brazilian accounting standards[1] effective in 2025, Moody's changed the definition of problem loans to stage 3 loans. As of June 2025, the new problem loan ratio was 5.4%. Allowances for loan losses covered 1.2x problem loans as of the same period, mitigating any asset quality deterioration. Furthermore, BDMG's portfolio is highly collateralized, such as the exposure to municipalities being fully collateralized by tax receivables from the federal and state governments. Noteworthy, the bank's renegotiated loans have decreased in recent quarters but still represented a high 8.6% of the loan portfolio and could lead to asset-quality volatility.

The Asset Risk score factors in both the geographic concentration in Minas Gerais and the still-high borrower concentration, despite the bank's efforts to build a more diversified loan stream. Going forward, we expect BDMG to continue the loan portfolio growth leveraging on its funding diversification and adding asset risk, although the strategy will be supported by Minas Gerais' solid economic performance.

Despite capital consumption, capitalization remains a cornerstone for BDMG's credit

BDMG's tangible common equity (TCE) to risk-weighted assets (RWA) ratio, Moody's preferred metric for capitalization, decreased to 16.1% in June 2025 from 20.4% in June 2024, reflecting the significant increase in the loan book and liquidity allocation to government securities. In this capital ratio, we adjust the risk weights of the bank's government securities holdings, in line with Brazil's sovereign rating, and 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, fell slightly to 1.0%, from 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 profitability metrics as part of its concentration on credit income and social mandate of supporting long-term financing business to companies in the state of Minas Gerais. The assigned score incorporates this volatility on earnings generation.

Increase in multilateral and local funding has continued to lessen the reliance on BNDES onlending

BDMG raises funds mainly from official institutions and programs that provide resources to finance projects in the state of Minas Gerais. As of June 2025, Banco Nacional de Desenvolvimento Economico e Social (BNDES, Ba1 stable, ba1)[2] remained the largest provider with BRL1.5 billion, which accounted for 15.3% of total funding in June 2025, versus 22.6% in June 2024 and 75.0% in 2017.

Since 2016, the bank has successfully diversified its funding stream through its access to other local and foreign resources, which may also lead to higher funding costs. International funding amounted to BRL2.7 billion, 27.2% of total funding, sourced by six multilateral agencies — Corporación Andina de Fomento (CAF, Aa3 positive), Agence Française de Développement (AFD), European Investment Bank (EIB, Aaa stable), Plata Basin Financial Development Fund (A2 stable), Inter-American Investment Corporation - BID Invest (Aa1 stable) and Asian Infrastructure Investment Bank (AIIB, Aaa stable). The balance corresponding to CAF represented 51.1% of the total, EIB accounted for 27.4%, Plata Basin for 6.8%, AIIB for 5.9%, BID for 4.9% and AFD for 3.9%. In the local market, the bank has funded resources through term deposits and financial bills, which totaled BRL2.3 billion and BRL388 million respectively as of June 2025.

Despite the fact that BNDES' funds were key in supporting BDMG's credit expansion in the past, the bank's access to alternative funding sources will support a longer liability structure amid lower dependence on the federal development bank's lending policies.

Marginally lower liquidity following portfolio growth

As of June 2025, our preferred liquidity metric, adjusted liquid banking assets to tangible banking assets, fell slightly to 23.4% from 25.8% a year earlier, reflecting the portfolio growth, but remained adequate for BDMG's planned expansion. We adjust the ratio to exclude ring-fenced government securities that cannot be used as liquidity. These securities are related to funds deposited at the bank stemming from the legal settlement of two judicial disputes following a dam failure in Minas Gerais. The bank will oversee disbursements of funds that will total around BRL10 billion over a 15 year period. As of Q2 2025, the deposits and government securities were BRL1.8 billion.

Around 92% of BDMG's adjusted liquid banking assets were Brazilian government bonds or reverse repos backed by government securities. We expect BDMG's liquidity to decrease as funds are disbursed.

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.

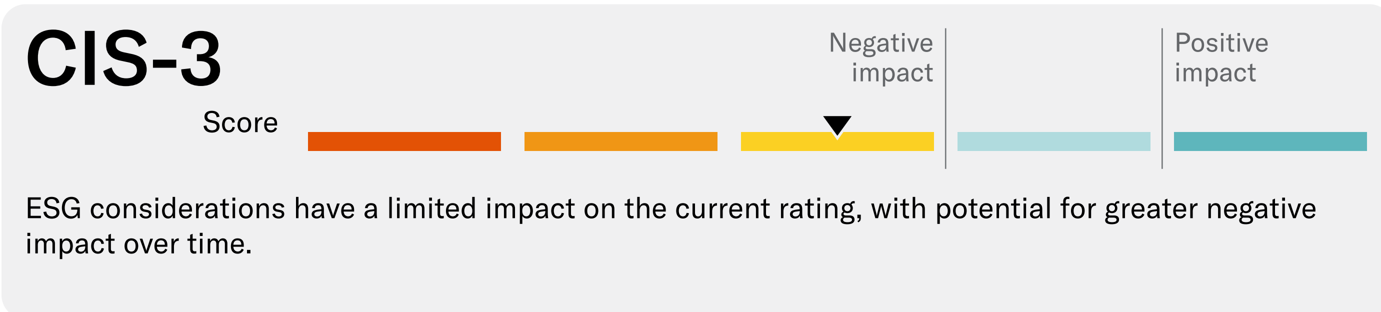
Our assessment acknowledges the current momentum as Brazil's banking system moves out of the credit cycle's downturn, with declining but still-high delinquency ratios and high household indebtedness amid tighter liquidity on global capital markets. These challenges will continue to pressure credit conditions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

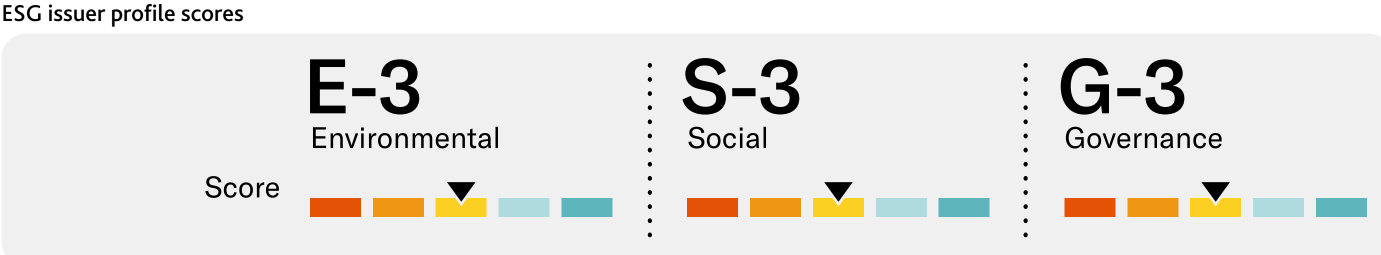


Source: Moody's Ratings

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	Geographical concentration	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.1%	a3	↔	ba1	Expected trend	
Profitability						
Net Income / Tangible Assets	1.0%	ba1	↔	ba3	Earnings quality	
Combined Solvency Score		baa3		ba2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	43.0%	b3	↔	b3	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	33.2%	baa2	↔	ba1		
Combined Liquidity Score		ba3		b1		
Financial Profile		ba1		ba3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				-		
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.

2 The ratings shown are long term local currency deposit rating and Baseline Credit Assessment).

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