



Financial Report

BDMG 2019 2Q

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1. MINAS GERAIS

OVERVIEW

21 MILLION INHABITANTS

[2018]

Similar to Australia

2nd most populous state of Brazil

LARGER THAN FRANCE AND GERMANY

In Territorial extension

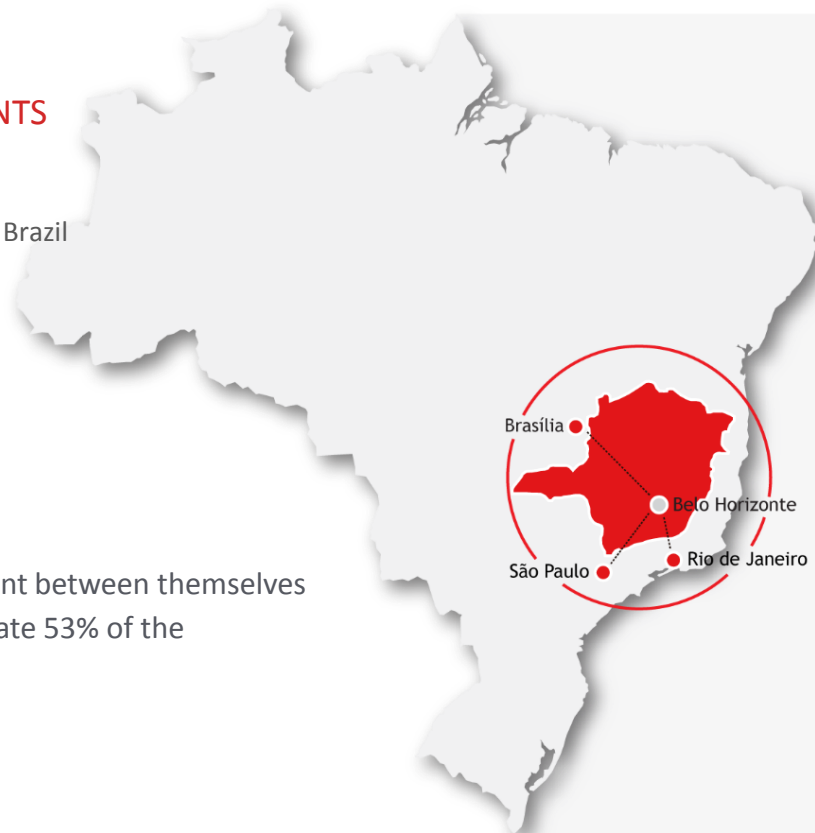
Total area of 586.5 km²

4th largest state in Brazil

853 MUNICIPALITIES

and 12 regions very different between themselves

50 municipalities concentrate 53% of the population



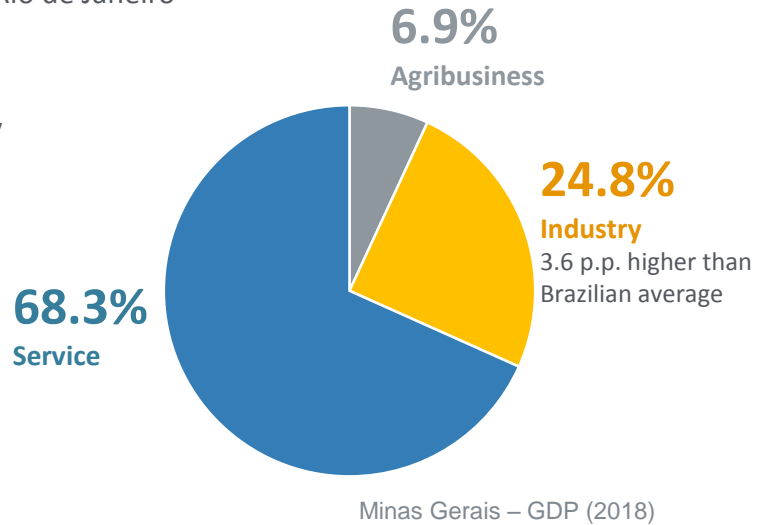
ECONOMY



3rd LARGEST GDP
 between Brazilian states: USD 149.62 billion* [2018]
 Behind only São Paulo and Rio de Janeiro



2nd LARGEST INDUSTRY
 11.6% of Brazilian industry



Sources: FJP, IBGE, PNADC (T)

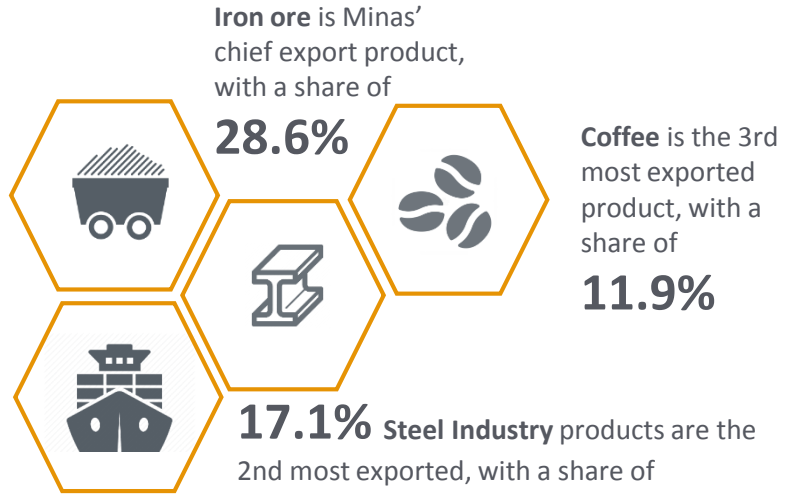
* Exchange rate: BRL/USD 4,00, on May 15th ** AV at 2016's prices

FOREIGN TRADE



3rd LARGEST EXPORTER
10% of all exports from Brazil

Minas Gerais exported about **USD 24 billion** (FOB value) in 2018



MG Exports destination:



28.1%
China



7.5%
US



6.1%
Netherlands

LATIN AMERICAN STATES OF THE FUTURE 2018/19

2nd

Top 10: FDI Strategy Editors' Choice Award

5th

Top 10 major States: human capital and lifestyle

6th

Top 10: human capital and lifestyle overall

7th

Top 10 major States: cost effectiveness

19th

Top 25: overall



2. INSTITUTIONAL

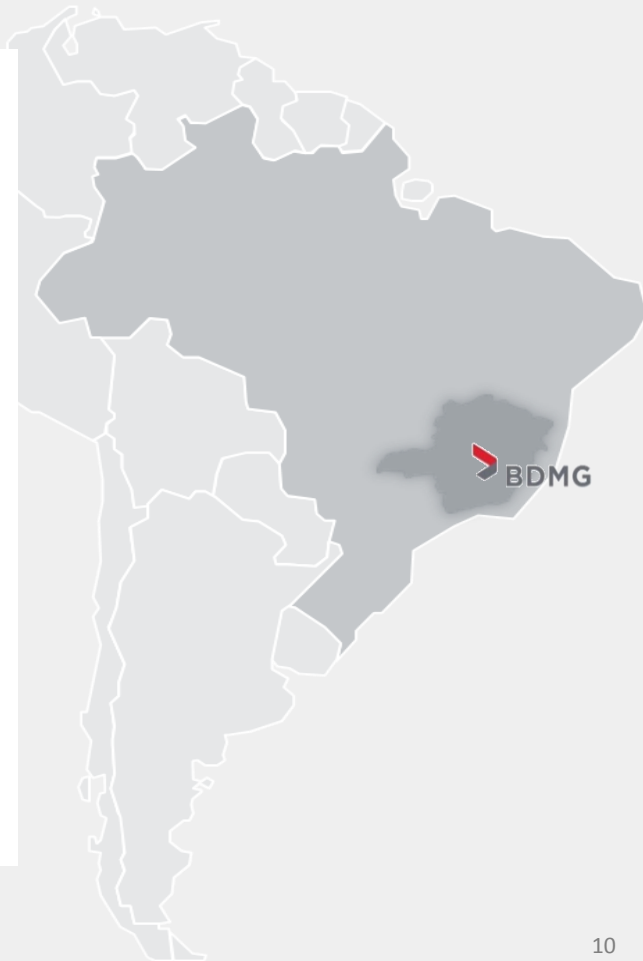
Institutional

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.

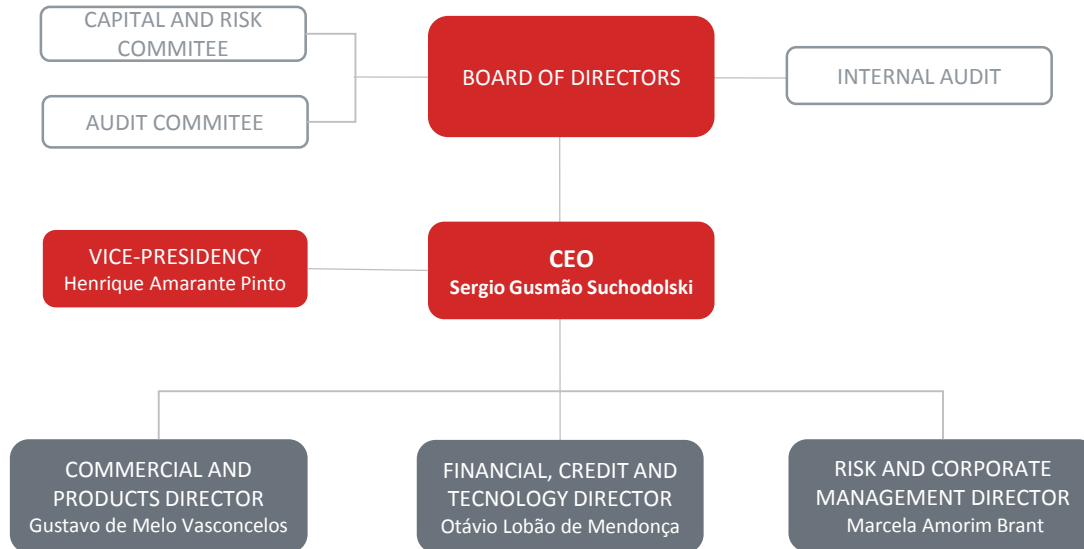
For more than 57 years BDMG has actively participated in the development of Minas Gerais. In its history, it has focused on generating opportunities and sustainable regional growth.

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.

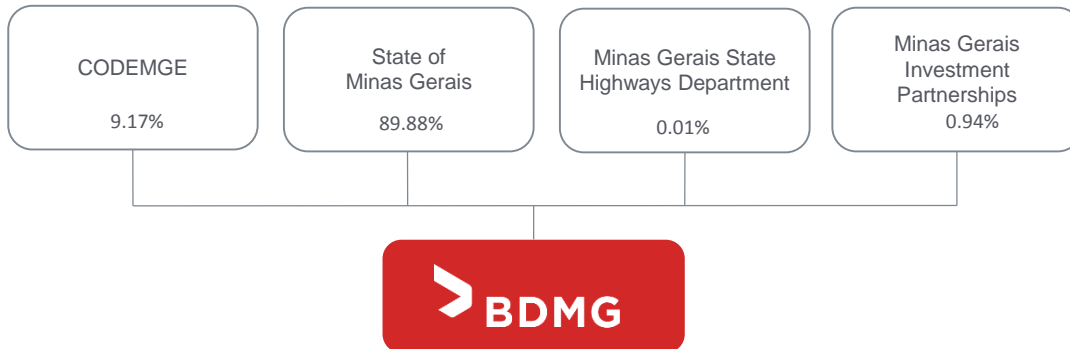
It operates with its own resources and as financial agent of BNDES, Funcafé, Finep, BNB among others besides being the financial agent of the Development Funds of the State of Minas Gerais.



CORPORATE STRUCTURE



STOCKHOLDERS



RATING

Moody's

Global Scale

2019, Jan. 22

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



3. STRATEGY

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.

PLANNING DRIVERS



Impact

Development impact monitoring, evaluation and reporting of projects

Commitment to 2030 Agenda and Sustainable Development goals



Competitiveness

Growth compatible with BDMG's capital structure

Excellence in development finance including advisory and services

Transparency and accountability



Partnership

Explore new partnerships, mostly with institutions with similar mandates

Knowledge sharing

Mobilize resources for development projects in Minas Gerais and neighboring States



Results-based culture

Mandate with clearly defined objectives

Highly qualified staff

Governance and Compliance

PERFORMANCE HIGHLIGHTS

ENVIRONMENTAL
SUSTAINABILITY**BRL 64 MM**

Disbursed in the first half/2019, highlighting the Photovoltaic Solar Energy Projects, contributing to increase of renewable energies in the Brazilian energy matrix.



CITIES

**BRL 58MM**

Disbursed until June to Minas Gerais municipalities. The BDMG's Request for proposals to municipalities, totalizing the amount of BRL 649 MM in projects (+ 19% compared to the last announcement).

MICRO & SMALL
BUSINESS**BRL 91MM**

In the first half/2019, disbursed mainly through the "Digital BDMG" platform, which evaluates and provides online credit. There were more than 300 Thousand hits and 15 Thousand proposals. One of the standout products on the platform is the "Women Entrepreneurs' Minas" focus on supporting women-controlled SMEs.



PERFORMANCE HIGHLIGHTS

INNOVATION

BRL 37MM

Disbursed for innovative projects in the first half 2019. BDMG also contributed BRL 2,9 MM in Investment Funds, totalizing BRL 65MM in investments to 22 innovative companies.

Another successful initiative is the **H U B B L E**, a multisectoral hub that brings together 15 startups. The first Batch this year gave to the startups over BRL 4 MM in revenues in 50 contracts, generating 30 direct Jobs.

AGRIBUSINESS

BRL 254MM

Disbursed to Minas Gerais agribusiness in the first half 2019. The biggest highlight is the coffee, the 3rd most exported product in the state, Minas Gerais coffee chain is responsible for 70% of the national export of the product. This semester, coffee sector have received BRL 68 MM from Funcafé resources (+ 35% YoY).



TOURISM

**BRL 10MM**

Disbursed to 9 municipalities and 14 clients in the 1st half 2019 through Fungetur. The fund is aimed at improving tourism infrastructure and , investments and working capital.

Where do we want to go

- **Connection to SDG:**

BDMG is connected to 17 SDG and 169 goals plugged to 2030 Agenda

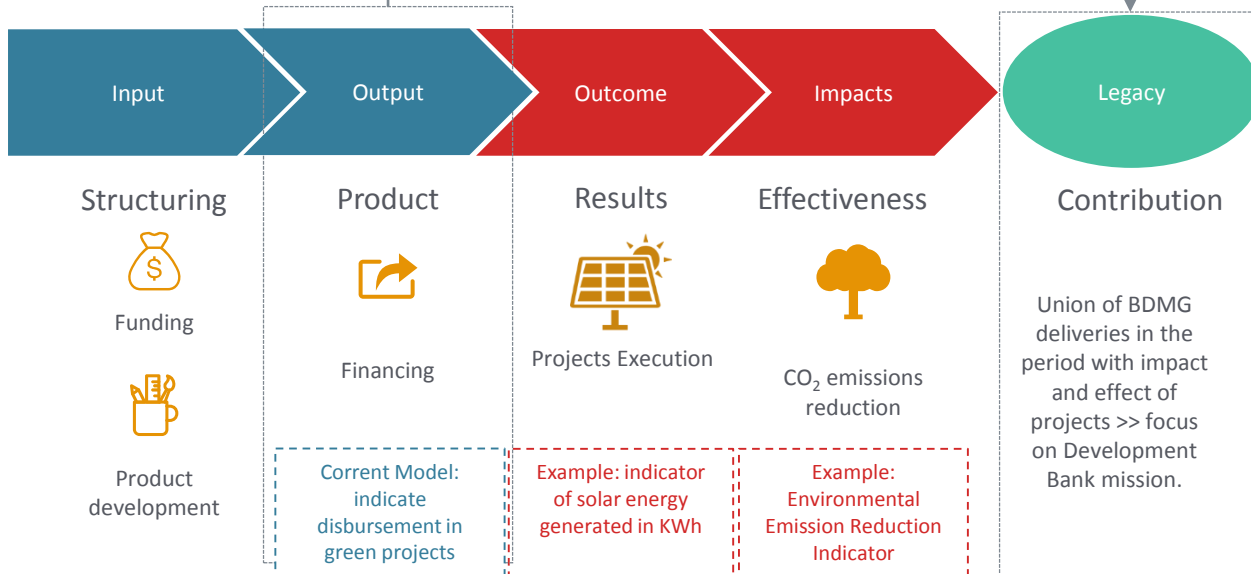
- **Show the potential and effective impact of BDMG financing through indicators:**

The purpose of credit in terms of pipeline construction – power generation, number of people impacted, production for hectares, sewage, etc

The effective impact of operations at the end of financing contracts (credit follow-up model).



We are expanding the vision the impact view for BDMG disbursements in effectiveness analysis.



Benefits:

- ✓ Measurement of impacts in BDMG financing
- ✓ Building an effectiveness report that combines period results and BDMG’s mission
- ✓ Be ready to attend Funding providers demand and show impact generated by financing projects of Climate change
- ✓ Reporting Indicators to get more transparency in resource use and environmental benefits

The BDMG Effectiveness Report covers the merging of existing tools with new USD and impact measures

EFFECTIVENESS REPORT

Management and socio-environmental report ✓

Input product matrix ✓

Acting in the SDGs

Impact and effectiveness



- Results according to BDMG strategy



- Number jobs
- Tax effect
- Value in production



Micro & Small Business and Gender

Infrastructure

Smart cities

Health and education

Reduction of inequalities

Sustainability

PILOT

CO2 reduction

SOCIAL & ECONOMIC IMPACTS

BRL 550

million disbursement
in June meant*:

86%

Presence in the State of Minas Gerais (738 municipalities with at least 1 client)



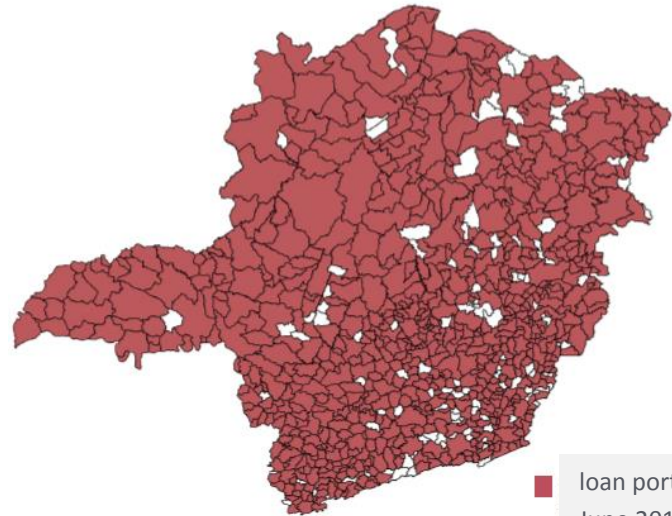
12,398 jobs supported




BRL 538 million in impact on production



BRL 23 million in Tributes returned



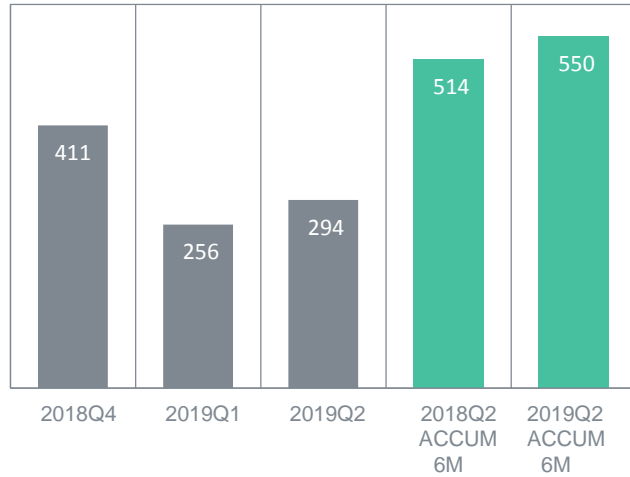
 loan portfolio
June 2019

*Estimated values, obtained with the methodology of the input-output matrix, referring to June 2019

4. OPERATIONAL PERFORMANCE

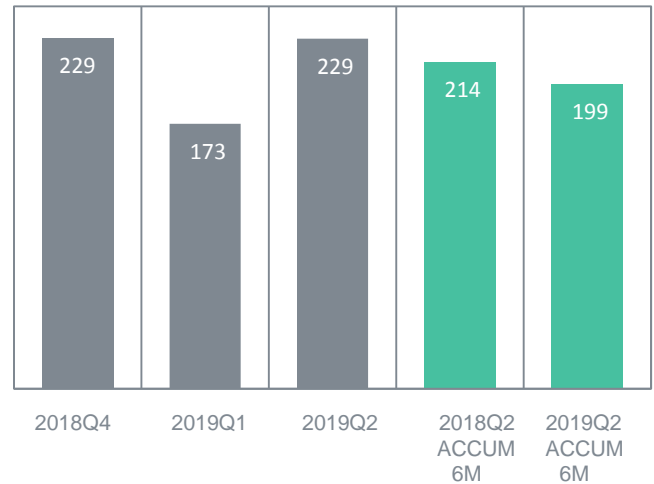
DISBURSEMENT

BRL Million

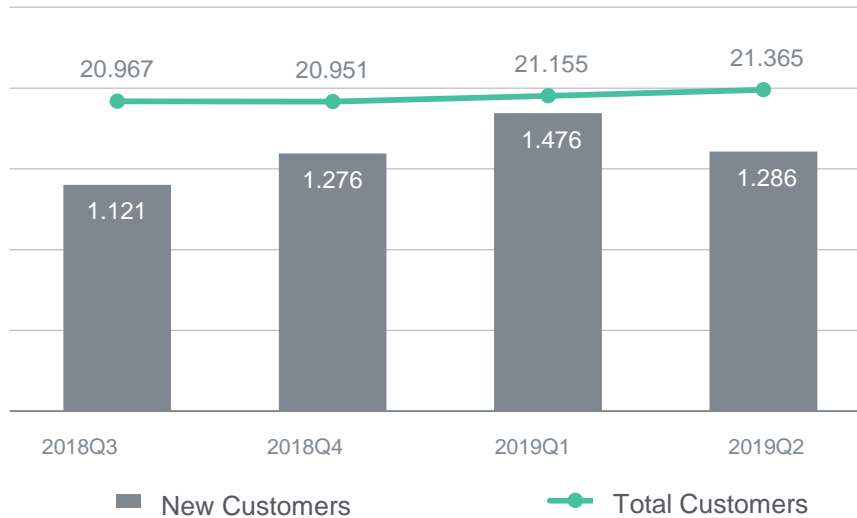


AVERAGE TICKET

BRL Thousand/Customer



NEW CUSTOMERS AND TOTAL CUSTOMERS

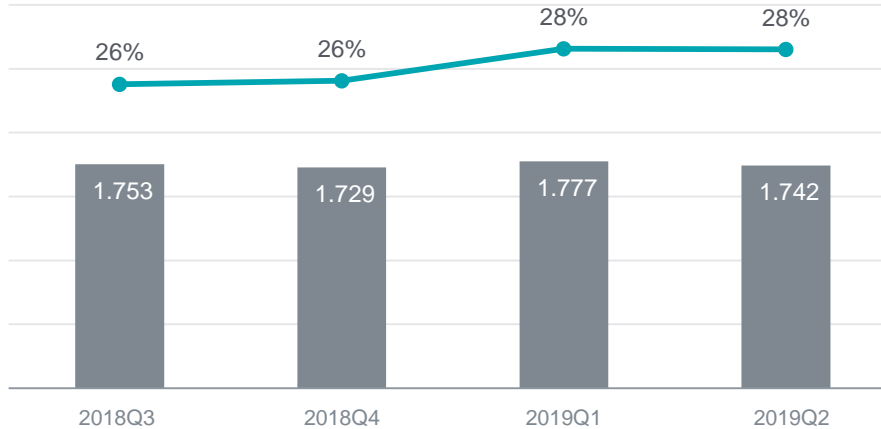




5. FINANCIAL PERFORMANCE

SHAREHOLDERS' EQUITY AND SHAREHOLDERS' EQUITY/TOTAL ASSETS RATIO

BRL Million and %



Shareholders' Equity

Shareholders' Equity/Total
Assets Ratio

19Q2/18Q4

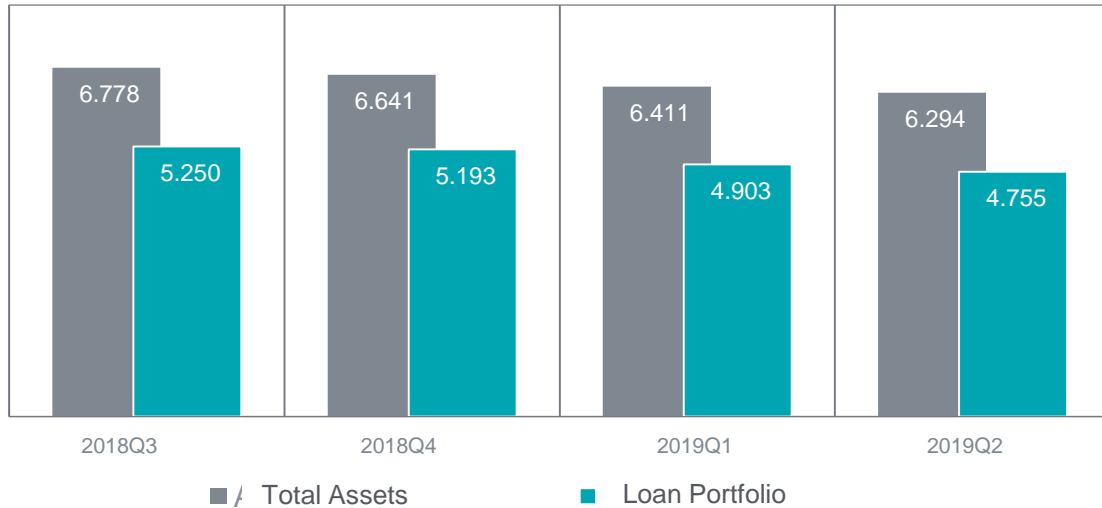
+ 0.7%

19Q2/18Q4

+ 6.3%

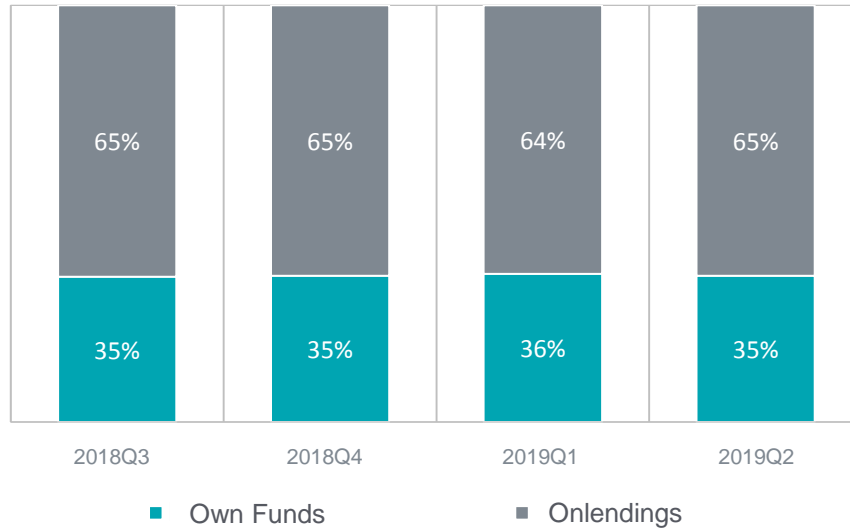
TOTAL ASSETS AND LOAN PORTFOLIO

BRL Million



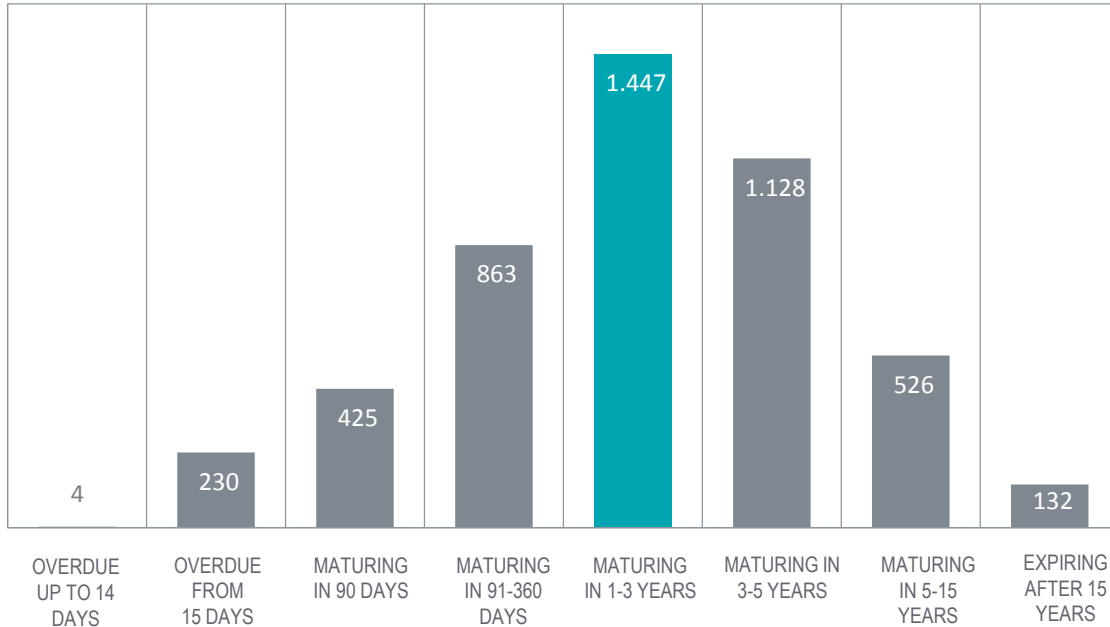
LOAN PORTFOLIO BY FUND CATEGORY

% Loan Portfolio



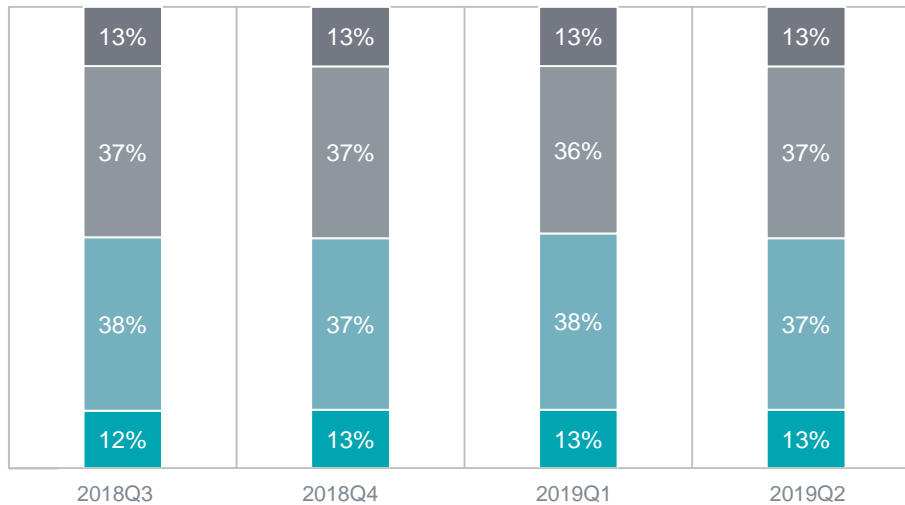
MATURITY OF LOAN PORTFOLIO

BRL million



LOAN PORTFOLIO BREAKDOWN BY CLIENT SIZE

% Loan Portfolio

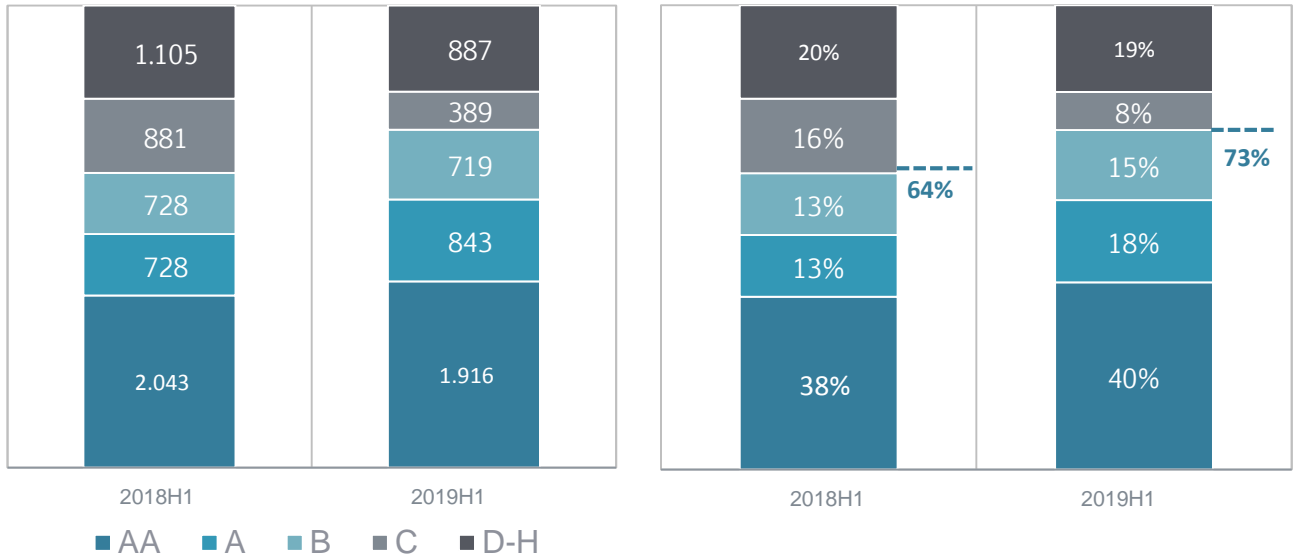


- Public Sector
- Large
- Medium
- Micro & Small Companies

LOAN PORTFOLIO BREAKDOWN BY RISK LEVEL

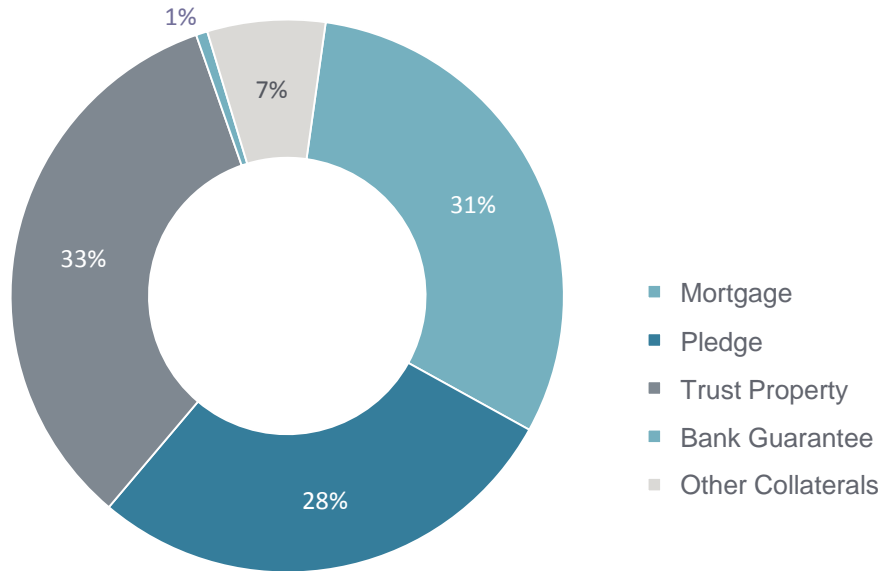
BRL million

% Loan Portfolio

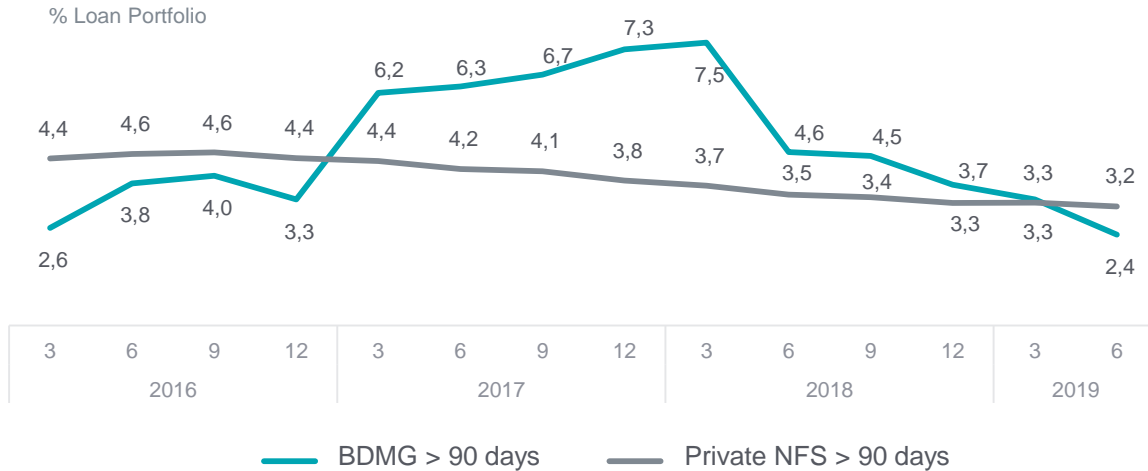


LOAN PORTFOLIO COLLATERALS

As of 2019, June



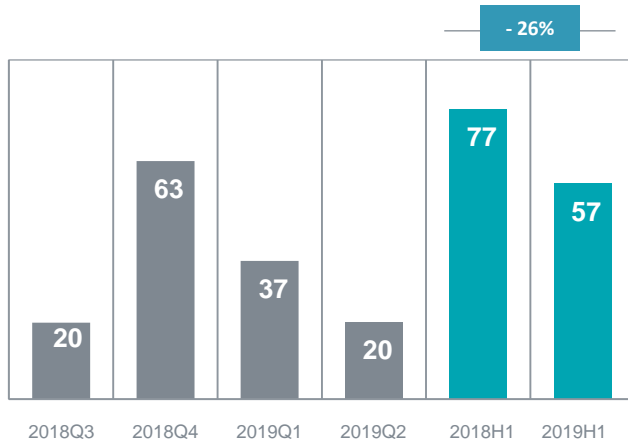
DELINQUENCY RATE EVOLUTION > 90 DAYS



Coverage Index Delinquency > 90 days: **4,1 (2019/June)**

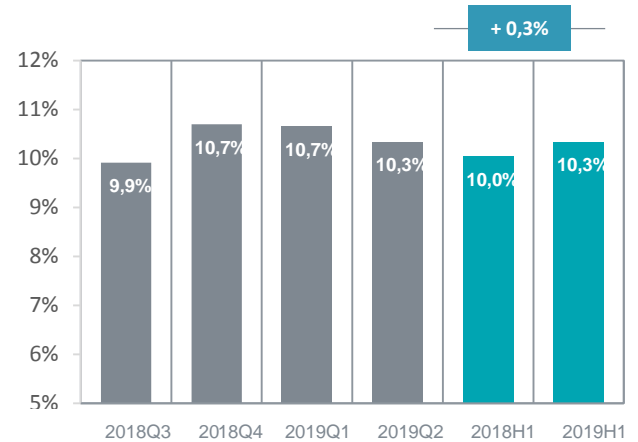
LOAN LOSSES EXPENSES

BRL Million



LOAN LOSSES PROVISION

% Loan Portfolio



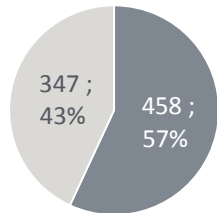
ONLENDING FROM OFFICIAL INSTITUTIONS

BRL Million	2019 H1	2018 H1	2019H1 / 2018H1
BNDES	1.479	1.909	-23%
FINAME	1.102	1.247	-12%
Funcafé	187	139	34%
FINEP	122	107	14%
Fungetur	79	10	790%
Others	42	42	0%
Total	3.010	3.454	-13%

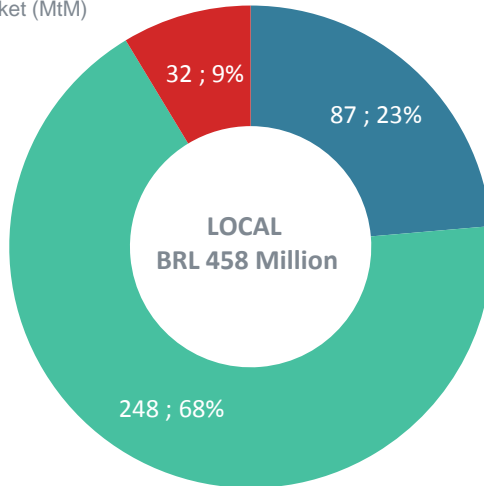
FUNDING

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

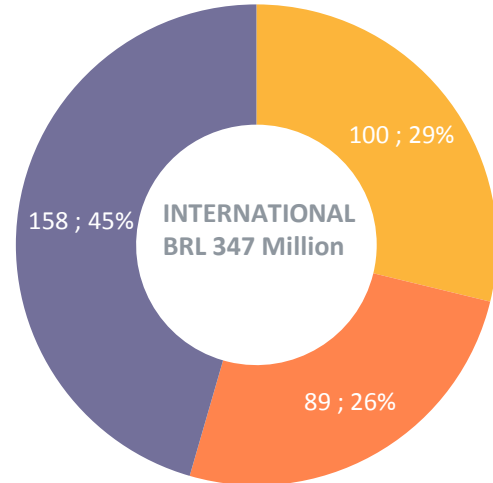
As of 2019/June



- Local funding
- International funding



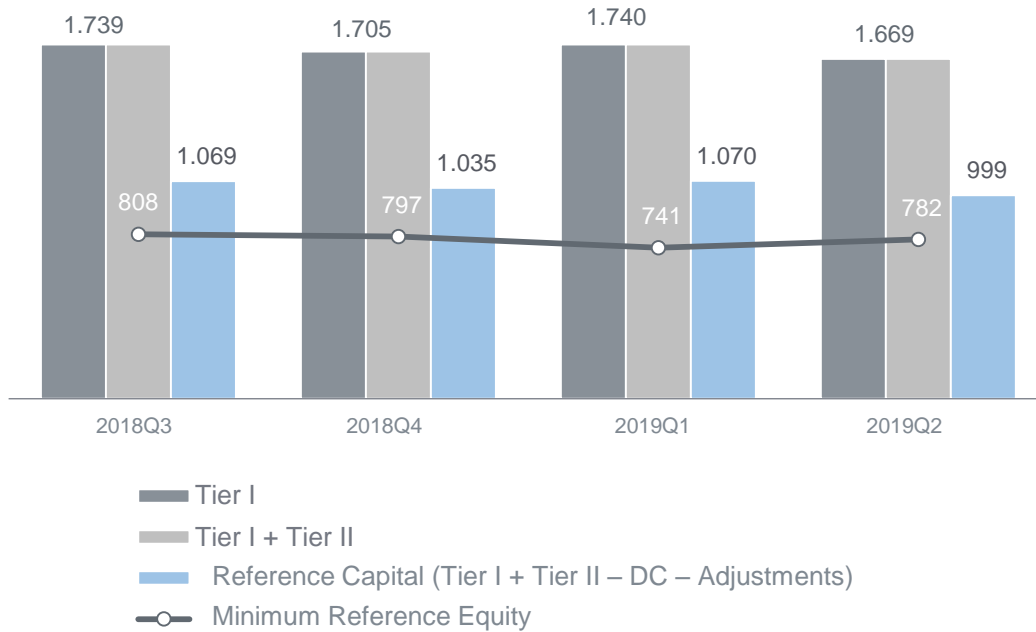
- Financial Bills
- Agribusiness Credit Bills (LCA)
- CDI



-  CAF
-  AFD
-  IDB

REFERENCE EQUITY

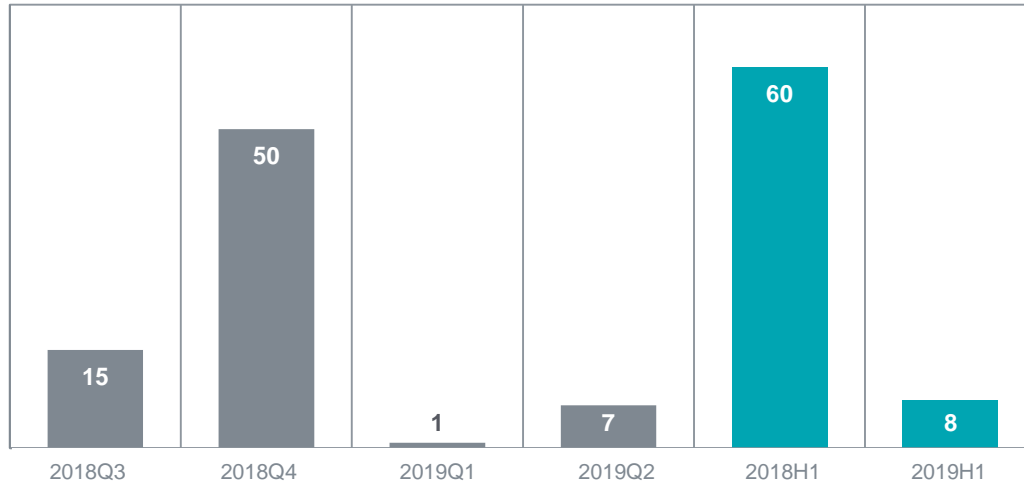
BRL million



OPERATIONAL LIMITS

Statement of the calculation of the reference equity and Capital Ratios (BRL million)	2019 H1	2018 H2
Shareholders' equity	1.742	1.726
Reference equity level I (RE level I) or Principal capital (PC) - (a)	1.669	1.713
Capital allocated to transactions with the public sector - (b)	670	670
Reference equity (RE) - (a-b)	999	1.043
All risk-weighted assets (RWA)	5.934	6.358
Credit risk (RWAcpad)	5.026	5.510
Market risk (RWAmPAD)	169	178
Operational risk (RWAOpad)	740	670
Part of the capital to cover for the non-negotiable portfolio interest rate risk (RWA Rban)	11	26
Minimum reference equity	782	812
Basel Index (RE/RWA)	16,8%	16,4%

NET INCOME





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