

Banco de Desenvolvimento de Minas Gerais S.A.

December 4, 2025

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: b+			Support: 0		Additional factors: 0	
Anchor	bb+		ALAC support	0	Issuer credit rating 	

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Sound capitalization with capital ratios above those of peers.	Challenging conditions in the Brazilian midsize corporate sector.
Prudent liquidity management with well-defined policies to mitigate asset-liability mismatches.	Renegotiated loans still high despite improvement, increasing asset quality risk.
Solidifying relationships with foreign multilateral lending agencies, given the bank's development role.	Funding concentration among institutional investors, despite efforts to decrease share of BNDES' funding.

We expect the bank will maintain its relevance as an economic development agent in Minas Gerais for the next 12 months, but the risks associated with its geographic concentration remain. Focused on providing working capital and long-term loans to local companies and

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municipalities, Banco de Desenvolvimento de Minas Gerais S.A.(BDMG) supports companies and projects with socioeconomic impact, such as agribusinesses and small and midsize enterprises (SMEs). We believe that its importance to the region's economic development supports its business volume but also limits its market position and exposes it to local and sector-specific shocks.

Although BDMG has made progress in strengthening its presence in Minas Gerais municipalities, its profitability remains below the sector average, with a return on equity (ROE) of 5%-7% over the past three years. We believe the institution will continue to expand its business operations but still face challenges in improving profitability.

BDMG will likely maintain stable operational performance as it expands its operations, even amid the fragility of Minas Gerais' economy. In the first half of 2025, the bank's accumulated net profit reached Brazilian real (R\$) 64.1 million with an annualized ROE of 5.6%. The loan portfolio grew by 15% over the 12 months ended June 2025, reaching R\$8.1 billion. Large companies represent nearly half of the entity's credit operations, which has increased resilience in revenue. Nevertheless, adverse macroeconomic conditions in Brazil, particularly in Minas Gerais, could affect part of the portfolio, with greater vulnerability among SMEs potentially compromising revenue predictability.

Capitalization is stronger than peers', with a forecast risk-adjusted capital (RAC) ratio of 10.5%-12.5% for the next two years. In December 2024, the RAC ratio was 10.9%. Furthermore, we believe the bank's capital levels remain robust, with a regulatory ratio at 23.7% as of June 2025.

Client concentrations and the bank's high percentage of renegotiated loans remain risks.

During the COVID-19 pandemic, BDMG offered various credit lines and moratoria that led renegotiated loans to peak at 32.5% in December 2020, compared with 20% in 2019. Since then, continuous portfolio monitoring and the revision of internal policies have reduced this indicator to 10.7% as of June 2025.

Although portfolio monitoring and the bank's collateral structure mitigate some credit risk, adverse macroeconomic conditions for medium-size companies, combined with operational renegotiations and debtor concentrations above the sector average, pressure the risk position. As of June 2025, the bank's 20 largest debtors represented 21% of the portfolio. Despite this, the entity has demonstrated its ability to maintain asset quality: The nonperforming loan (NPL) ratio was 1.3% as of June 2025.

BDMG's diversified funding supports the financing of its operations. As of June 2025, its funding totaled R\$9.6 billion, up 60% compared with the previous 12 months. We believe the funding structure is diversified by source and maturity, with approximately 28% originating from multilateral banks, 28% from Banco Nacional de Desenvolvimento Econômico y Social (BNDES) transfers, and the remaining 44% consisting of deposits, LCAs (letras de crédito do agronegócio), and LCDs (letras de crédito de desenvolvimento).

The entity benefits from financing lines from multilateral organizations and local funding, including the recent possibility of issuing LCDs that aim to support strategic projects. However, we also think that funding from institutional investors may present a slightly higher risk than retail funding, due to lower client diversification.

Outlook

The stable outlook reflects S&P Global Ratings' view that the ratings will be unchanged for the next 12 months. Despite the bank's high growth prospects, we expect its capital ratios to remain above the industry average, with adequate liquidity and stable financial performance. Even in a challenging economy, we do not expect BDMG's portfolio to materially deteriorate in the next 12 months.

Downside scenario

We could downgrade BDMG if corporate conditions significantly declined and hurt asset quality beyond our expectations. Additionally, an increase in renegotiated loans, accompanied by rising NPLs, could prompt a downgrade. A decline in the bank's RAC ratio to consistently below 10% could also lead us to lower the ratings.

Upside scenario

We believe raising the global scale rating is unlikely in the next 12 months.

Key Statistics

Banco de Desenvolvimento de Minas Gerais S.A. key figures

(Mil. R\$)	2025*	2024	2023	2022	2021
Adjusted assets	13,439	12,403	8,800	8,170	8,393
Customer loans (gross)	7,564**	6,796	6,095	5,800	5,828
Adjusted common equity	1,973	1,932	1,773	1,863	1,735
Operating revenues	301	628	655	563	678
Noninterest expenses	186	388	439	308	266
Core earnings	61	134	94	139	234

*2025 data is for the 6 months to end-June. **From 2025 onward, the customer loans balance includes securities with credit-granting characteristics. Without this effect, the loan portfolio in June 2025 would have been R\$6.6 billion. R\$--Brazilian real.

Banco de Desenvolvimento de Minas Gerais S.A. business position

(%)	2025*	2024	2023	2022	2021
Loan market share in country of domicile	0.1	0.1	0.11	0.1	0.1
Return on average common equity	5.6	6.1	4.5	6.7	11.5

*2025 data is for the 6 months to end-June.

Banco de Desenvolvimento de Minas Gerais S.A. capital and earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	23.7	21.4	24.1	27.6	24.9
S&P Global Ratings' RAC ratio before diversification	N/A	10.9	13.0	13.3	11.3
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	94.8	91.9	91.7	90.1	81.8
Fee income/operating revenues	4.9	6.4	5.5	7.3	5.7
Cost-to-income ratio	61.9	61.8	67.1	54.8	39.2

Banco de Desenvolvimento de Minas Gerais S.A.

Banco de Desenvolvimento de Minas Gerais S.A. capital and earnings

Preprovision operating income/average assets	1.8	2.3	2.5	3.1	4.9
Core earnings/average managed assets	0.9	1.3	1.1	1.7	2.8

*2025 data is for the 6 months to end-June.

Banco de Desenvolvimento de Minas Gerais S.A. risk position

(%)	2025*	2024	2023	2022	2021
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	39.9	36.9	40.3	36.8
Total managed assets/adjusted common equity (x)	6.8	6.5	5.0	4.4	4.9
New loan loss provisions/average customer loans	0.1	0.9	1.1	1.0	1.9
Net charge-offs/average customer loans	(0.5)	(0.4)	(0.1)	(1.5)	(1.9)
Gross nonperforming assets/customer loans + other real estate owned	1.3	1.3	0.9	1.1	1.2
Loan loss reserves/gross nonperforming assets	491.5	644.5	1,041.6	969.0	835.1

*2025 data is for the 6 months to end-June.

Banco de Desenvolvimento de Minas Gerais S.A. funding and liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	41.5	43.1	25.95	23.5	15.6
Long-term funding ratio	89.9	90.8	87.1	85.1	89.5
Stable funding ratio	129.2	132.1	98.7	96.3	97.7
Short-term wholesale funding/funding base	12.4	11.5	17.9	21.4	14.9
Broad liquid assets/short-term wholesale funding (x)	4.1	4.5	2.3	1.8	2.7
Broad liquid assets/total assets	37.0	36.8	24.9	22.6	23.4
Broad liquid assets/customer deposits	122.3	119.7	157.6	159.1	259.5
Short-term wholesale funding/total wholesale funding	21.1	20.3	24.2	28.0	17.7

*2025 data is for the 6 months to end-June.

Rating component scores

Issuer credit rating	B+/Stable/--
SACP	b+
Anchor	bb+
Business position	Constrained (-2)
Capital and earnings	Strong (1)
Risk position	Moderate (-1)
Funding and liquidity	Moderate and Adequate (-1)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

Rating component scores

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Tear Sheet: Banco de Desenvolvimento de Minas Gerais S.A. - BDMG](#), Nov. 25, 2024
- [Research Update: Banco de Desenvolvimento de Minas Gerais S.A. Upgraded To 'B+' On Decrease In Renegotiated Loans; Outlook Stable](#), Nov. 18, 2024

Ratings Detail (as of November 26, 2025)*

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG	
Issuer Credit Rating	B+/Stable/--
Issuer Credit Ratings History	
18-Nov-2024	B+/Stable/--
19-Dec-2019	B/Stable/--
06-Dec-2018	B/Negative/--
Sovereign Rating	
Brazil	BB/Stable/B
<i>Brazil National Scale</i>	brAAA/Stable/--
Related Entities	
Minas Gerais (State of)	
Issuer Credit Rating	B-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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