


BDMG





SUSTAINABILITY REPORT 2019



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**MINAS
GERAIS**

GOVERNO
DIFERENTE.
ESTADO
EFICIENTE.

SUMMARY

| | |
|---|-----|
| MINAS GERAIS AND ITS ECONOMY | 10 |
| ABOUT US | 16 |
| OUR STRATEGY | 24 |
| GOVERNANCE | 38 |
| OUR TEAM | 52 |
| OUR PERFORMANCE | 66 |
| FUND SOURCE | 70 |
| MUNICIPALITIES OF MINAS GERAIS | 73 |
| CLEAN ENERGY AND ENVIRONMENT | 76 |
| MICRO AND SMALL ENTERPRISES | 80 |
| GENDER INCLUSION | 83 |
| TOURISM | 84 |
| INNOVATION | 84 |
| ECONOMIC RECOVERY AFTER DISASTERS | 89 |
| AGRIBUSINESS | 91 |
| PARTNERSHIPS AND EVENTS | 93 |
| INTEGRATED RISK MANAGEMENT | 102 |
| SOCIAL AND ENVIRONMENTAL RESPONSIBILITY | 122 |
| ECONOMIC AND FINANCIAL PERFORMANCE | 138 |
| CHALLENGES AND OPPORTUNITIES FOR 2020 | 140 |



MESSAGE FROM

THE BOARD OF DIRECTORS

BDMG ends 2019 in solid balance, concatenating its strategic role in fostering the development of Minas Gerais with the continuous improvement of its governance systems.

In line with the Executive Board, the Board of Directors sought to develop a dynamic institutional environment, in which the Bank's adherence to the technological and operational transformations of the credit sector in the world come together in a constructive way to the inherent cyclical challenges of the Brazilian and Minas Gerais economy, in particular.

In this scenario, we added efforts so that the management of BDMG could, in 2019, present consistent operating and financial results, which give encouragement and support to the 2020-2024 Strategic Plan. From it, we add the necessary premises to place the Bank on a new level, based on partnerships, innovation and global agendas, opening new business opportunities and preserving its financial sustainability.

Collectively elaborated, the 2020-2024 Strategic Plan is closely related to the guidelines listed in Plano Mineiro de Desenvolvimento Integrado (PMDI), a long-term planning instrument of the Government of Minas Gerais, the main shareholder of BDMG.

In parallel to these projects with positive externalities, the Board of Directors reinforced its commitment to strengthen practices of transparency, organizational integrity, risk mitigation and governance.

For that matter, society of Minas Gerais can be sure that BDMG is on the side of development. And its Board of Directors, as an aggregating body, is a partner of the Executive Board in this bold construction - which is not restricted to the Bank, but which, in the final analysis, tells about the future of Minas Gerais.

FERNANDO LAGE DE MELO
CHAIRMAN OF THE BOARD OF DIRECTORS



MESSAGE FROM

THE PRESIDENCY

We are pleased to present to society the Sustainability Report of BDMG for the year of 2019. Its content materializes the transparency that we cherish in our management, making a set of information on strategy, performance, and projects accessible to society.

Despite the challenging macroeconomic scenario, BDMG has fulfilled its purpose as an inducer of development in Minas Gerais. Present in 87% of the municipalities in the State and with a systemic performance in its most strategic value chains, the Bank expanded its disbursement, its client base and revised its product shelf to make credit even more accessible. As a result, the financed projects provided significant employment and income generation for the State.

The regional performance - but with a global perspective - allowed us to strengthen the relationship with national and international institutions, to insert the BDMG more effectively in the modern trends that govern the credit market. Our strategy addressed important issues to the present and future of the institution such as digital transformation, alignment with the UN Sustainable Development Goals and more consistent measurement of the social and economic impact of financed projects.

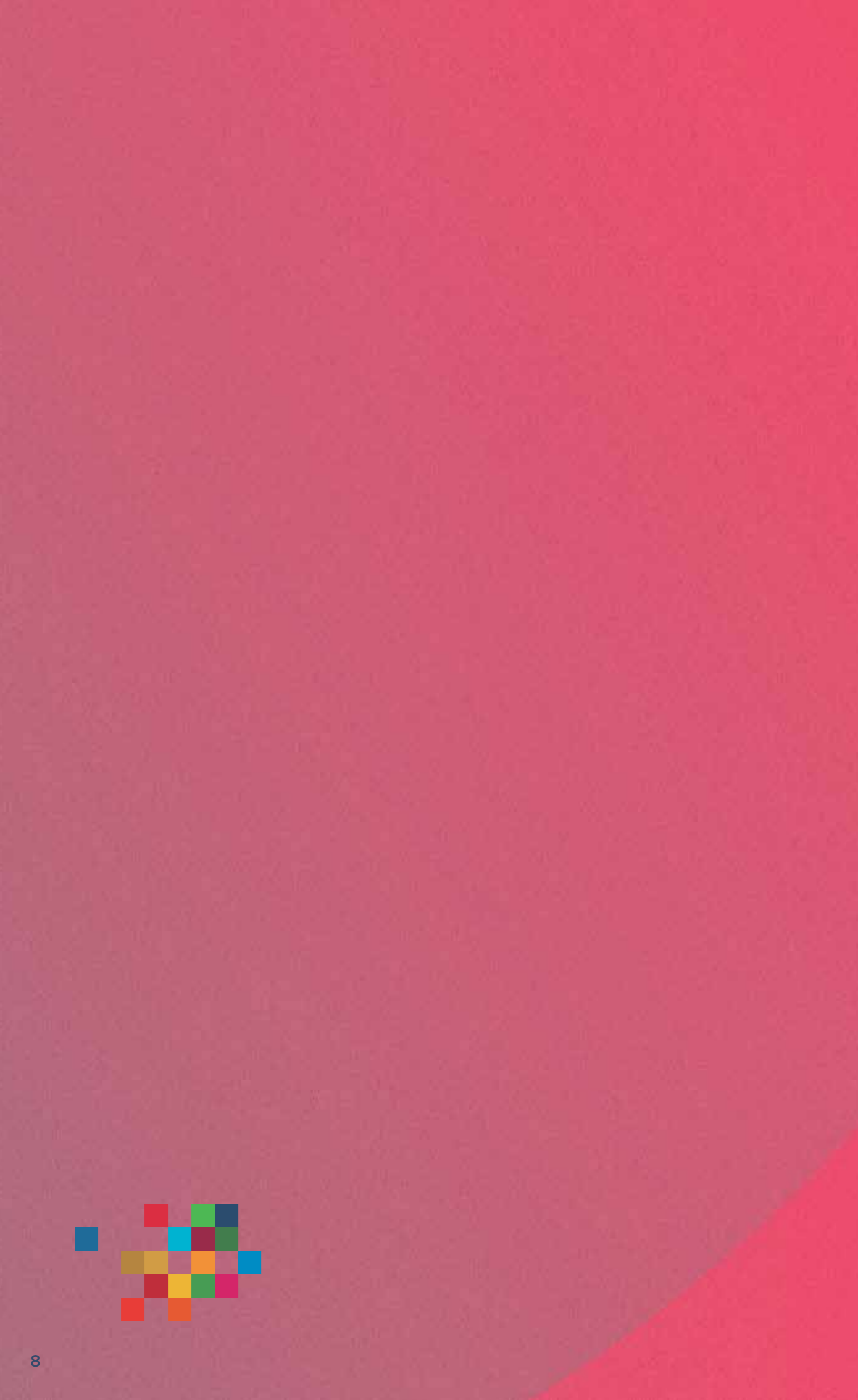
Based on individual resources and other partner institutions - without charging the State - we seek to diversify the credit portfolio amidst a context of high volatility. At the same time, we strengthened the internal control and management mechanisms that govern the granting of credit and other internal processes, always towards a more efficient corporate governance - our rating being considered stable by Standard & Poor's.

For all that we sowed and reaped, 2019 invited BDMG to overcome the complex role of resource transfer and go further. We work to position it as a strategic platform for making investments feasible and for diversification of the economic matrix of the State into innovative and sustainable bases. Together with city halls and small, medium and large entrepreneurs in Minas Gerais - and in line with our main shareholder, the Government of the State of Minas Gerais, - we are convinced that we will know how to implement efficient financial instruments to respond to the social and economic needs of the State.

We will do so with a trained team and the commitment to contribute to the resumption of the role of Minas Gerais in its economic recovery process. Where there is a challenge, people of Minas Gerais can count on BDMG. Wherever there is an opportunity, we want to be there too.

Enjoy your reading!

SERGIO GUSMÃO SUCHODOLSKI
CHIEF EXECUTIVE OFFICER



BDMG's Executive Board



Minas Gerais 
and its
ECONOMY

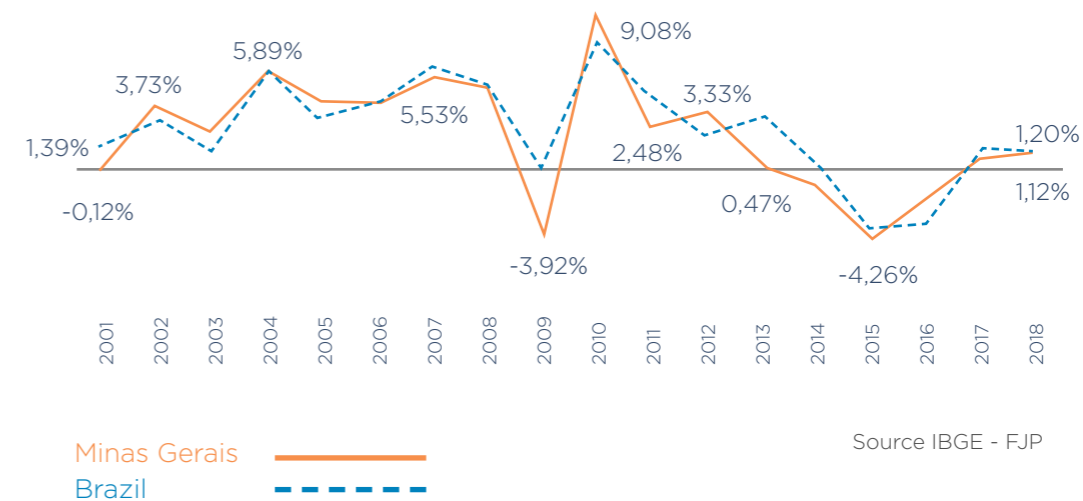
Throughout 2019, BDMG sought to reinforce its role as a specialist in Minas Gerais, generating timely information for a cyclical and structural diagnosis of the State and the challenges for resuming growth with sustainability. In this way, we present below an overview of the economic context of 2019, and the perspectives for the following years.

The Economy of Minas Gerais was severely affected by the Brazilian recession of 2015 and 2016. The deceleration was stronger in the State from 2011 to 2013 and between 2014 and 2016, the Gross Domestic Product (GDP) from Minas Gerais contracted 6.8% in real terms. Moreover, factors such as the slow and erratic national recovery, with difficulties in civil construction and the national capital goods sector, profoundly affected the resumption of economic performance in Minas Gerais.



ANNUAL GDP VARIATION

Minas Gerais and Brazil - 2001 - 2018 (%)



From 2017 onwards, a gradual recovery began, which was still insufficient to cover the losses accumulated during the crisis. Throughout 2019, the dissipation of uncertainties related to the electoral cycle, the improvement in the perception of risk in the Brazilian economy and favorable conditions of interest and inflation would contribute to the maintenance of this scenario of gradual recovery. In 2019, according to CAGED, 126,011 formal jobs were created in the State; the volume of sales of the expanded retail trade grew 2.4% in the year, and the inflation measured in the capital of Minas Gerais was 4.2%, within the target established by the Central Bank.

However, as João Pinheiro Foundation data shows, two adverse shocks hit the economy of Minas Gerais in 2019. The first one affected the industry and the transport sector in a more concentrated manner due to the suspension of many mining sites after the rupture of the Córrego do Feijão dam in Brumadinho in January. The second one concerns the negative bienniality of coffee production in the odd years, which reduced its crop by -20.7%, in comparison with 2018.

Thus, due to these shocks and the spread of their effects on the economy as a whole, there was a detachment in the performance of the national economy of Minas Gerais during 2019, as shown in the table below.

MACROECONOMIC INDICATORS - MG X BR - DECEMBER 2019
Variation accrued in the tax year (base: equal to the same period of the previous year)

| Indicator | | MG | BR |
|-------------|-----------------------|-------|-------|
| PIM | Industrial Production | -5,6% | -1,1% |
| PMS | Services | 0,1% | 1,0% |
| PMC | Commerce | 2,5% | 3,9% |
| IBCR/IBC-Br | Activity | 0,5% | 0,7% |

Source: Preparation with data from IBGE and BCB. Data on the volume of services and trade were used. The latter considers the data of expanded retail trade (2020).

Given this scenario, for the year 2020, it is expected that the major factors that determine the prospect of moderate growth for Brazil¹ in the coming years will also **IMPACT THE ECONOMY OF MINAS GERAIS: LOW INTEREST RATES, LOW INFLATION, ADJUSTMENT OF THE COMPOSITION OF DOMESTIC DEMAND WITH EMPHASIS ON GROWTH IN PRIVATE INVESTMENT, ESPECIALLY IN INFRASTRUCTURE.**



Thus, annual growth rate of the State economy is expected to grow between 2.0% and 3.0% in the coming years. In this scenario, a positive outlook is incorporated for the recovery of the mining sector and its adjacent effects - mainly in the transport sector - the strong potential for expansion of the energy sector associated with renewable sources, in particular photovoltaic production, and the increase in agricultural production.

The main risks to this scenario are the reversal of expectations about the growth of the Brazilian economy and the seriousness of the tax issue of the State, despite the solid strategy by the State government of confronting the issue.

/Credit

As well as the performance of the general economy, the Minas Gerais credit market for Legal Entities maintained the gradual recovery pace started in 2017, with the annual rates of change approaching the neutral to positive field throughout the year, with historically low default levels - the average default in 2019 was 1.75% for Legal Entities.

CREDIT BALANCE FOR LEGAL ENTITIES



Source: Preparation with data from BCB (2020).

In the coming years, credit market is expected to maintain a moderate but consistent pace of recovery. In terms of composition, the post-crisis scenario points to a reduction in the relative participation of working capital with an increase in the share of credit for investment, foreign trade and agribusiness projects.

¹Focus Projection for Brazilian GDP growth: 2020 (+2.3%), 2021 (+2.5%), 2022 (+2.5%).
Source: Focus, Market Report, 10/1/2020.



About US

Our History

BDMG



Founded in 1962, BDMG was born in an economic, social and political scenario later characterized as an expansionist, establishing development conditions with a focus on the growth of industrial activity, mainly for micro and small enterprises, and providing technical and financial conditions for projects of interest to the state government. The Bank has always sought to mitigate regional inequalities through effective resource allocation.

BDMG participated in the creation of related entities such as the Minas Gerais Industrial Development Institute (INDI), the João Pinheiro Foundation (FJP), the Minas Gerais Industrial Districts Company (CDI/MG) and the Managerial Assistance

Center (CEAG), which originated the Brazilian Micro and Small Business Support Service (Sebrae).

Throughout its history, BDMG, besides being a financial development agent, had an expressive participation in the preparation of large economic studies, generating a privileged knowledge for the institution about the characteristics of the Minas Gerais market and, therefore, a better action planning condition for the development of economic and social strategies such as Diagnosis of the Minas Gerais Economy (1965 and 1969); Minas Gerais Economy: Diagnosis and Perspectives (1989); Minas Gerais of the 21st Century (2002) and BDMG Reports (2002 to 2014).

BDMG Headquarters



BDMG today

After 57 years of activity, the Bank has been adapting to the recent technological and cultural changes in the contemporary world. At a time when debates on the role of development institutions and the capacity to expand access to financing for sustainable development are intensifying, BDMG, in response to these transformations, has been working hard to fulfill its role innovatively with greater transparency, better governance, and social and environmental responsibility.

/Main actions

BDMG is an important supporter, coordinator, and partner in projects and programs. In the 1960s, BDMG developed the Dairy Industry Recovery and Development Program to enable the modernization, expansion, and creation of new industries in the sector.

In the same period, BDMG, in partnership with INDI, FJP, Sebrae, CEAG and the Minas Gerais Technology Center Foundation (Cetec), played a decisive role in supporting the Integration and Expansion Program of the Steel Park in the State of Minas Gerais. Among the local and regional development programs in which BDMG actively participated, we can mention the Alto Paranaíba Managed Settlement Program (PADAP), the Estrada Real Enterprises Development Program and the Japanese-Brazilian Cooperation Program for Development of the Cerrado (Prodecer). At the state level, the experience gained from the work done in partnership with the Japanese at Prodecer made BDMG create the Jaíba Program and structure the Jaíba Fund.

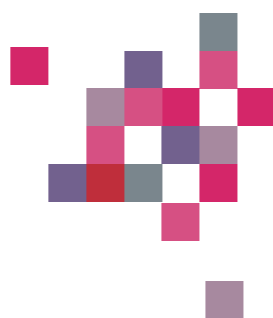
The industrial and agricultural sectors have always been highlighted in the BDMG portfolio through products such as Pró-Indústria, Fundo Mega, Proim, and Fundiest. The Bank is also a great partner for the municipalities of Minas Gerais, especially in supporting institutional strengthening projects, basic sanitation, urban infrastructure, and environmental sustainability.



57 years of history

RECOGNIZED AS THE LARGEST GENERATORS OF EMPLOYMENT AND INCOME IN MINAS GERAIS, MICRO AND SMALL ENTERPRISES HAVE ALWAYS HAD SPECIAL ATTENTION THROUGHOUT THE BDMG'S HISTORY.

We can mention Geraminas, Geracontábil, and Credpop Programs, which are deriving from the resources of the Social and Economic Development and Promotion Fund of the State of Minas Gerais (Fundese).



Minas Gerais development, keeping performance innovation

STARTING POINT

- Social and economic studies
- Execution of the 1st agreement with BNDE
- Support programs for agribusiness and mining

SUPPORT ECONOMY SECTORS

- Recovery of the Agroindustry Sugar Program
- Support to the Mining-Metallurgical sector (Açominas, Usiminas, Acesit, etc.)
- Opening of a Fiat plant in Betim with the decisive support from BDMG
- Coffee Industry Development Program
- Support to State industrialization

STATE FUNDS

- Experience in the capital market (IPO to Cedro Cachoeira Itanense)
- Consolidation of the support to State planning through economic studies
- Generation of state funds - one of the main sources of resources until 2000

STRATEGIC PROJECTS

- Performance with the structuring of concession projects and PPPs
- Financing for the municipalities of Minas Gerais and strategic projects
- Strengthening of BNDES partnership

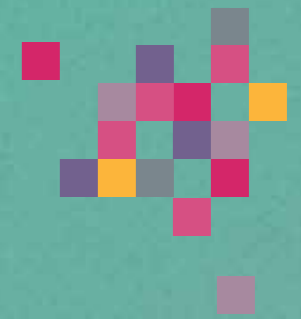
INTERNATIONAL FUNDING, WEB BDMG AND INNOVATION

- Release of Web BDMG
- Participation in Capital Markets Issuance of Financial Letters
- Agribusiness Credit Bills (LCAs) and funding of multilateral organisms (CAF, BID, AFD) Reduction of the volume of
- Resources of the State Funds Orientation of the performance in strategic segments for the
- State: innovation, sustainability, agribusiness, and regional development



Our STRATEGY

Being world reference of development bank impact- focused place



B D M G

To ensure
financial
sustainability

To maximize
impact and
development

To be an expert
in Minas Gerais
to add value
to the society

/Our Values

- > Protagonism
- > Innovation
- > Results orientation
- > Cooperation

/Our Purpose

To turn initiatives into reality to make a
difference in the lives of people of Minas
Gerais.

In line with the changes in the Brazilian and Minas Gerais economic scenarios, BDMG reviews its strategy annually, aiming to adapt to the new external and internal contexts. **WITH EACH NEW PLANNING REVIEW, THE BANK SEEKS TO KEEP LEARNING FROM PREVIOUS STRATEGIC DIRECTIONS, AS WELL AS INCLUDING NEW FRONTS OF ACTION, FOLLOWING THE MOST PRESSING ISSUES FOR THE SUSTAINABLE DEVELOPMENT OF MINAS GERAIS.**

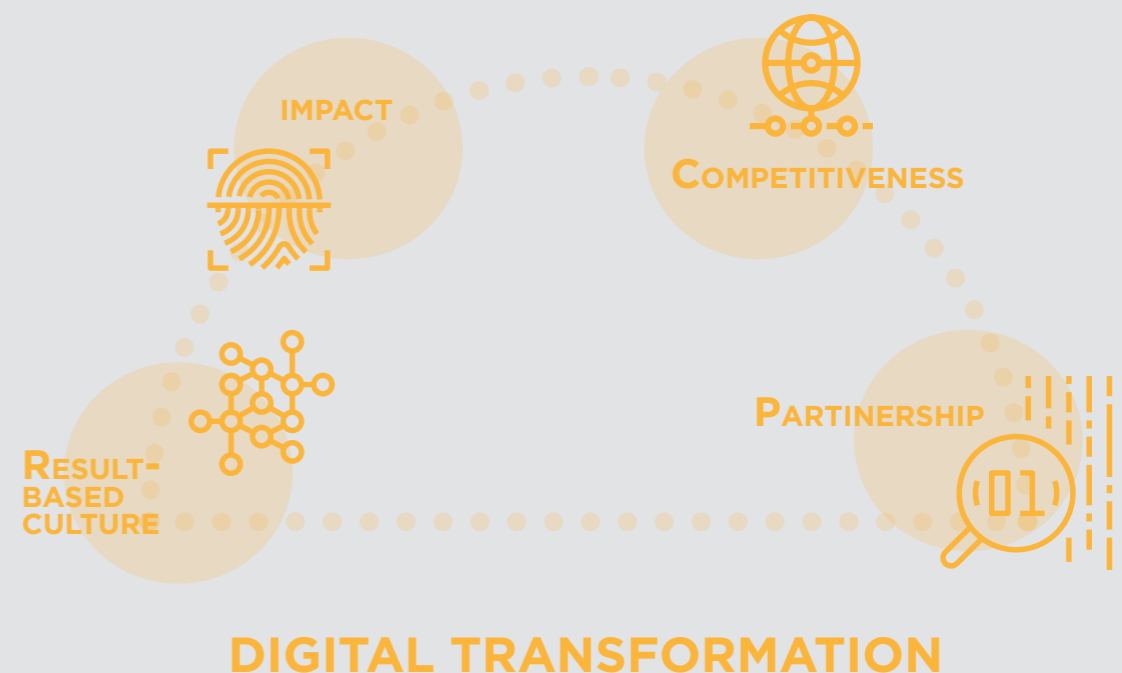
The current planning is the result of an extensive reflection exercise for the period from 2020 to 2024, which assessed the opportunities and the challenges faced by the development banks around the world in fulfilling their role as development inducers. At BDMG, these challenges are translated into the capacity of the economy and society of Minas Gerais, at the same time that the conditions for the financial sustainability of the organization are possible.

Thus, it seeks to enhance the impact, in line with the Sustainable Development Goals (SDGs), based on the specialized knowledge in Minas Gerais, the settlement and strengthening of partnerships and the transformation of the BDMG into an increasingly digital and innovative Bank, supported on the pillar of competitiveness and the development of a culture based on results.

Each of the dimensions represented in the Bank's vision of the future: "being a world reference for a local development bank focused on impact" unfolds in the acronym of BDMG: in the "B" of Bank, to Ensure Financial Sustainability; in the "D", to Maximize Impact and Development and in the "MG", to Be an Expert in Minas Gerais to Add Value to the Society.

/Planning Drivers

With the Minas Gerais overview as a premise to build the new strategic planning proposal, it is essential to return to the strategic guidelines adopted for the 2020-2024 five-year period, to compose the preparation of the proposal and define the basic planning scenario of the BDMG. The five fundamental drivers that significantly affect the institution's future are:



/Impact

Talking about impact means discussing the obstacles that development banks have overcome to reinvent their way of acting and to remain active and relevant against the digital transformation and the funding challenges, but without forgetting to incorporate the perspective of what the organization delivers to society - that is, the effects of the financing granted. In this sense, the 2030 Agenda, through the Sustainable Development Goals (SDGs), is an increasingly closer reality and with which the BDMG, as a component of sustainable development and aware of its role and its relevance in MG, is committed and engaged in contributing.

The 17 Sustainable Development Goals (SDGs) established 169 goals for global achievement by 2030 in areas such as protection of natural resources, climate change, resilience to disasters, peace and security, equality, economic growth, and decent jobs



Following the global development agenda and having the concern for future generations at the center of its strategy, the SDGs are vital for the BDMG. In this way, the Bank recognizes and reinforces its commitment to the ambitions incorporated by the SDGs. **THE STRATEGY IS BEING DEVELOPED TO INTENSIFY BDMG'S ACTIONS IN SUPPORT OF THE 2030 Agenda**, solving the barriers that restrict the channeling of financing for sustainable development and taking advantage of opportunities to increase investments in the SDGs in Minas Gerais.

THE STRATEGY FOCUSES ON THREE MAIN OBJECTIVES

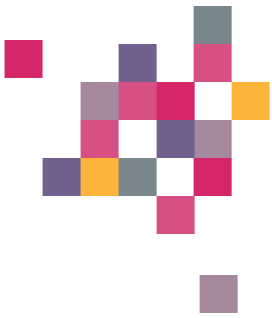
ALIGN AND LINK BDMG'S OPERATIONS WITH THE 2030 AGENDA: continue developing work to link its operations to the SDGs and improve the monitoring and evaluation systems of how financed projects and programs will support the SDG goals;



EXPAND SUSTAINABLE INVESTMENTS FOR MINAS GERAIS: identify new investments that will accelerate progress towards the goals of the 2030 Agenda. This includes technical assistance and knowledge support and the creation of strategies, financial products, and fundraising, focusing on the aspects and goals of the SDGs;



HARNESS THE POTENTIAL OF PARTNERSHIPS, TECHNICAL COOPERATION AND FINANCIAL INNOVATIONS: formalizing new partnerships is another essential front to move towards a more sustainable strategy. BDMG is building partnerships with other multilateral development banks with a focus on SDGs, technical cooperation and the search for knowledge of how development institutions adapt to the Global Agenda.





The customer at the center of the strategy

/Competitiveness

BDMG is organized to grow in a manner compatible with its capital structure; its competitiveness lies in its excellence in the development of financial solutions for development, which include services and consultancies. Moreover, the constant improvement of financial models and projections gives BDMG the ability to assess the variables critical to the success of its strategy, as well as the possibility of making decisions with greater assertiveness.

/Partnership

BDMG believes that development and impact cannot be done alone, and partnerships are a means by which the implementation of the strategy and the effectiveness of its performance can be made possible. To this end, it is constantly exploring new business partnerships, including with institutions with the same DNA, to transfer knowledge and mobilize resources for relevant projects in Minas Gerais. The partnerships make it possible for the Bank not only to acquire knowledge about new ways of acting but also to enhance its impact, enabling action in projects in which the participation of BDMG alone would not be possible.

/Digital transformation

The digital transformation is related to the digital journey that BDMG will take according to its digital ambition and the trends of the financial market that it will adopt. This will direct its operational principles, as well as services provided concerning the evolution of digital channels and the modernization of the banking platform and administrative processes, with the pillar of a data and infrastructure strategy in the cloud.

/Results-based culture

Organizational culture is about “how things are done”, as well as the dynamics of decision making in an institution. Thus, it is believed that the achievement of the objectives proposed in the new planning demands the guidance for results - whether internal, reflected in the fulfillment of corporate goals and their consequences - or external, demonstrating the effectiveness of BDMG’s performance in society. Strengthening this culture requires the Bank to have a mandate with clearly defined objectives, in addition to highly qualified personnel. Moreover, it is important to emphasize that the search for results must always be anchored in good governance practices and compliance.



/BDMG Strategic Map 2020-2024

The Strategic Map was created in an innovative format, integrating the vision of the future and the planning drivers, to represent the main objectives of the BDMG. Supported by the fundamentals of financial sustainability, impact maximization and expertise in Minas Gerais to add value to society. These fundamentals have BDMG's clients at the center of the strategy and are anchored in strategic themes that will guide the achievement of objectives with the vision of the future as the main guide.

B

ENSURING FINANCIAL SUSTAINABILITY

Financial sustainability will be pursued by balancing the level of profitability and risk to achieve results; the balanced management of funding, so that it is possible to achieve strategic objectives, and the guarantee of high-quality standards, achieving technical and operational excellence;

D

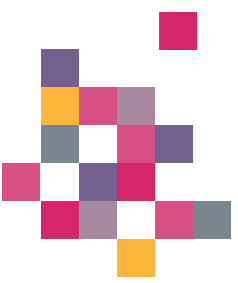
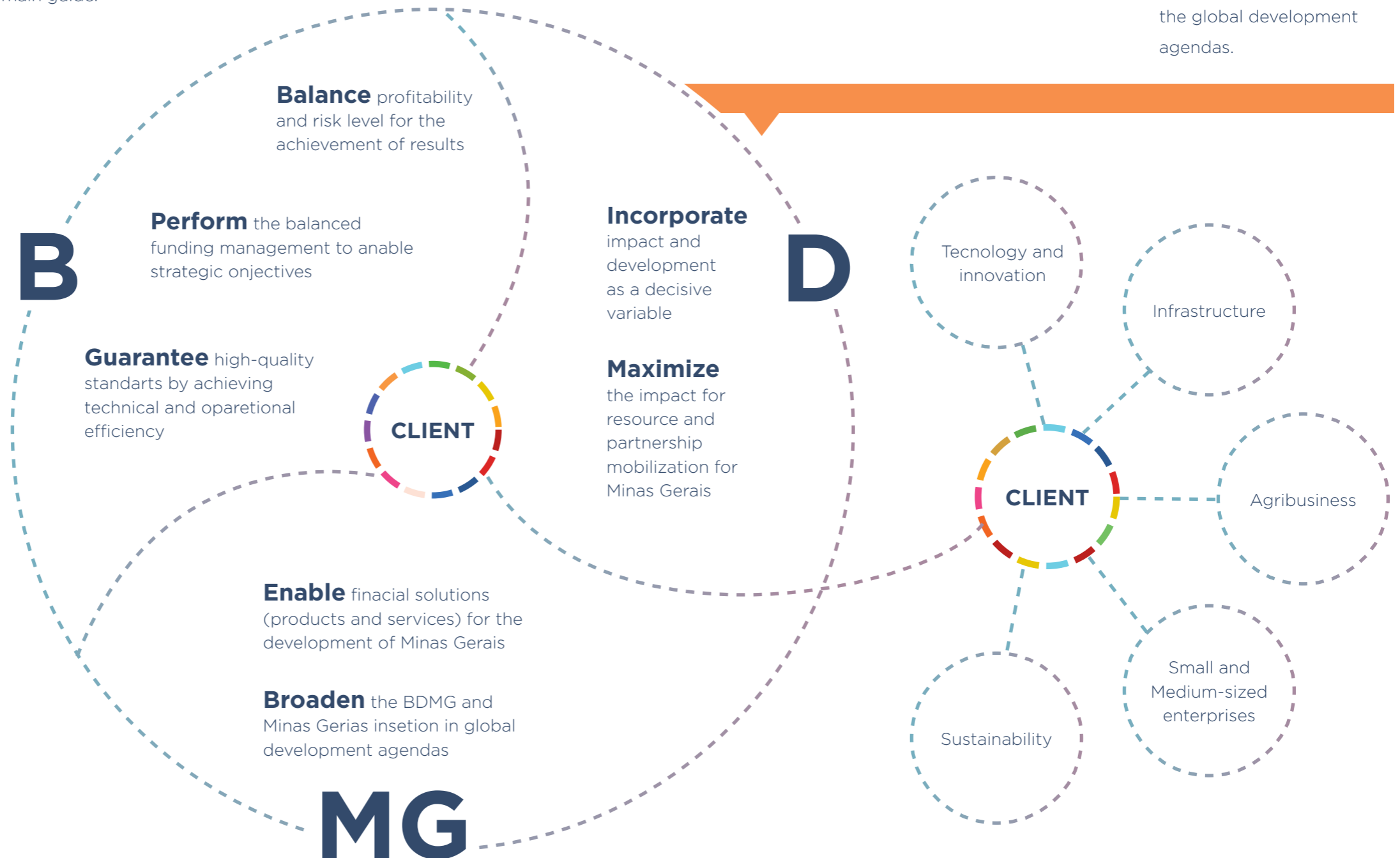
MAXIMIZING IMPACT AND DEVELOPMENT

Impact, as well as development, are elements of great relevance in this strategy; thus, they are incorporated as a decision variable in the Bank's processes. The mobilization of resources and partnerships for Minas Gerais will be another way of pursuing this objective and ensuring its fulfillment.

MG

BEING AN EXPERT IN MINAS GERAIS TO GENERATE VALUE FOR THE MINAS GERAIS SOCIETY

Adding value to the Minas Gerais society requires specialized knowledge from the State and will be achieved through the provision of financial solutions for the development of Minas Gerais, as well as the expansion of BDMG and Minas Gerais insertion on the global development agendas.





BDMG Digital

Each of the dimensions has a strategic focus, which becomes tangible as it unfolds in strategic objectives:

On the map, our client is surrounded by B dimensions, referring to our main economic activity in the bank; D, which refers to our purpose as an institution in promoting development; and MG, which identifies not only our geographic location but also our largest end client, the State of Minas Gerais.

THE STRATEGIC OBJECTIVES, IN TURN, WILL BE PURSUED AGAINST THE BACKGROUND OF THE BANK'S FOCUS ON THE FOLLOWING THEMES:

Technology and Innovation: support for innovation not only through credit but also by stimulating the innovation environment in the State of MG.

Infrastructure: support for infrastructure projects, either by acting with Municipalities, or by mobilizing resources in unionized operations, or by structuring PPPs.

MPME: granting credit to Micro, Small and Medium Enterprises.

Agro: granting of credit to agribusiness, which represents a strategic sector in the state's economic dynamics, resuming the relevant performance that the Bank has already had at other times.

Sustainability: with emphasis on the SDG climate change agenda.

Recanto da Lua Farm, BDMG client





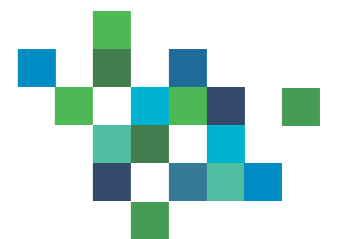
Our
GOVERNANCE



BDMG understands that having good governance means providing its stakeholders, with special attention to the citizens of Minas Gerais and clients, greater transparency and reliability of its actions, ensuring the mitigation of risks without prejudice to the achievement of our objectives.

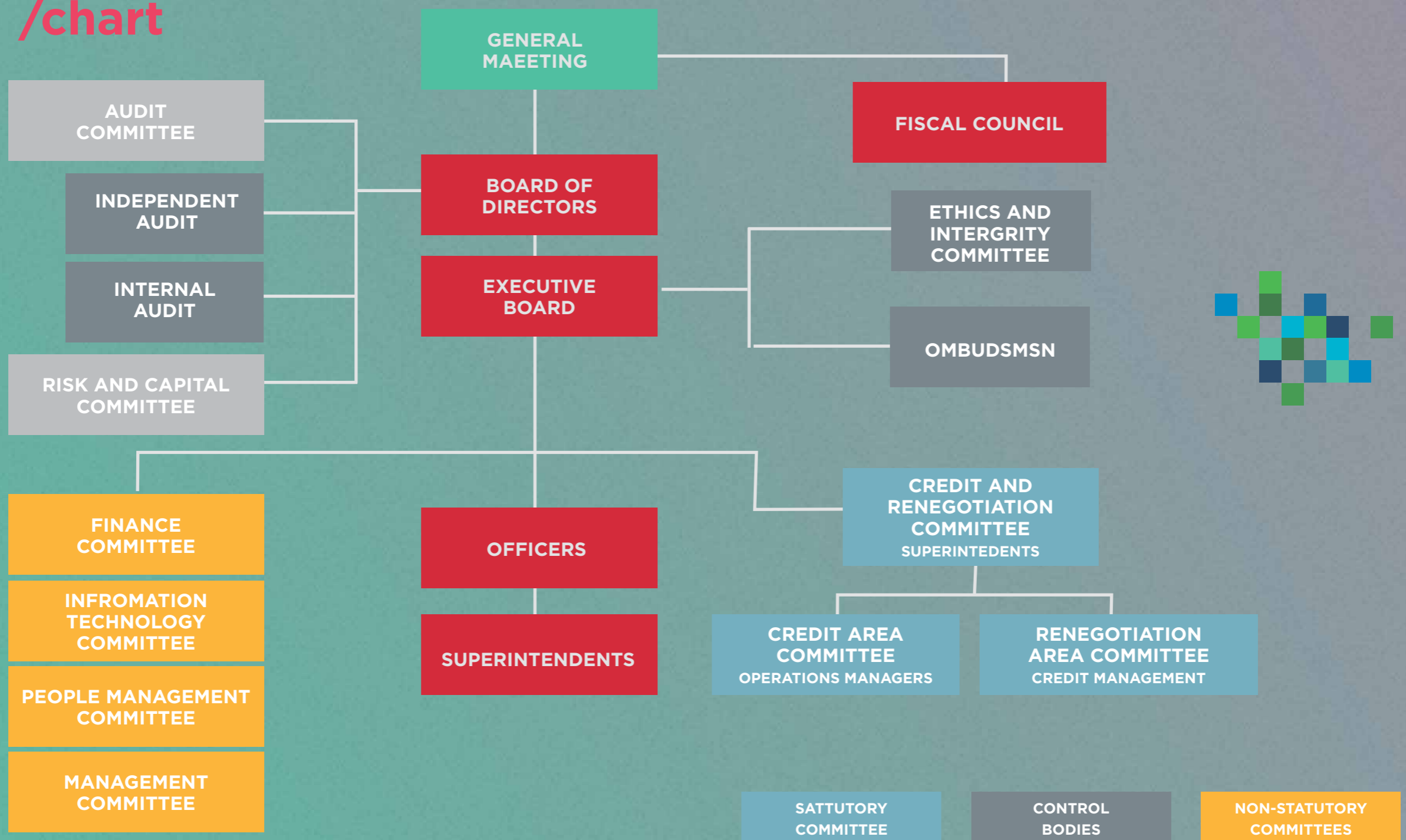
To this end, it has a risk **GOVERNANCE STRUCTURE AND INTERNAL CONTROLS THAT AIM TO ENSURE SECURITY, COMPLIANCE, AND ACCOUNTABILITY OF THE INSTITUTION**, as well as meeting strategic objectives.

THIS STRUCTURE CONSISTS OF Board of Directors, Fiscal Council, Audit Committee, Risk and Capital Committee, Executive Board, Credit Committees, Renegotiation, and Ombudsman Committees, in addition to four other non-statutory committees: Management Committee, People Committee, Finance Committee, and Information Technology Committee. All bodies are directly or indirectly subordinate to the General Shareholders' Meeting, the highest decision-making body, as required by law.



Estrutura da GOVERNANCE

/chart



/General Shareholders' Meeting

The General Meeting is held, ordinarily, within the first four months following the end of the fiscal year, under article 7, paragraph 1 of BDMG's Bylaws.

MOREOVER, THE MEETING ALSO TAKES PLACE, ON AN EXTRAORDINARY BASIS, WHENEVER THE BANK'S SOCIAL INTERESTS

SO REQUIRE, convened by the Board of Directors or, in the cases permitted by law, by the Audit Committee or by any shareholder. The meeting, as a rule, is chaired by the chairman of the Board of Directors upon indication of the attending shareholders.

/Fiscal Council

The Fiscal Council is a permanent body of BDMG, composed of at least three and at most five members and an equal number of alternates, elected by the General Meeting for a term of two years, two consecutive renewals are allowed. The Collegiate has at least one member appointed by the State of Minas Gerais, who must be a public servant with a permanent relationship with the public administration. The member of the Fiscal Council who has been reappointed two consecutive times may rejoin the Board after at least two years have elapsed since the end of his/her last term of office.

Currently composed of five effective members and five alternate members, its duties are provided for by law, especially in article 163 of Federal Law 6.404/1976, in article 9 of the Bylaws and its Internal Regulation. The Fiscal Council meets every quarter and, extraordinarily, whenever called.



/Board of Directors

The Board of Directors is composed of at least seven and at most nine members elected for a term of two years, with a maximum of three consecutive reappointments, being: up to six members representing the Controlling Shareholder, one representative of BDMG employees and at least two independent members, one of whom is indicated by minority shareholders. The member of the Board of Directors who has been reappointed three consecutive times may rejoin the Board after at least two years have elapsed since the end of his/her last term of office.

The members of the Board of Directors are elected by the General Meeting, taking into account the provisions of articles 17 and 20 of Federal Law 13.303/2016, articles 25 and 26 of State Decree 47.154/2017 and the Institution's Succession Policy. The General Meeting designates the chairman and vice-chairman of the Board of Directors, who is responsible for replacing the one in his/her temporary impediments.

In the event of a vacancy on the Board of Directors, the Collegiate functions with the presence of at least five of its members, pending the indication of a member to fill the existing vacancy.

Currently composed of seven members, its duties are provided for by law, especially in article 142 of Federal Law 6.404/1976, in article 14 of the Bylaws and its Internal Regulation. The Collegiate meets once a month in ordinary session and, in special session, when necessary when convened by the chairman, vice-chairman or most of its members. The meetings of the Board of Directors are installed with the presence of at least five of its members, and the resolutions are taken by majority vote, the chairman having the casting vote.



/Audit Committee

THE BDMG AUDIT COMMITTEE IS AN AUXILIARY AND ADVISORY BODY TO THE BOARD OF DIRECTORS, WITH PERMANENT FUNCTIONING, composed of at least three members and at most five, elected by the Board of Directors, observing the legal requirements. The members of the Board of Directors may be elected to the Audit Committee, subject to the conditions provided for by the regulatory body.

The members of the Audit Committee are elected by the Board of Directors for a term of three years, not coincident for each member, with reelection permitted. If the member is also a member of the board, the end of the term on the Audit Committee coincides with the end of the term of the member of the Board of Directors. The Audit Committee can be integrated by up to three independent external members, with at least two with proven knowledge of auditing and accounting that qualify them for the function.

Currently composed of three members, its duties are provided for by law, especially in article 24 of Federal Law 13,303/2016, in article 36 of the State Decree 47.154/2017, in article 26 of the Bylaws and its Internal Regulation. The Audit Committee has operational autonomy and its budget allocation, within limits approved by the Board of Directors, to conduct or determine the performance of consultations, evaluations, and investigations within the scope of its activities, including for hiring independent external specialists.

The Audit Committee meets with the following frequency: at least once a month, subject to the regulatory requirements; at least quarterly with the Board of Directors, with the Executive Board, with the Internal Audit and with the Independent Audit, individually or jointly; with the Fiscal Council and the Board of Directors, at the request of these Collegiate Members, to discuss policies, practices, and procedures identified within the scope of their respective powers and whenever deemed necessary by any of its members, including the call of directors, internal or independent auditors, specialists or those responsible for internal areas of the administration.

/Risk and Capital Committee

The Risk and Capital Committee is composed of a minimum of three and a maximum of five effective members, being mandatory: the CEO, the officer in charge of the Risk Management, and the officer in charge of the Capital Management. Other members of the Board of Directors and independent external members with proven knowledge in the banking area that qualify them for the function may comprise the Risk and Capital Committee.

THE RISK AND CAPITAL COMMITTEE HAS ITS MEMBERS APPOINTED AND REMOVED BY THE BOARD OF DIRECTORS AND IS CHAIRED BY THE CEO, WHO APPOINTS THEIR REPLACEMENT IN CASE OF ABSENCE. Currently composed of four members, the Risks and Capital Committee has its powers established in the applicable legislation, established in article 28 of BDMG's Bylaws and by the Board of Directors, according to the Collegiate's internal regulations.

/Internal Audit



The Internal Audit unit is an organizational component reporting to the Board of Directors, having an interface with the Audit Committee. The audit has a sufficient structure and budget to perform its functions. Among others, it is responsible for carrying out the auditing activities of an accounting, financial, budgetary, administrative, patrimonial and operational nature of BDMG, as well as proposing preventive and corrective measures for detected deviations.

It is the mission of Internal Audit: to independently and objectively evaluate the efficiency and effectiveness of the systems and processes of internal controls, risk management and corporate governance concerning the business risks associated with BDMG processes; carry out auditing activities, to add value and improve the Bank's operations, and assist the institution in achieving its business objectives through a systematic and disciplined approach.



/External Audit

BDMG, in compliance with current legislation and line with the highest standards of corporate governance, **PREPARES THE FINANCIAL STATEMENTS QUARTERLY, EVALUATED WITHIN THE PERIOD CONCERNED BY INDEPENDENT EXTERNAL AUDITORS.** Through the reviews carried out by the independent audit, public administration and society are given high levels of control over their assets, as well as ensuring the reliability of the financial statements described in the institution's Financial Statements. The company has currently hired PricewaterhouseCoopers Auditores Independentes to conduct external audits at BDMG.

/Ethics and Integrity Committee

BDMG has an Ethics and Integrity Committee, which acts independently, and is directly linked to the CEO, and can be led by another executive officer who is not responsible for the Bank's business activity. The Commission is a group composed of 3 full members and 2 alternates, chosen and appointed by the CEO, with a 3-year term, with the possibility of renewal for an equal period. Its operation is provided for in the Committee's Internal Regulations. The team is responsible for ensuring compliance with the BDMG Code of Ethics, Conduct, and Integrity, as well as the Code of Ethical Conduct for Public Officers and Senior State Management.

It is also responsible for, among other duties mentioned in its Internal Regulation, **GUIDING PUBLIC EMPLOYEES ON PROFESSIONAL ETHICS IN THE WORK ENVIRONMENT,** especially in dealing with people and public assets, adopting ways of disseminating ethical standards and preventing shortages of ethics, as well as to investigate any lack of ethics in the internal environment.

/Code of Ethics, Conduct, and Integrity

This Code of Ethics, Conduct, and Integrity was prepared under Law 13.303, of June 30, 2016, which provides for the legal status of state-owned companies, with State Decree 46,644, of November 6, 2014, which provides on the Code of Ethical Conduct for Public Officers and Senior State Management, and with the other applicable legal provisions. Through this Code, BDMG reaffirms its commitment to the realization of the collective interest, oriented towards the achievement of economic well-being and the socially efficient allocation of resources, as well as the realization of its mission, vision, and values.

The aforementioned Code establishes rules of ethics, conduct and integrity that should guide the actions of the administrators who are members of the Fiscal Council and the Audit Committee, employees and collaborators, as well as those who act or render services on behalf of or for BDMG in internal relationships and external audiences with its stakeholders: shareholders; clients; competition and market; partners and suppliers; constituted powers and other supervisory and regulatory bodies; environment; media; communities and society in general; associations and class entities where applicable.

The update of the Code of Ethics, Conduct, and Integrity carried out in 2019 addressed relevant issues that are practiced in the market such as gifts, conflicts of interest, harassment, and social media. Such issues raised on the employees a sense of ethical belonging in the organization and the expected attitude of each one against the situations experienced daily. In other words, the Bank's purpose is to reinforce the performance of activities related to compliance from a broader view, which goes beyond compliance with the rules and legislation required by regulatory bodies.

The access channel to the Ethics Committee is the e-mail: **etica@bdmg.mg.gov.br**



To reinforce the procedures of compliance, BDMG repositioned the Compliance area in the institution's organizational chart, directly linking it to the presidency to establish procedures aimed at the practice of ethical, transparent and integral conduct. Important actions carried out during the year are as follows:

1. SENIOR MANAGEMENT TRAINING ON THE MAIN POINTS OF LAW 13,303/2016

In June 2018, training was provided for members of the Executive Board and Boards of Directors, Fiscal and Audit on Governance, Risks and Compliance Committees including the main points of Law 13.303/2016, which provides for the legal status of the public company, the mixed capital company, and its subsidiaries.

2. INTEGRITY AND GOVERNANCE CORPORATE PROJECT

This project aims to implement a set of actions established through an integrity program. In this 1st phase, the review of the Code of Ethics, Conduct, and Integrity was completed, focusing on strengthening the Ethics Committee, social media, parallel activities and conflict of interest. Soon after the review and approval by the Board of Directors (CAD), training was carried out for all areas of the Bank, including employees, interns and outsourced employees of BDMG.



Code of ethics training



/Ombudsman and Reporting Channel

The BDMG Ombudsman is a body structured as an administrative unit, directly linked to the presidency of the executive board, **TO RESPOND, AS A LAST RESORT, TO COMPLAINTS ADDRESSED TO THE INSTITUTION BY CLIENTS AND USERS OF ITS PRODUCTS AND SERVICES**, acting in defense of the interests of those who are not satisfied with the solution presented after the usual service provided by the Bank. The Bank's Ombudsman is regulated by Resolution No. 4,433 of the National Monetary Council (CMN).

In the performance of its competence, the Ombudsman observes the legal and regulatory rules related to consumer rights and acts as a communication channel between BDMG, clients, and users of its products and services, including in the mediation of conflicts, ensuring the application of principles of legality, impersonality, morality, publicity, and efficiency.

In compliance with CMN Resolution No. 4.567, of April 27, 2017, BDMG makes available the Complaints Treatment System (SISDEN) of the Comptroller's Office of the State of Minas Gerais (CGE-MG), for the communication of information that may affect the reputation of the members of the statutory bodies and situations with indications of illegality of any nature related to the Bank's activities.

The BDMG Ombudsman access channel is available on the Bank's website and by calling **0800 940 5832** to **MEET THE DEMANDS OF CLIENTS AND USERS** of BDMG products and services. For the communication of information that may affect the reputation of the members of the statutory bodies and situations with illegal situations of any nature related to the activities at the BDMG, the complaint channel 162 - Ombudsman-General of the State of Minas Gerais is also available at the Bank's website.



Our
TEAM

Human Capital

/Employee Profile

People are the biggest capital of BDMG, which has technically competent and committed professionals in the search for solutions for the development of Minas Gerais.

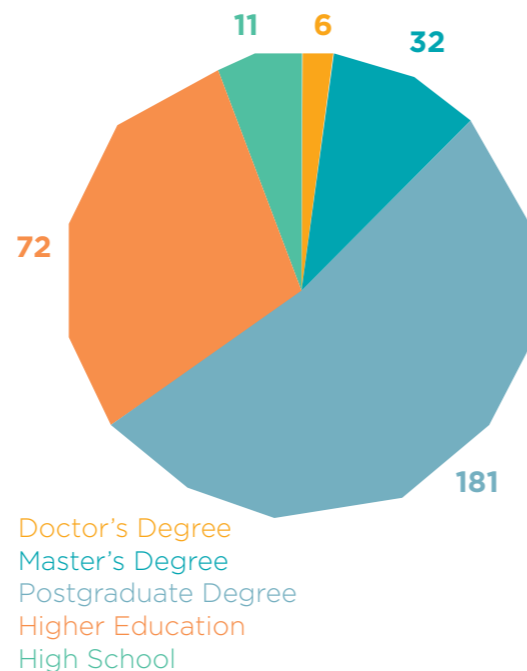
BDMG ended 2019 with a team of **321 EMPLOYEES**, of whom 302 were hired through public examinations and 19 were appointed to broad recruitment positions linked to the Board's mandate.

The Bank has 260 public examination employees admitted with higher education requirements and 42 with secondary education requirements. Of the total permanent employees, **72.5% HAVE A DOCTORAL, MASTER'S OR POSTGRADUATE** degree, the main areas being: Administration (35%), Engineering (20%), Economics (13%), Accounting (12%), Systems Analysis (11%) and Law (8%).



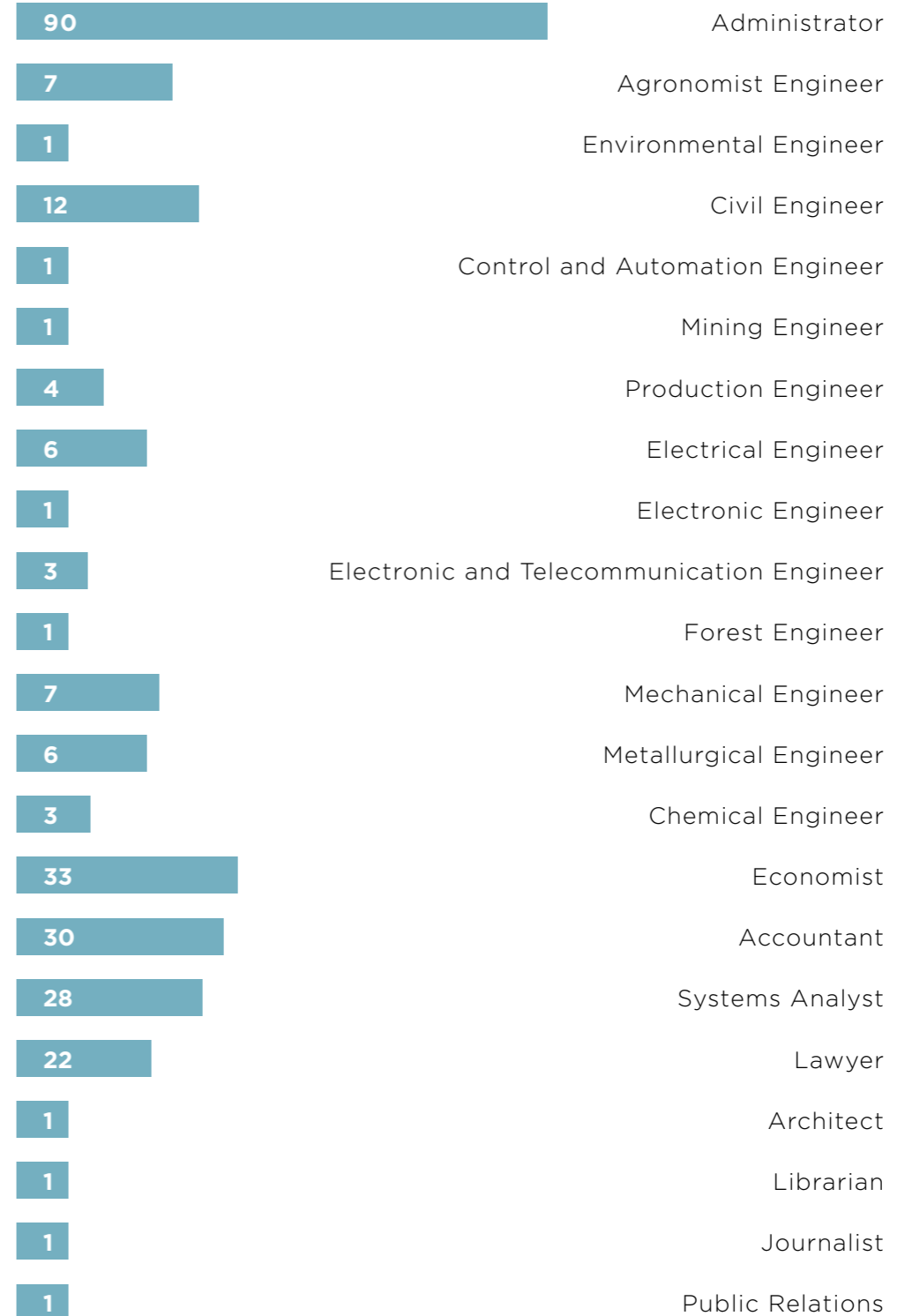
DEGREE OF EDUCATION

EFFECTIVE EMPLOYEES



EDUCATION

PERMANENT EMPLOYEES WITH ACADEMIC DEGREE



EMPLOYEE

EFFECTIVE EMPLOYEES

119 - 39%

61% - **183**

MANAGEMENT

31 - 47%

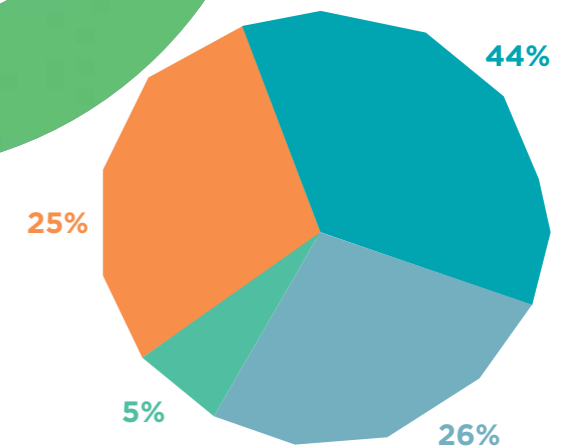
53% - **35**

The management positions are occupied by 66 permanent employees with a more balanced gender distribution when compared to the total distribution of employees between men and women.



AGE GROUP OF (%)

CAREER EMPLOYEES



30 to 39 years old
40 to 49 years old
50 to 59 years old
60 years old or older

/People Management Policies

People management aims to provide a bank with the human resources necessary to achieve its objectives, ensuring integration, retention, and development.

The Fixed Compensation Policy recognizes the competence and seniority of each professional, and the amounts can be increased according to the Progression and Merit Policy and collective agreements.

All employees are covered by the Collective Agreement of the category of bank employees, whose main benefits are profit sharing, childcare or babysitter assistance, food and meal allowances, 13th salary, food basket, and transportation voucher. In 2019, BRL 95.5 million was invested in personnel, as shown in the table below:

| | | |
|----------------|------|-----|
| COMPENSATION | 51,3 | 54% |
| PROFIT SHARING | 5,9 | 6% |
| BENEFITS | 7,4 | 8% |
| CHARGES | 30,9 | 32% |



BDMG maintains as a human resources policy the periodic performance evaluation of its employees. It takes place within the annual Performance and Results Management process, which focuses on the continuous evolution of people and the Bank, taking into account that everyone is a protagonist in its development.

/Intellectual Capital

Training employees to perform their duties, as well as contributing to the achievement of organizational and unit goals is the objective of the training and development activities provided by BDMG.

During 2019, 35 courses were held that involved 286 employees (90%) in technical and behavioral training initiatives, including classroom and digital solutions, seminars and congresses, and short-term courses. Moreover, the Bank supports the professional and personal development of its employees with the Postgraduate and Master's scholarship program and language courses. BRL 67.9 thousand were invested in scholarships (long-term courses) and a total of 527 hours of training.

BRL 95.5 million²

²Between January and November 2019.

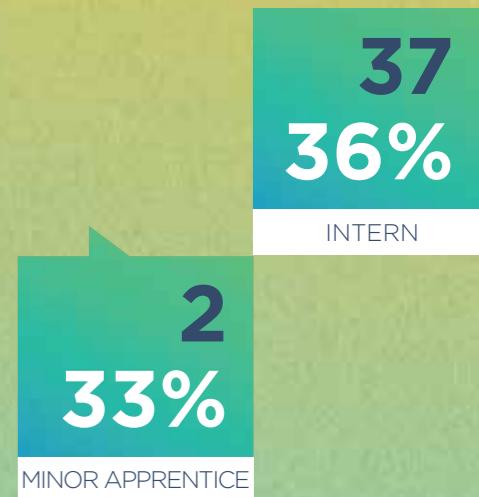
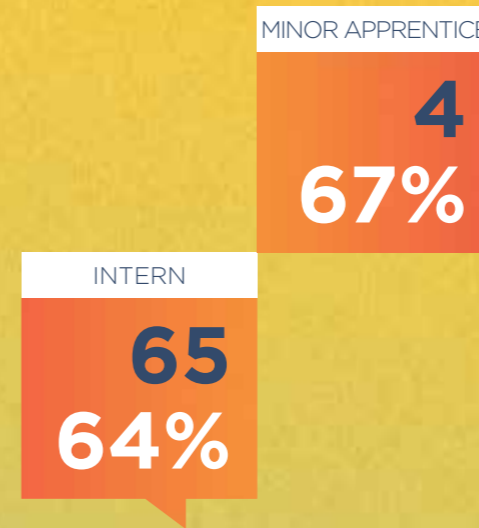


/Internship Program

The BDMG Internship Program aims to promote the integration between BDMG and educational institutions, as well as to encourage teamwork and the exchange of experiences between students and Bank professionals. The program offers opportunities for **HIGHER EDUCATION STUDENTS IN THE ADMINISTRATION, ACCOUNTING, LAW, ECONOMICS, ENGINEERING COURSES, AMONG OTHERS.** BDMG ended 2019 with 102 interns allocated in the Bank's different areas.

/Learning Program

The Learning Program aims to promote the personal and professional development of adolescents, facilitating their insertion in the formal labor market and providing them with the acquisition of habits, experiences, and attitudes essential to the human and social formation. The program encompasses only the Minor Apprentice modality, and the total number of apprentices is limited to 15% of the staff of development technicians who do not occupy a trust position in the BDMG.



New talents



/Encouraging Diversity

The BDMG Gender and Race Pro-Equity Program work to **CREATE HUMAN SPACES CONCERNING DIVERSITY WITHIN THE BDMG**. Since 2018, the Bank has been on the list of Brazilian companies that have signed the Standards of Conduct proposed by the UN.

Initiatives to expand diversity, mainly through the internship program, continue to demonstrate BDMG's commitment to equal opportunities and respect for the human being.

Throughout 2019, several initiatives related to diversity marked the Bank's agenda. In March, the International Women's Day was celebrated, through a round of conversation, in partnership with Hubble, addressing the importance of gender equality for environments, especially those that propose innovators and entrepreneurs.

In July, a partnership with BDMG Cultural and Hubble promoted a meeting on Black Entrepreneurship with discussions on African, African descendent art, science, and innovation.

BDMG was also a sponsor of the first edition of ELAS, a cultural festival that highlights female entrepreneurship in the market and its performance in the most diverse areas. At the event, the Bank launched the Empreendedoras de Minas line, a credit for working capital to support micro and small enterprises controlled by women and encourage the emergence of new entrepreneurs.



TOTAL EMPLOYEES BY GENDER

COMPARATIVE TABLE 2017 TO 2019

| | 2019 (jan./20) | | 2018 (mar./19) | | 2017 (fev./18) | |
|-------|----------------|-----|----------------|-----|----------------|-----|
| Men | 235 | 55% | 232 | 54% | 246 | 54% |
| Women | 194 | 45% | 194 | 46% | 206 | 46% |
| Total | 429 | | 426 | | 452 | |

INTERNS BY GENDER

COMPARATIVE TABLE 2017 TO 2019

| | 2019 (jan./20) | | 2018 (mar./19) | | 2017 (fev./18) | |
|-------|----------------|-----|----------------|-----|----------------|-----|
| Men | 36 | 37% | 42 | 38% | 42 | 39% |
| Women | 61 | 63% | 68 | 62% | 67 | 61% |
| Total | 97 | | 110 | | 109 | |

PEOPLE BY COLOR OR RACE

COMPARATIVE CHART 2017 TO 2019

| | 2019 (jan./20) | | 2018 (mar./19) | | 2017 (fev./18) | |
|--------------|----------------|-----|----------------|-----|----------------|-----|
| Black people | 31 | 7% | 26 | 6% | 16 | 4% |
| Others | 398 | 93% | 400 | 94% | 436 | 96% |
| Total | 429 | | 426 | | 452 | |

INTERNS BY COLOR OR RACE

COMPARATIVE CHART 2017 TO 2019

| | 2019 (jan./20) | | 2018 (mar./19) | | 2017 (fev./18) | |
|--------------|----------------|-----|----------------|-----|----------------|-----|
| Black people | 19 | 20% | 18 | 16% | 5 | 5% |
| Others | 78 | 80% | 92 | 84% | 104 | 95% |
| Total | 97 | | 110 | | 109 | |

PEOPLE WITH DISABILITIES (PWD)

COMPARATIVE TABLE 2017 TO 2019

| | 2019 (jan./20) | | 2018 (mar./19) | | 2017 (fev./18) | |
|--------|----------------|-----|----------------|-----|----------------|-----|
| PwD | 17 | 4% | 17 | 4% | 17 | 4% |
| Others | 412 | 96% | 409 | 96% | 435 | 96% |
| Total | 429 | | 426 | | 452 | |

Benefits Offered to Employees

/Private Pension Plan

To ensure that employees supplement the retirement granted through the General Social Security Regime (RGPS), **BDMG SPONSORS SUPPLEMENTARY PENSION PLANS MANAGED** by the BDMG Social Security Foundation (DESBAN).



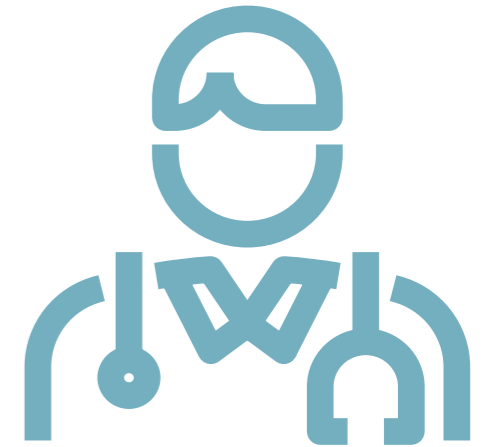
/Health Care Plan

The Health Care Plan offered by the BDMG Social Security Foundation (DESBAN) provides dental, outpatient and hospital coverage to its users and dependents and is funded by BDMG, DESBAN and, active-assisted and self-sponsored users.



/Occupational Physician

The Bank has an **OCCUPATIONAL HEALTH SERVICE IN ITS FACILITIES**, whose duties are to carry out admission, dismissal, periodical and return to work medical examinations, in addition to monitoring the control of absences due to health issues.



/Extended Maternity and Paternity Leave

BDMG is a participant in the Citizen Company Program, offering the extension of maternity leave in sixty days (total of 180 days) and paternity leave in fifteen days (total of 20 days) in cases of birth or adoption. Benefits related to maternity leave and paternity leave are offered to all employees, including those who declare same-sex relationships.





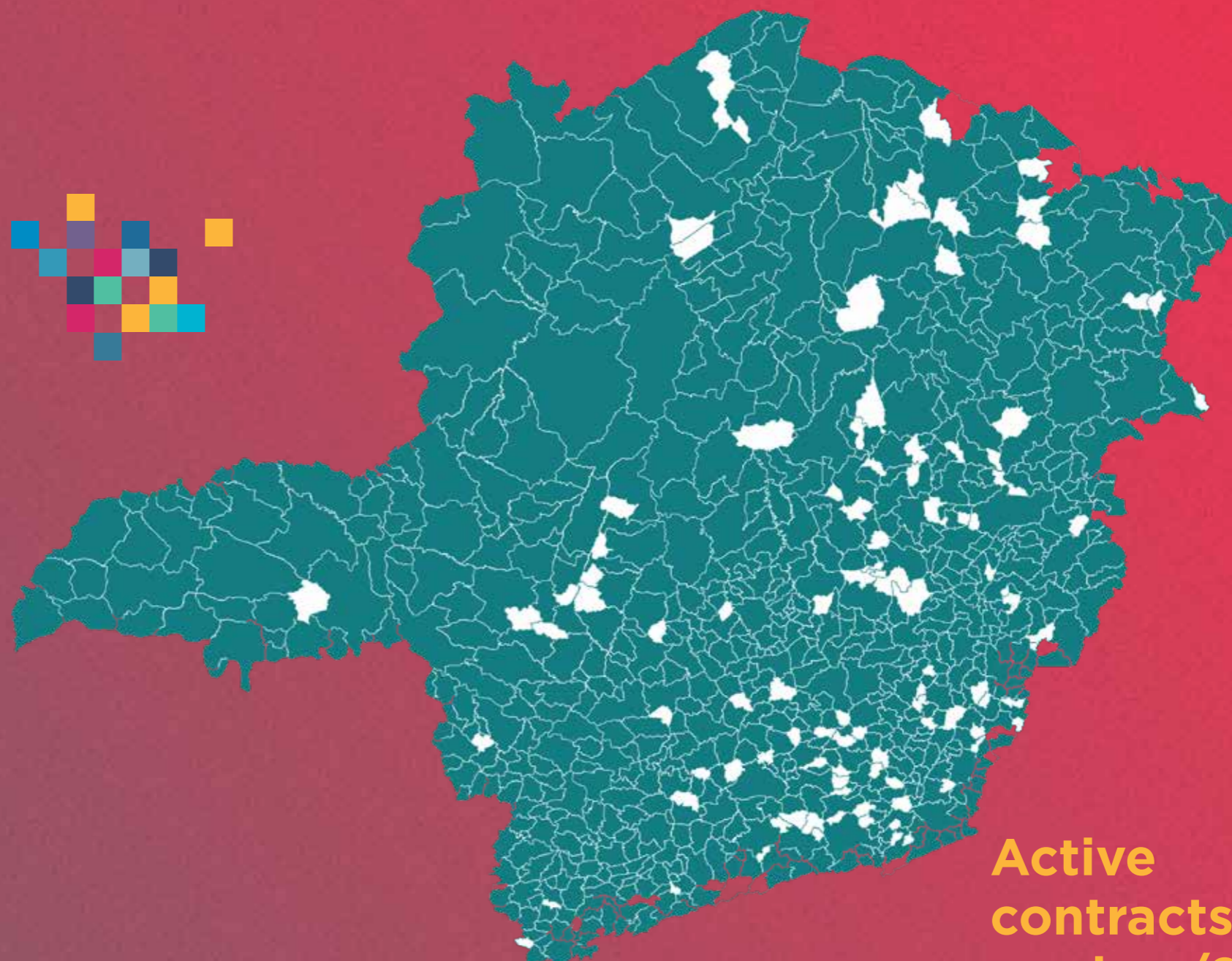
Our
PERFORMANCE

IN 2019, BDMG DISBURSED BRL 1,308.4 MILLION IN THE FINANCING, an increase of 2.2% in comparison with the previous year. AS A RESULT, IT IS ESTIMATED THAT THIS AMOUNT GENERATED AN ADDITIONAL IMPACT OF BRL 974.6 MILLION ON THE PRODUCTION OF MINAS GERAIS, STIMULATING APPROXIMATELY 22,677 JOBS AND BRL 44.2 MILLION IN ICMS³. In the same period, 5,083 clients were served, an increase of 6% over the previous period.

The Bank ended the year with 21,440 clients in its portfolio, a result that consolidates its presence in 738 municipalities, that is, 87% of Minas Gerais municipalities. They are micro, small, medium and large enterprises from different economic activities and also municipalities from all regions of the State.

Disbursements made with own resources represented 56% (BRL 734 million) of total clearances, while 42% (BRL 549 million) came from transfers originating from partnerships with the National Bank for Economic and Social Development (BNDES), Ministry of Agriculture, Livestock and Supply (Mapa), Studies and Projects Financing (Finep), Ministry of Tourism and the Federal Savings Bank (Caixa Econômica Federal - CEF). The operations that used funds resources represented 2% (BRL 26 million) of the clearances and had as source the Minas Gerais Research Support Foundation (FAPEMIG) and the Renova Foundation.

About the main sectors served by BDMG, there was an increase of 4 percentage points (p.p.) in the share of trade and services (49%), followed by the Manufacturing Industry sector, with a decrease of 6 p.p. (27%), the Industrial Public Utility Services sector, with an increase of 1 p.p. (13%), Agriculture, Livestock and Forestry (7%), with an increase of 2 p.p., and other sectors with a decrease of 1 p.p. (5%) compared to 2018.



Active contracts on dec./2019

MUNICIPALITY WITH LESS 1 ACTIVE CLIENT N (155)
S (738)

As for the regional performance, 78% of disbursements (BRL 1,022 million) went to the Central and South macroregions of Minas Gerais, as well as Triângulo Mineiro, Alto Paranaíba and Zona da Mata. Even so, disbursements to the North and Northwest regions of Minas Gerais increased 76%, from BRL 59 million in 2018 to BRL 103 million in 2019.

³The methodology used was the Matrix of Input-Product, prepared by the João Pinheiro Foundation (FJP), which allows the identification of the amount of inputs of different branches of activity necessary for the production of any product. Therefrom, it is possible to identify the key sectors of the economy, as well as to carry out evaluation studies of impact of public policies on employment, income, state revenue, etc.

/Fund Source

Gradually, the Bank has been diversifying its funding sources from international fundraising and the domestic financial market, transfers, and private funds.

Since 2012, about BRL 2.5 billion have been raised in international and national funds, with the main purpose of supporting green, innovation and agribusiness projects. It is worth mentioning that BDMG is the first Brazilian regional development bank to raise funds in the international market.

DURING THE YEAR, THE FOLLOW-UP OF CONTRACTS SIGNED WITH THE DEVELOPMENT BANK OF LATIN AMERICA (CAF), THE INTER-AMERICAN DEVELOPMENT BANK (IDB) AND THE FRENCH DEVELOPMENT AGENCY (AFD) included institutional visits, both by BDMG and by counterparties. During the meetings, the intention to increase the commercial relationship was outlined, and the arrangements for this are being analyzed by BDMG.



Unprecedented contract between the European Investment Bank and BDMG



In October, a financing contract was signed with the European Investment Bank (EIB), which resulted in a credit limit of 100 million euros. This credit line is intended to finance clean energy generation projects (solar photovoltaic energy, PCHs, bioenergy plants, etc.) and energy efficiency at very competitive costs for the sector.

IN ADDITION TO THE AFOREMENTIONED FUNDING, THE FUNDS OBTAINED IN THE DOMESTIC MARKET in terms of the issue of Agribusiness Credit Bills (**ACB**) and Bank Deposit Certificate (**BDC**) stand out. **TOGETHER, BRL 125.73 MILLION WAS RAISED THIS YEAR.** Of this amount, approximately 82% refers to investors residing in other states of the Federation. This resource became part of the productive capital of Minas Gerais through the exclusive action of BDMG, which, therefore, promotes the generation and maintenance of employment and income in the society of Minas Gerais, in addition to increasing the state tax collection by encouraging the local economy. A breakdown of emissions by month is shown below.

The treasury was responsible for part of the 2019 operating result through the management of the trading book. This strategy increased the revenue, accumulated until September, by BRL 55 million related to investments in fixed-income bonds, repo operations, investments in investment funds, swaps, and interest futures. Throughout the year, the average treasury turnover was BRL 4.5 billion per month, that is, the equivalent of 2.3 times the BDMG's Equity of monthly turnover.

FINANCING SOURCES BY ORIGIN



/Rating

Standard & Poor's (S&P) risk rating agency raised BDMG's outlook from negative to stable, in addition to reaffirming the institution's ratings: "B" on the global scale and "brA-" on the national scale.

According to the agency, the improvement in the default levels operated by BDMG and a recovery in economic conditions justify the new classification.

"BDMG'S DEFAULT LEVELS HAVE BEEN IMPROVING MATERIALLY AS ECONOMIC CONDITIONS RECOVER."

In our opinion, considering the economic trends and the high reserves of losses on loans from the Bank, it is less likely that a deterioration in the quality of the assets could harm its final results (bottom-line) and the levels of capitalization", affirms the S&P in a report, adding that the stable outlook reflects its "view that the Bank's credit factors should remain unchanged over the next 12 months".

The default rate at BDMG fell to 2.7% in September 2019, compared to 5.0% in the previous year. According to S&P, despite being a "challenge for BDMG to stabilize its operating revenues, which decreased due to its deleveraging and lower interest rates", the agency expects "the Bank to maintain solid capitalization metrics, with a Risk-Adjusted Capital (RAC) forecast of 12.5% to 13.0% in the next two years".



Highlights of the Period

/Municipalities of Minas Gerais

BDMG's work with the municipalities has the purpose of improving the quality of life of the people of Minas Gerais with the financing of the municipal infrastructure. Financing is destined for construction, renovation and expansion works of public buildings, water and sewage supply, solid waste, mobility, and urban drainage, as well as funds to purchase machinery and equipment. BDMG has a current active portfolio of BRL 625 million destined for the public sector in 2019, with 437 Minas Gerais municipalities with active contracts.

| | |
|---|----|
| CLEAN WATER AND SANITATION | 6 |
| INDUSTRY, INNOVATION AND INFRASTRUCTURE | 9 |
| SUSTAINABLE CITIES AND COMMUNITIES | 11 |

BDMG is a partner to the Public Sector



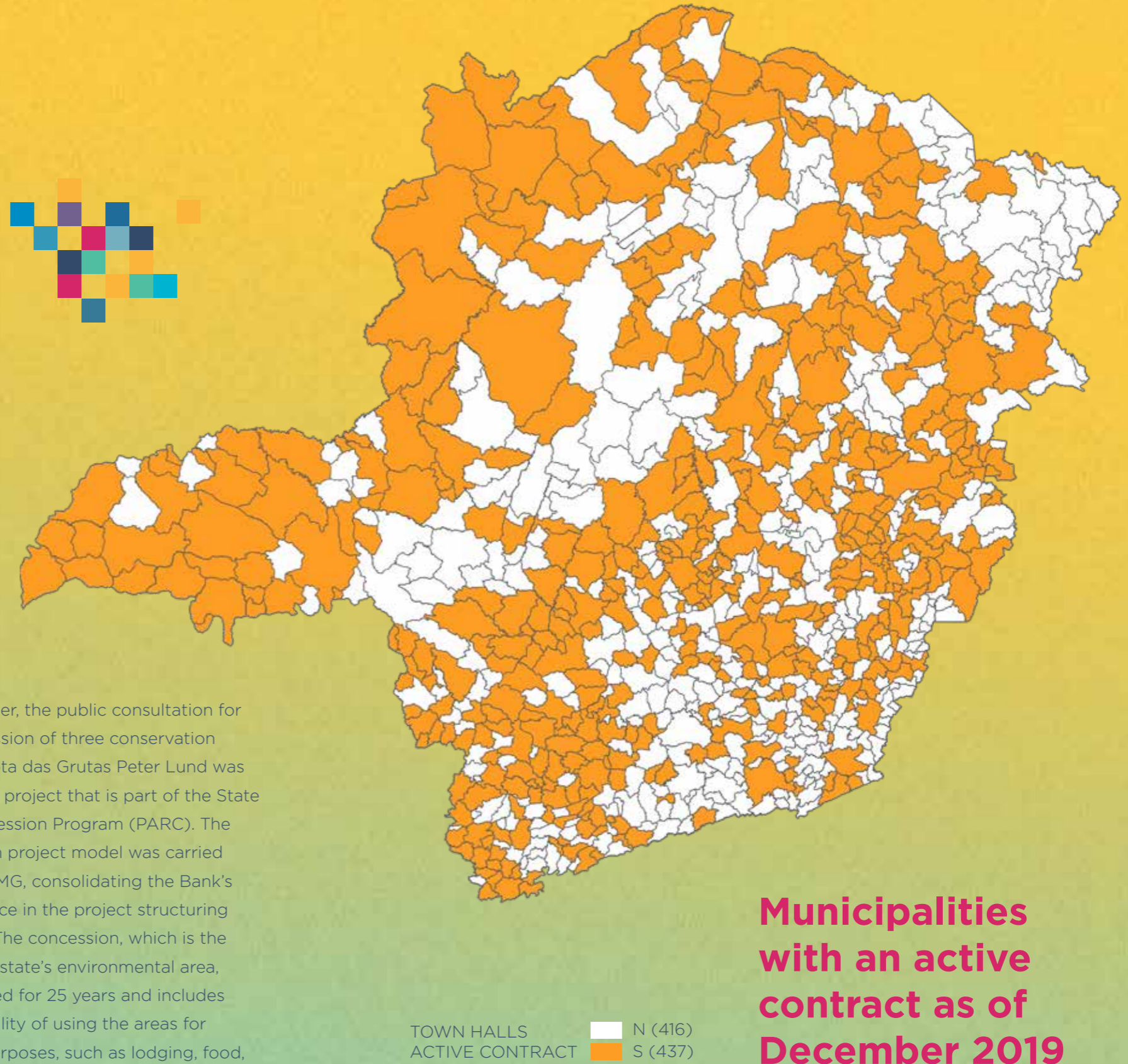
In the announcement issued in 2019, directed to the municipalities, the Bank received 431 applications from city halls to obtain financing, up 11% about the last announcement launched in 2017. Together, the orders add up to approximately BRL 649 million, which exceeds 19% of the volume requested by the cities two years ago.

BDMG was also responsible for 71% of all credit operations to Minas Gerais municipalities that were approved by the National Treasury Secretariat (STN) in 2019, even surpassing other public banks. 264 operations totaled BRL 264.7 million.

Throughout the year, BRL 127.5 million was disbursed for projects in 182 municipalities in Minas Gerais, a value 3.8% higher than that disbursed in the same period in 2018 (BRL 122.8 million). Of the total number of municipalities served, 41% (74 municipalities) have MHDl lower than the average for Minas Gerais.

About sanitation projects for municipalities, which include water treatment and distribution, sewage treatment or solid urban waste, BRL 9.2 million were disbursed in 2019, benefiting 22 municipalities in Minas Gerais, 10 with MHDl lower than the state average. Of the total volume disbursed for sanitation projects, 58% went to municipalities located in the regions of Zona da Mata, South region of Minas Gerais and Rio Doce.

In December, the public consultation for the concession of three conservation units of Rota das Grutas Peter Lund was released, a project that is part of the State Park Concession Program (PARC). The concession project model was carried out by BDMG, consolidating the Bank's performance in the project structuring segment. The concession, which is the first in the state's environmental area, is scheduled for 25 years and includes the possibility of using the areas for tourism purposes, such as lodging, food, leisure, adventure activities, and sale of souvenirs. The estimated contract value is around BRL 347 million with an initial investment of BRL 6.3 million. The bidding is scheduled for the first semester of 2020.



Municipalities with an active contract as of December 2019

/Clean Energy and Environment

Since sustainability has been a core element of our strategy in recent years, BDMG proposes to contribute to increasing the share of renewable energies in the Brazilian and global energy matrix and in combating climate change, as described in the SDG 7 - Clean and Accessible Energy and 13 - Action against Global Climate Change.

To obtain resources at competitive costs to finance clean energy generation and energy efficiency projects, in October BDMG signed a contract with the European Investment Bank (EIB), which resulted in the raising of 100 million euros. The credit line intends to finance renewable energy generation projects - solar photovoltaic energy, small-scale hydroelectric energy and bioenergy plants - and energy efficiency such as public lighting and efficiency in buildings and industries, for example, at competitive costs.

Also in the third quarter, two photovoltaic solar energy generation projects in the North of Minas Gerais, with the potential to generate 18 GWh/year of solar energy, were approved by BEI. Both projects result in a quantification



SDG GOAL: 7.2. By 2030, substantially increase the share of renewable energy in the global energy matrix. 7.3. By 2030, double the overall rate of improvement in energy efficiency.

of the avoided emission of CO₂ in the amount of 33,590 tons. The evaluation was carried out based on the calculation tool of the Fundo Clima Program and demonstrates the importance of this type of project for the improvement of climatic conditions.

In Janaúba, North of Minas Gerais, **A PHOTOVOLTAIC SOLAR FARM BY THE COMPANY EBES SISTEMAS DE ENERGIA S.A., WITH 6,633 KW OF POWER**, went into operation with the support of BDMG. The project obtained financing of BRL 15 million and was one of the operations covered by the BEI credit line.

In the municipality of Manga, also located in the North of the State, another photovoltaic project by Ebes Sistemas de Energia S.A. was financed with the support of a credit line approved by the European Bank. The project, with a capacity of 6,624 kW and financing of approximately 15 million reais, will produce energy through solar panels and includes the implementation of a plant that will be connected to Cemig's network.

In addition to these two projects, another 52 clients received financing for photovoltaic solar energy generation projects compared to 25 clients in 2018.



Órigo Energia, BDMG client

The total volume disbursed for solar energy projects has tripled compared to 2018, resulting in BRL 53 million in the BDMG Solar Photovoltaic, BDMG Sustainability, Finame Fundo Clima lines, among other products. Through operations that received resources in 2019, the generation capacity of 45.8 GWh/year of solar energy, equivalent to the annual consumption of more than 23,800 households, is estimated.



| | 2018 | 2019 | Variation (%) |
|-------|------|------|---------------|
| Solar | 17,4 | 53,1 | 205% |

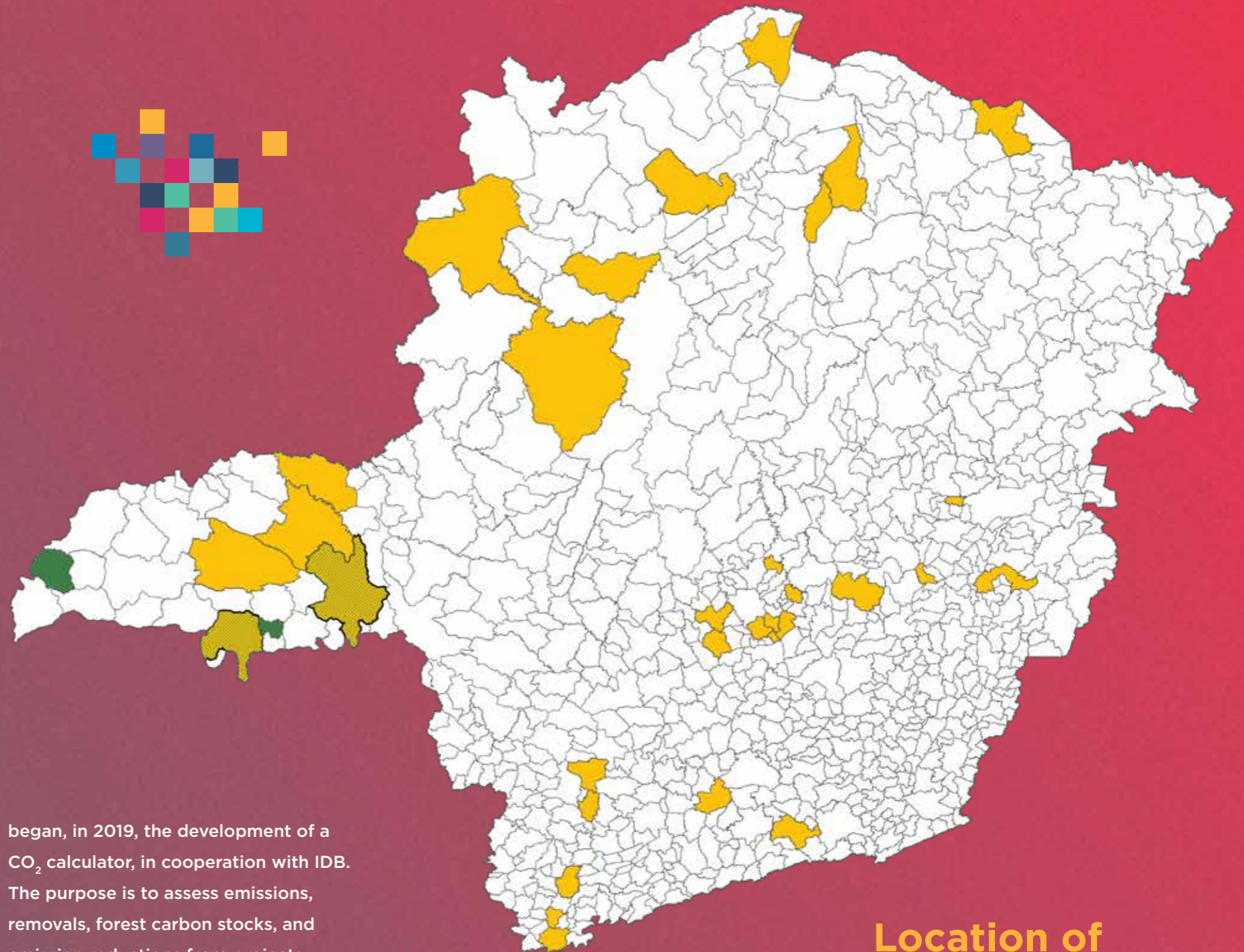
About 78% (BRL 41.4 million) of the total disbursed for solar energy projects were intended for projects in the North of Minas, one of the most investment-deprived regions in the State. Moreover, 44% of financing for solar energy went to projects in municipalities with low MHD.

Besides contributing to the economic development of the regions, the projects intend to generate clean energy aligned with the precepts of favorable financing for the improvement of climatic conditions in the world. It is noteworthy that the impacts caused by photovoltaic generation are relatively lower when compared to fossil sources, contributing to the reduction of greenhouse gas emissions.

Besides renewable energies, BDMG supported other projects with positive environmental externality. The operations conducted in the biofuels sector served companies in four municipalities in the Triângulo Mineiro region and operations for industrial waste and air treatment, in line with SDG 12 - Responsible Consumption and Production.

To measure the impact of its operations on the climate, BDMG

began, in 2019, the development of a CO₂ calculator, in cooperation with IDB. The purpose is to assess emissions, removals, forest carbon stocks, and emission reductions from projects financed by BDMG. The development of the tool takes into account an analysis of the characteristics and specificities of the Bank's investment portfolio combined with the implementation of environmental indicators that contemplate the emissions of these operations.



DISBURSEMENT FOR INVESTMENTS IN
 ■ Solar energy
 ■ Solar and fuels
 ■ Biofuels

Location of renewable energy projects that received resources in 2019.

/Micro and Small Enterprises

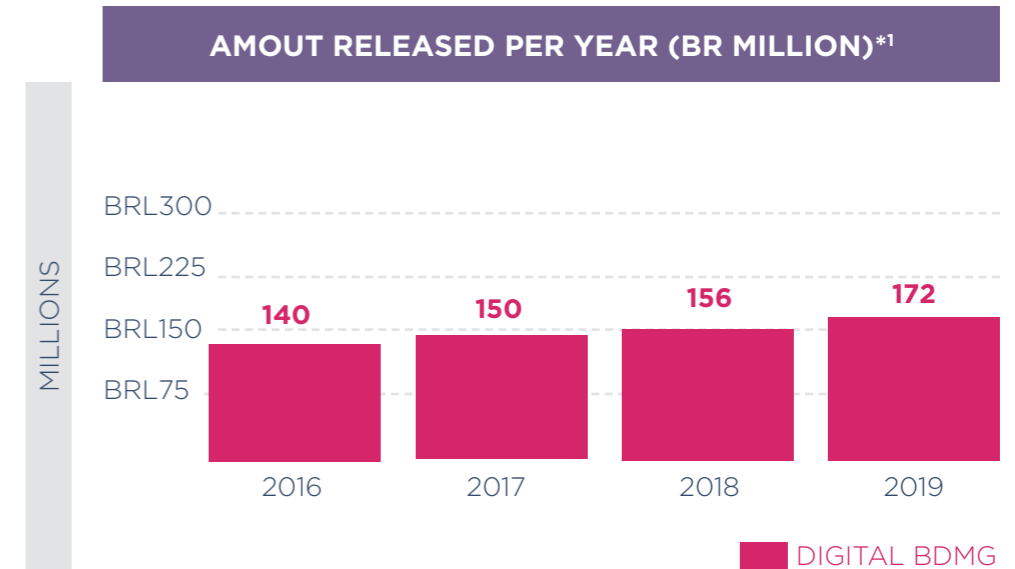
The important role that Micro and Small Enterprises (SMEs) play in an economy is undeniable, especially in job offers. In 2019, SMEs were responsible for no less than 81% of jobs created in Minas Gerais, against 19% of medium and large enterprises. Aiming at expanding access to credit by micro and small entrepreneurs, BDMG Digital evaluates and grants credit through an online platform and has a network of bank correspondents for SMEs accredited throughout the State, always seeking proximity to the client and placing it at the center with agile and effective service.



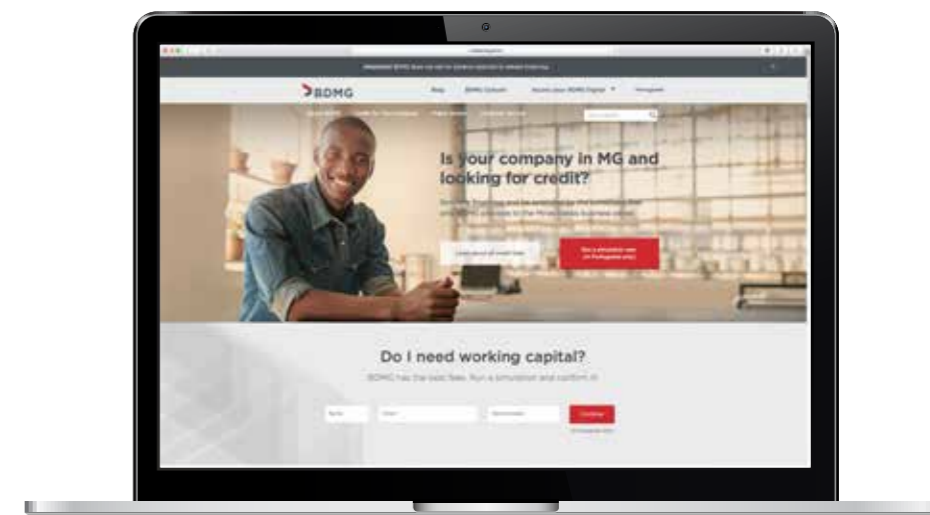
/BDMG Digital

SDG GOAL: 8.3. Promote development-oriented policies that support productive activities, decent job generation, entrepreneurship, creativity, and innovation and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services.

Disbursement of processes originated via BDMG Digital was BRL 172 million, corresponding to 96% of the total released to micro and small enterprises in 2019, growth of 10.5% compared to disbursement through the platform in 2018. The platform financed 4,566 clients.

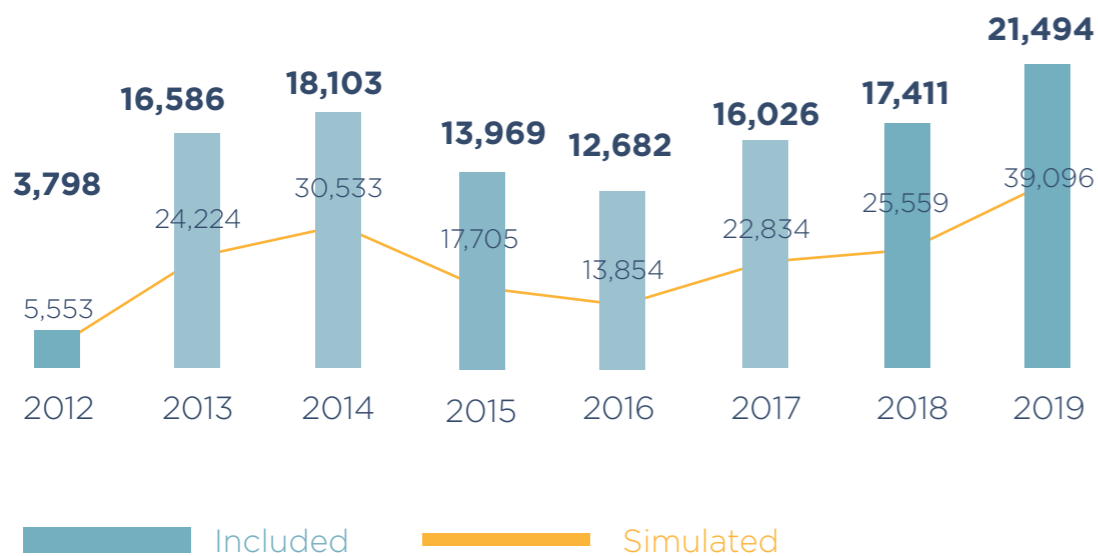


Moreover, **IN 2019, BDMG DIGITAL RECORDED AROUND 600 THOUSAND ACCESSES, A NUMBER THAT REPRESENTED A HISTORICAL RECORD**, with a growth of 54% in comparison with 2018. Analyzing the monthly average of accesses, it went from 32,250 accesses in 2018 to 49,757 in 2019. In 2019, a record inclusion of 21,494 National Registers of Legal Entities (CNPJs) was registered, 46% originating from the direct sales channel, which in 2018 represented 37% of the total.



*Source: CAGED. Data between January and November 2019.

NUMBER OF NATIONAL REGISTERS OF LEGAL ENTITIES (CNPJS)



In addition to direct access to web financing, entrepreneurs also have a network of banking correspondents distributed throughout the State. They are formed by federations of classes and unions, credit unions and banks. In 2019, there were 300 active correspondents from 172 municipalities that, together, served entrepreneurs located in 550 municipalities.



/Geraminas Giro Mais

Aiming to simplify the acquisition of credit for micro and small enterprises and diversify the offer of products on the WEB platform, BDMG Digital launched the Geraminas Giro Mais in the third quarter. The new financing line, which constitutes a special working capital line with extended credit limits and terms, competitive rates and simplified guarantees to serve companies with annual sales between BRL 4.8 million and BRL 30 million, paid BRL 4.8 million in the last months of 2019.



/Gender Inclusion

To support women-managed SMEs and encourage their inclusion in business, one of the products also available on the digital channel is the “Empreendedoras de Minas” financing line. This line, which represents 19% of the volume disbursed in 2019 through BDMG Digital, disbursed BRL 58 million since its creation in 2018. BRL 32.5 million were disbursed only in 2019, serving 977 businesswomen (25% more than in 2018) in 220 municipalities in Minas Gerais, 40 municipalities with MHDI below the State average.

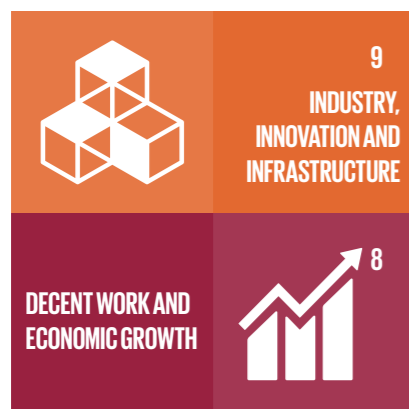


SDG GOAL: 5.a. Carry out remodeling to give women equal rights to economic resources, as well as access to property and control over land and other forms of property, financial services, inheritance, and natural resources under national laws.

/Tourism

Given the relevance of encouraging tourism to the State's economy, BDMG has been working with the Ministry of Tourism in the General Tourism Fund (FUNGETUR) since 2018. The fund is aimed at improving tourism infrastructure. Overall, BRL 28.4 million was contracted, and BRL 19.5 million was disbursed to 151 clients.

SDG GOAL: 8.9. By 2030, develop and implement policies to promote sustainable tourism, which generates jobs and promotes local culture and products.



In the lines for fixed investments and purchase of goods and equipment, BRL 12.9 million were disbursed - 36 companies were served in 2019. 11 clients invested their resources in investments for photovoltaic solar energy (BRL 1.2 million), falling into the Sustainable Tourism category.

In September, through BDMG Digital, Fungetur Giro was launched, a credit line for micro and small enterprises in the tourism chain with annual gross sales of up to BRL 4.8 million and with rates significantly below the market average for this segment. Through this launch, 115 micro and small enterprises were served, and BRL 6.6 million were disbursed in the 4th quarter of 2019.

/Innovation

SDG GOAL: 8.3. To promote development-oriented policies that support productive activities, decent job generation, entrepreneurship, creativity, and innovation and encourage the

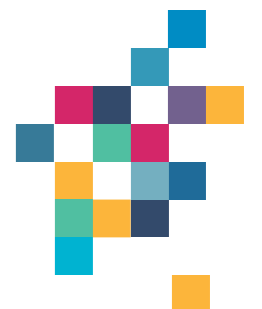
formalization and growth of micro, small and medium-sized enterprises, including through access to financial services.
9.5. Strengthen scientific research, improve the technological capacities of industrial sectors in all countries, particularly developing countries, including, until 2030, encouraging innovation and substantially increasing the number of research and development workers per million people and public and private spending in research and development.



Innovation to diversify the economy in MG

BDMG

seeks to promote innovation in the productive sector of Minas Gerais and facilitate the creation and access to the credit market for technology-based companies and also support innovative projects.



/ Financing and Investments in Participation

To finance innovative projects, the Bank has been operating for 8 years with resources from partnerships with FAPEMIG and for 5 years with BNDES and Finep. BRL 51.5 million were disbursed under these lines, and 27 new projects were financed during 2019, which represents a 21% increase in the volume disbursed in comparison with 2018.

Besides enhancing innovation, through financing, BDMG also works with investment instruments to support innovative companies with high growth potential. In 2019, BRL 9.2 million was fully paid into the nine Participation Investment Funds (FIPs) and a Venture Debt Fund. Together, these funds have already invested BRL 70.7 million in 24 companies of Minas Gerais.

The Bank has an equity interest in two companies, holding 6.5% of the shares of Unitec Semicondutores S.A., a semiconductor industry under implementation located in Ribeirão das Neves - MG, of which it has been a shareholder since 2012, and 6.7% of Biommm S.A., biopharmaceutical industry located in Nova Lima - MG, of which it has been a shareholder since 2013.

/HUB Hubble

Another important initiative is Hubble, a hub based in BDMG for startups that use technology intensively and innovatively. As a result of the partnership between BDMG, LM Ventures and Bank Olé, in January 2019, Hubble brought together 15 startups winners of the 1st Batch in an environment of exchange and connection with large corporations to boost business conduct. In 8 months, they invoiced together BRL 8.3 million and grew an average of 107.8% compared to 2018.

STATEMENTS

"It is a national reference to say that you are one of BDMG's partners, that you are in the Hubble. Here we also had legal and financial advice. We expected that the Bank could leverage our business, and they did."

PEDRO LOPES - KAPUTTO.

"Hubble, along with BDMG, played an important role in our growth. We started with few clients and today we have almost three times more, it is a constant evolution, a constant transformation. BDMG is following this line, breaking the conservative bank paradigm and trying to bring innovation to our country."

LEONARDO AGUIAR - ATERRA.

"Hubble's strongest point is being a program that aims to connect startups with the market. The fact that BDMG is behind this program helps us mainly to help deliver credibility to our clients and our business prospects. Newatt is much honored to participate in and to foster the innovation ecosystem of Belo Horizonte and Brazil."

DIEGO CAVALCANTI - NEWATT.



Moreover, it is worth mentioning that Hubble's startups maintained the upward growth curve per quarter: in the 1st and 2nd quarters, growth was 0.3%; in the 2nd and 3rd quarters, it rose to 29.6% and, finally, in the 3rd and 4th quarter they closed with another 4% increase.

HUBBLE GENERATED 81 DIRECT JOBS THROUGH ITS STARTUPS, WHICH RAISED MORE THAN BRL 7.5 MILLION IN INVESTMENT. After joining Hubble, startups signed 256 new contracts, two with Olé. BDMG contributed to the generation of new businesses, introducing startups to its clients, such as Fundação Altivo, Telemont, and Hermes Pardini. These 15 startups have more than 30 Proofs of Concept (PoCs) mapped with BDMG and Olé by the end of 2019.



Hubble: stimulates the innovation ecosystem

The startups selected were: Asotech, Galax Pay, Pris Software, Banco Social Liberdade, GoCredit, Sobix, HTS, Tyde, Cashtag Blockchain, Mitosis, Trovato Lending, Predify, Crawly.

As part of the initiatives driven by Hubble, 84 training events were held, including lectures, courses, and workshops, which were attended by 5,683 people in Belo Horizonte. Among them, the Global Startup Weekend Sustainable Revolution stands out, one of the most important events to encourage innovation and sustainability in the world, hosted by BDMG in June.

/Economic Recovery after Disasters



SDG GOAL: 11.5. *By 2030, significantly reduce the number of deaths and the number of people affected by disasters and substantially decrease the direct economic losses caused thereby concerning the global gross domestic product, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.*
13.1. *Strengthen resilience and the ability to adapt to risks related to climate and natural disasters in all countries.*



Easy credit in difficult times



In September, the public notice for the selection of the 2nd Batch was released. 13 startups were chosen among the 88 registered, 10 of which are based in Minas Gerais. All of them are fintechs, with a defined product and business model and with different backgrounds and experiences from around the world. The selection followed the following criteria: the degree of innovation, stage of development, team strength, market potential, marketing and sales model, availability of people and finance and synergy with partner companies.



SINCE 2017, BDMG HAS WORKED TOGETHER WITH THE RENOVA FOUNDATION ON SOCIAL AND ECONOMIC PROGRAMS RELATED TO THE ECONOMIC DYNAMIZATION OF THE RIO DOCE REGION - Desenvolve Rio Doce, Compete Rio Doce, Diversifica Mariana and the Social and Environmental Program for Sewage Collection and Treatment and Solid Waste Disposal in the 35 municipalities of the Minas Gerais area where Renova operates.

The Desenvolve Rio Doce fund is a working capital financing product to foster economic activity in the municipalities of Minas Gerais and Espírito Santo affected by the collapse of the Fundão dam. It has been in operation since October 2017 and reached a volume of BRL 29.4 million in the Minas Gerais area operated by BDMG since the

beginning of its activity, benefiting 779 companies with more than 5,000 supported jobs. In 2019 alone, 445 companies were served, and BRL 14.1 million were disbursed in financing for the sectors of Commerce and Services (83%), Manufacturing Industry (15%) and other sectors (2%).

Launched in December 2018, the Compete Rio Doce fund is operated with Sebrae and aims to facilitate access to credit by companies that, due to financial restrictions, could not obtain financing through the Desenvolve Rio Doce fund. These ventures receive consultancy from Sebrae-MG to make a diagnosis of the companies' operating capacity and guide them in the search for business sustainability. Sebrae served 337 companies in Minas Gerais. Since the beginning of the program, BRL 4.3 million has been disbursed to 91 micro and small companies.

The Sewage Collection and Treatment and Solid Waste Disposal Program provides financial resources to municipalities for the preparation of basic sanitation plans, the design of sewage system projects, the implementation of sewage collection and treatment works, the eradication of dumps and implementation of regional landfills. Investments of approximately BRL 390 million are planned to 35 municipalities in Minas Gerais (BRL 500 million in total).

**In 2019,
BRL 2.4 million
were released
to seven
municipalities.**

/Agribusiness

Reinforcing BDMG's support for a relevant activity in the composition of the Gross Domestic Product (GDP) of Minas Gerais, financing for the agricultural sector is carried out through lines that use resources from BNDES, Funcafé and the issuance of Agribusiness Credit Bills (ACB).



In 2019,

BRL 628
million

was disbursed through these lines, representing a growth of 12.4% compared to the same period of the previous year.

In the global context, Brazil remains the world's largest producer and exporter of coffee, producing approximately 1/3 of the world coffee production in the 2018/2019 harvest. Minas Gerais was responsible for 54.3% of national production, consolidating the grain as the second most exported product in the State. To finance the commercialization, acquisition and working capital of companies linked to the coffee chain, BDMG uses resources from the Coffee Economy Defense Fund (Funcafé) to develop local production. BDMG is currently

among the fund's 10 largest lenders, with more than 5% of the total made available for the crop year. In 2019, BRL 223 million were contracted and disbursed through the Funcafé product, a decrease of 5% compared to 2018. Considering the 2019/2020 harvest operations, which started in July 2019, BRL 164 million were released, representing 64% of the use of the BRL 255 million thresholds made available by the Fund to BDMG.

/Partnerships and Events

SDG GOAL: 17.16. *Strengthen the global partnership for sustainable development, complemented by multisectoral partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the Sustainable Development Goals in all countries, particularly in developing countries.*





/Technical Cooperations

With the strategy of prospecting opportunities and strengthening relations with institutions that share the same development mission, BDMG entered into several partnerships with multilateral organizations: the Inter-American Development Bank (IDB), the International Finance Corporation (IFC), the Financial Development Fund (Fonplata), European Investment Bank (EIB), vSpanish Development Finance Institution (COFIDES), among others.



IN JULY, A MEMORANDUM OF UNDERSTANDING WAS SIGNED

WITH IFC, the private sector investment arm of the World Bank Group, the world's largest development institution focused on the private sphere in emerging markets. The objective is to jointly develop a work plan to study development alternatives for Minas Gerais and to attract economic opportunities for public and private projects that contribute to the diversification of the State's economic matrix.

In August, a memorandum of understanding was signed with Fonplata. The objective is to carry out joint actions, studies, and analyses by the two institutions, consolidating an opportunity to attract long-term resources adhering to the development of Minas Gerais municipalities.

In expanding the partnership with the IDB, different fronts of action were generated throughout 2019 aiming at expanding knowledge and practices related to financing sustainable development. Regarding the strategy for the issuance of sustainable bonds, particularly about its aspects of a framework adhering to the 2030 Agenda, a process of certification and legal and financial structuring is underway. In addition to the creation of an SDG framework, to make our actions more transparent, the second step will be the monitoring and measurement of the impacts of sustainable projects, which

includes the structuring of a system for monitoring and evaluating results. Another focus of cooperation is related to the standardization and optimization of processes for structuring public lighting PPPs in the municipalities of Minas Gerais aiming at energy efficiency.

Another relevant fact was the approval of the letter of interest from the Italian export credit agency SACE to institute a credit line of up to 20 million dollars for the import of Italian products per BDMG client.

In December, BDMG obtained approval for technical assistance within the scope of the Sustainable Brazilian Finance (FiBraS) project, to develop an innovative financial product with resources from the German Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) fund. The project sent by BDMG proposes the creation of credit lines for energy efficiency, focusing on micro, small and medium-sized enterprises. The proposal is in line with the 2030 Agenda, as it aims to contribute to energy efficiency rate improvements (SDG 7 - Clean and Accessible Energy), generating social and environmental benefits.

BDMG

as a Knowledge Platform

In the context of the current tensions in the globalized world and the new challenges of economic, social and environmental development, banks and financial development institutions need to work in an integrated manner to rethink their models of action and their institutional roles.

In this sense, **BDMG seeks to position itself as a knowledge platform for discussions and learning on the most pressing issues of financing sustainable development, digitalization, governance, monitoring, and evaluation, among others.**

BDMG, in cooperation with the Latin American Association of Development Financial Institutions (ALIDE), sought to strengthen the relationship with other national and international development institutions for the exchange of experiences, good practices, and technical cooperation. Held on September 19 and 20, 2019, BDMG hosted the 1st Meeting of Chief Economists of Development Banks in Latin America, a joint initiative of BDMG, ALIDE and IDB. In the two-day meeting, in which about 30 institutions from 11 different countries participated, high-level dialogues and exchange of experiences between the participating institutions were promoted, placing Minas Gerais in the leadership of the debate on sustainable development and the funding institutions' performance model.

In November 2019, the Bank, with the support of FIEMG and FDC, organized the Pre BRICS Summit - Belo Horizonte, which was divided into two distinct and complementary moments, uniting cultural and technical aspects. Having as an essential foundation



1st Meeting of Chief Economists of Latin American Development Banks, in partnership with Alide

the official meeting in Brasilia, a pre-event held in the capital of Minas Gerais presented itself as a unique opportunity to intensify the engagement of fundamental aspects in the financing and economic development agenda. The initiative seeks to strengthen the relationship with other national and international development institutions for the exchange of experiences, good practices and technical cooperation in support of the challenges that bring concrete benefits to the populations of BRICS countries.

Thus, significant results were obtained, such as the promotion of excellent debates that combined technical rigor and the generation of economic opportunities. Moreover, ONE Comprador LLC and Comprador Limited announced during the event a partnership to create the Brazil-China Social Impact Fund. The partnership between the two companies combines Chinese and Brazilian technologies, businesses



and resources for infrastructure investments of \$ 1 billion in sanitation projects primarily for the State of Minas Gerais.

In December, BDMG also participated and co-organized events at the United Nations Conference on Climate Change COP 25, which aimed to discuss and define the next crucial steps in the global climate change process. As the only regional development bank in the country to be present as a speaker at COP25, BDMG participated in three panels, one of which was co-organized with the International Development Finance Club (IDFC), ALIDE and IDB. With the theme “Building climate finance: the role of development banks”, it reported experiences, together with other executives from the European Investment Bank (EIB), Official Credit Institute (OCI) of Spain, Spanish Development Finance Institution (COFIDES), IDB and KfW, the Development Bank of Germany.

At COP 25, two agreements of intention were also signed with the European Investment Bank (EIB) and the Spanish Development Finance Institution (COFIDES). The agreement between BDMG

and EIB aims to share experiences and best practices in areas and sectors of common interest, further strengthening cooperation between the two institutions. The agreement with COFIDES represents a first step towards the injection of the Spanish capital in the financing, especially for small and medium-sized enterprises based in Minas Gerais. Moreover, several bilateral meetings were held as an opportunity to enable new business, investment and financing around shared-interest projects and activities.

Also in December, BDMG participated in the special session at the Senate Plenary in Brasília, in celebration of the 50th anniversary of the Brazilian Development Association (ABDE). The special session was proposed by the president of BDMG, who also holds the position of 1st vice president of ABDE, due to the role that the association added to the National Development System (SNF) in Brazilian development throughout



history and in different regions. Founded in Minas Gerais, during the 1969 Development Banks Congress, ABDE currently has an important objective of training its 30 members to effectively face the new challenges of an economy in transition.

In addition to international events, **THROUGHOUT 2019, BDMG HOSTED AND ORGANIZED A SERIES OF MEETINGS WITH DIVERSE AND RELEVANT THEMES FOR THE PERFORMANCE OF DEVELOPMENT BANKS TODAY.** In June, the 1st BDMG Compliance Seminar was promoted, whose central theme was the importance of solid and transparent governance by organizations as a fundamental condition for carrying out financial or business operations. In August, in partnership with the João Pinheiro Foundation (FJP), an event with the theme of “Monitoring and Evaluation under the 2030 Agenda” was held with partners such as the United Nations Development Program (UNDP), BNDES, Insper Metricis, and IBGE. In October,

BDMG hosted the event “Digital Mindset and Development Banks”, to bring together experts from Google, BNDES and the Caribbean Development Bank (CDB) to reflect on the digital transformation of financial services. Also in October, BDMG hosted the regional seminar of the Brazilian Development Association (ABDE), promoted jointly with the international NGO WWF, which had 11 representatives from non-governmental institutions and bodies in the Southeast region to discuss the role of development institutions for sustainable development. In addition to all those already mentioned, there were also opportunities to discuss topics such as smart cities, corporate governance, big data, internationalization of companies, among others.



1st BDMG Compliance Seminar



/ Minas Economy Award

Created in 1988, the Minas Economy Award is a reference in the area by awarding the best monographs to conclude the Economics course of the period. BDMG instituted it in partnership with the Regional Council of Economics of Minas Gerais and the Society of Economists of Minas Gerais, the award is already in its 31st edition.

THE WINNING WORKS IN 2019 WERE

“PRODUCTIVE DIVERSIFICATION STRATEGY:

A PROPOSAL TO INCREASE THE ECONOMIC COMPLEXITY OF BRAZILIAN STATES”,

which simulates the increase in the number of states' jobs if they started to produce competitively in the activities identified as promising, “Intensity of CO2 emissions in Minas Gerais economy and mitigation options: an input-product regional analysis”, which seeks to measure the carbon emission in the State by sector and “Does the reduction in the Tax on Industrialized Products (IPI) stimulate access to goods?: an investigation into the relationship between the IPI reduction policy and access to automobiles and white goods”, which assessed the increase in access to consumption based on tax incentives.



INTEGRATED RISK Management

The risk management structure is closely in line with BDMG's strategic performance guidelines and with the recommendations of the regulatory body, committing itself to the Bank's ethical standards of conduct and reliability, in line with the best market practices.

The risk area's mission at BDMG is to manage and monitor credit, market, liquidity, operational and social and environmental risks, to mitigate risks and optimize operational effectiveness and results. Thus, risk management practices that are appropriate to the nature and specificities of the operations carried out by the Bank are adopted, maintaining control standards, with a capital adequacy index higher than the minimum requirement adopted in Brazil.

In 2017, CMN Resolution 4,557 came into force, which provides for the risk management structure and the capital management structure. The standard addresses, among other topics, the requirements for integrated and continuous risk management, the establishment of an independent Risk Committee, the Risk Appetite Statement (RAS), of the stress-testing program. BDMG is in line with the standard requirements, fulfilling all the requirements of the S3 segment.



The structure responsible for risk management is composed of the Board of Directors, Executive Board, Risk and Capital Committee, Officer responsible for Risk Management (CRO) and site in charge of the risk management.

/Risk Appetite Statement

The Risk Appetite Statement, established and approved by the Board of Directors under the Risk Appetite Policy, aims to attest the types and amounts of risks that management is willing to accept, thus defining its desired risk profile in the search of strategic objectives, in line with the interests of the State and guaranteeing the institution's economic and financial strength. It is structured in 4 dimensions, which include indicators related to the main risks involved, to allow the monitoring of exposures and the adequate capital structuring:



CAPITAL AND PROFITABILITY DIMENSION:

determines that BDMG must demonstrate diligence in the management of its resources through systematic monitoring that ensures: in resource allocation, a minimum profitability, aiming at financial sustainability; the maintenance of a capital structure that, in addition to complying with regulatory requirements, also has a safety margin to cover unexpected events, according to the Capital Management Policy;

OPERATIONAL AND COMPLEMENTARY ASPECTS DIMENSION:

seeks to protect the Bank from exposure to operational risks that, if materialized, may negatively affect internal processes, compliance, financial performance, and the institution's reputation.

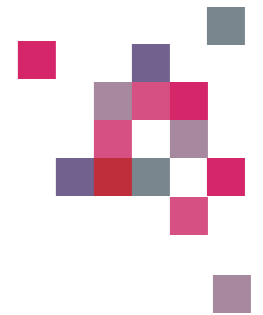
LIQUIDITY DIMENSION:

establishes that it is necessary to maintain minimum liquidity reserves for short, medium and long term perspectives and a diversified funding structure to protect the institution against prolonged periods of funding stress;

BUSINESS DIVERSIFICATION AND SUSTAINABILITY DIMENSION:

determines the reasonable level of risk that the Bank can assume in the execution of its business model, aiming at low volatility of results and financial sustainability of the institution, as well as meeting strategic objectives. For this purpose, concentration and exposure limits by clients/economic groups and monitoring of defaults are established. Moreover, to mitigate possible losses due to changes in the market value, the mismatch between the Bank's assets and liabilities must be monitored;

Monitoring of Risk Appetite is reported to senior management and guides the implementation of preventive measures to ensure that exposures are within the limits established and aligned with BDMG's strategic planning.



/ Integrated Stress Testing Program

The Integrated Stress Testing Program, as defined by CMN Resolution 4.557, **AIMS TO ASSESS THE IMPACT OF POTENTIAL ADVERSE EVENTS AND CIRCUMSTANCES ON THE INSTITUTION OR A SPECIFIC PORTFOLIO, IDENTIFYING POSSIBLE VULNERABILITIES.** Its results are documented and used in the identification, measurement, monitoring, and control of BDMG risks, being considered in the revisions to the Risk Appetite Policy, in the assessment of the Bank's capital and liquidity levels and the preparation of contingency plans.



/Credit Risk

Credit risk contemplates **THE POSSIBILITY OF LOSSES ASSOCIATED WITH THE NON-COMPLIANCE BY THE BORROWER WITH ITS FINANCIAL OBLIGATIONS UNDER THE AGREED TERMS**, devaluation or reduction of expected earnings in a financial instrument, at recovery costs, at concentration risk.

BDMG's credit risk management structure supports BDMG's focus on operations and meets the requirements of CMN Resolution 4.557/2017. In this context, the participation of agents is constantly improved, in addition to the policies and procedures adopted in the credit risk management process. This process is in line with the deadlines established in that standard and with the best market practices, enabling the proper identification, measurement, control, mitigation and reporting of this risk category.

To ensure quality standards for the fundamental models and processes for risk management, the Bank has segregation between business activities, credit analysis, compliance, credit management, and control, ensuring independence between the areas and, consequently, balanced decisions regarding the risks incurred.

The structure responsible for credit risk management determines the general guidelines to be observed by the institution, incorporating the principles of corporate governance. The credit decision-making process has different decision-making levels. The analysis, risk management, and credit management and collection processes are carried out by segregated areas of the business sectors.

The BDMG Credit Policy, through internal rules approved by the Board of Directors and Executive Board, establishes the credit risk management guidelines at the Bank, including, among other aspects, credit limits, concentration and exposure limits, and credit risk classification methodologies.





The Bank's Risk Appetite statement includes credit risk-related indicators within the scope of the "Business Diversification and Sustainability" dimension, providing definitions of appetite, tolerance and, when appropriate, the ability to expose the largest client, the concentration of the 20 largest clients and default. Moreover, quality control indicators for the portfolio are also included in the Bank's strategic planning.

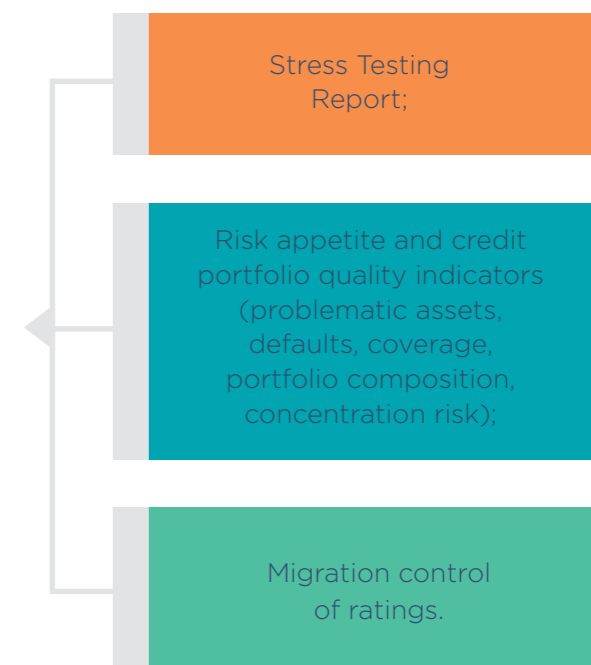
All organizational units and decision-making levels must observe the risk appetite defined by BDMG within the scope of their activities and routine risk-taking decisions.

BDMG has a policy that defines the criteria adopted for the constitution and monitoring of guarantees accepted to support the credit operations granted by the institution. The criteria take into account the specificities of each type of operation to determine the most appropriate guarantee modalities and the minimum required indexes.

The measures taken under the Credit Policy aim to ensure the use of financial resources economically and with high standards of transparency and security, in addition to making internal processes more agile, simplified and facilitating the relationship with the client, thus contributing to increase the Bank's competitiveness.

Credit Risk management includes the stages of identification, measurement, monitoring of the credit portfolio and the credit risk rating system, preparation and updating of credit risk rating methodologies, support in the preparation of credit policies and senior management reporting.

THE FOLLOWING INSTRUMENTS ARE USED WHEN MONITORING THE CREDIT PORTFOLIO, AMONG OTHERS:



Credit risk management has a structured internal communication process for exposures. Each report has defined frequency and recipients, with the Board of Directors being reported at least quarterly.

In 2019, to expand its operations in the MPE segment, on the digital channel, and to act in the deconcentration of credit risk, new criteria were implemented for granting credit limits for the small business segment. Moreover, procedures were improved to maintain provisions at sufficient levels given the risk of loss and the methodology for calculating the expected loss for pricing was changed.



/Market Risk and Interest Rate Risk in the Banking Book (IRRBB)

The market risk is represented by the losses resulting from the **FLUCTUATION IN THE MARKET PRICES OF POSITIONS HELD BY THE INSTITUTION**, by mismatches in its active and passive operations, such as amounts, terms, currencies, and indexes.

The Interest Rate Risk in the Banking Book (IRRBB) is defined as the risk, whether current or prospective, of the impact of adverse movements in interest rates on capital and on the results of the financial institution, for instruments classified in the banking book.



BDMG's market risk management structure encompasses all processes, people and systems that support risk management, aiming to mitigate adverse effects resulting from market fluctuations and interactions between the institution's other risks and aiming to ensure their financial stability.

The processes and systems include the identification of transactions subject to market risk and IRRBB with their respective terms and risk factors; the different treatment for transactions classified as trading book or other positions; the generation of information to comply with the regulations of the supervisory bodies; the provision of management reports that allow the assessment, by risk factor and by type of portfolio, of daily exposure to market risk and IRRBB and compliance with operational limits. At least annually, evaluation tests of these systems are carried out to verify the adequacy of the risk management mechanisms.

Metrics are adopted within the applicable regulations, observing the best market practices and making them compatible with the institution's operational characteristics. Value at Risk (VaR) is used to measure exposure to market risk using complementary tools.

The identification, measurement, and control of the IRRBB are carried out based on methodologies consistent with the characteristics of the portfolio considering the maturity, liquidity and risk sensitivity of the instruments classified in this

portfolio, using interest rate shocks and stress scenarios, to verify the impacts on economic value and results through the indicators:

The Economic Value of Equity (EVE)

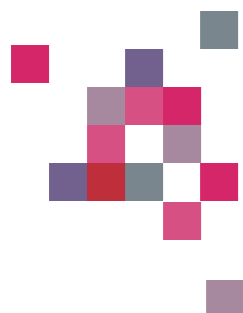
assesses the impacts of changes in interest rates on the actual value of bank portfolio cash flows.

The Net Interest Income (NII) (Result from Financial Mediation)

assesses the impacts of changes in interest rates on the result of financial mediation of the banking book.

At least quarterly, simulations of extreme market conditions (stress testing) are carried out, including the breakdown of assumptions, the results of which must be considered when establishing or reviewing policies and limits for capital adequacy.

IN ADDITION TO THE OPERATING LIMITS SET IN THE RAS, TO MAINTAIN EXPOSURE TO MARKET RISK AT ACCEPTABLE LEVELS, THE RISK AND CAPITAL COMMITTEE ALSO ESTABLISH ADDITIONAL LIMITS.



The adequacy to the established limit is monitored daily and, in case of extrapolation, there is a report to the competent levels, which decide on the measures to be adopted.

In 2019, the management policy was revised with the inclusion of operational limits for the trading portfolio and new indicators and procedures for monitoring the risk of the banking book were adopted, providing subsidies for risk mitigation actions by the treasury, as well as adjustments were made to the IRRBB management under current regulations.

/Liquidity Risk

Liquidity can be understood as “the ability of a bank to obtain funding to sustain the growth of its portfolios and honor its obligations, on their maturities, without incurring unacceptable losses. **LIQUIDITY RISK, ON THE OTHER HAND, REFERS TO THE POSSIBILITY THAT THE INSTITUTION WILL NOT BE ABLE TO EFFICIENTLY HONOR ITS EXPECTED AND UNEXPECTED, CURRENT AND FUTURE OBLIGATIONS, INCLUDING THOSE ARISING FROM THE BINDING OF GUARANTEES,** without affecting its daily operations and without incurring significant losses, as well as the possibility that the institution will not be able to trade a position at market price due to its large size about the volume normally traded or due to some discontinuity in the market.

BDMG’s liquidity risk management structure encompasses all processes, people and systems that support liquidity risk management to mitigate the adverse effects of liquidity, guarantee the ability to pay, as well as protect the institution against funding stress periods through adequate indicators for measuring and monitoring liquidity reserves.



Liquidity assessment is carried out based on the projected updated cash flows, considering the premises of strategic planning and capital management. There are frequent reports to Senior Management with information on possible gaps, in which stress testing is also carried out, according to assumptions defined in their policies and additional stress scenarios that may impact the institution’s liquidity.

The limits of exposure to liquidity risk are established in the RAS and aim to prepare the institution to withstand adverse scenarios considering different time horizons.

In the short term, BDMG must maintain liquid assets at levels higher than the minimum cash, constituted by an estimated amount to cover the expected outflows for 30 days, added to a reserve to honor funding and a portion to cover high-impact liquidity exposures out of cash flow.

For the medium and long term, net assets are expected to exceed the minimum financial reserves. This reserve represents a liquidity cushion sensitive to the cash flow variation (net outflows) and to BDMG’s large liquidity exposures outside cash flow to cover a period representing



the institution's liquidity recovery capacity, in case of adverse scenario, without interrupting its scheduled activities.

The Funding Policy provides for a fundraising profile appropriate to liquidity risk, observing the adequate diversification of its sources and maturity terms, as well as the agreed conditions regarding their early maturity.

In the event of insufficiency of liquidity risk indicators or evidence that they will be insufficient, the competent jurisdictions are reported promptly to decide on the measures to be adopted.

In 2019, the stress testing was improved to consider the impacts of problematic assets projected on cash flow and more agile monitoring reports were implemented.



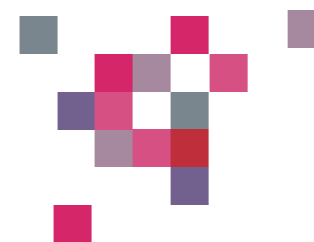
The Bank's social and environmental risk management complies with the requirements of Resolution 4,327 and aims to identify, measure, mitigate and monitor the risks, whether direct and indirect, related to social and environmental issues of the Bank's processes, products, and businesses.

The social and environmental risk methodology was implemented in Dec./2016 and, since then; **THE BANK HAS MONITORED THE INFORMATION GENERATED BY THE SYSTEM TO PROMOTE THE IMPROVEMENT OF THE ENVIRONMENTAL PERFORMANCE OF ITS OPERATIONS**, the continuous improvement of the methodology and the identification of opportunities for more sustainable business.

As actions to mitigate social and environmental risks, the criteria established in the analysis and monitoring policies and processes are observed under the specifications of each operation. The analysis criteria are guided by lists of restricted and prohibited activities, rules for the constitution of real estate guarantees, inclusion of social and environmental clauses in contracts, assessment of compliance with local social and environmental legislation and best practices for the management of social and environmental risks.

/Social and Environmental Risk

Since 2013, BDMG has a Social and Environmental Responsibility Policy that complies with Resolution 4,327 of the Central Bank of Brazil and SARB 14 self-regulation of FEBRABAN. **THE POLICY SETS SPECIFIC PRINCIPLES, GUIDELINES AND PROCEDURES FOR THE BANK'S SOCIAL AND ENVIRONMENTAL PRACTICES IN BUSINESS AND THE RELATIONSHIP WITH STAKEHOLDERS, INCLUDING RISK MANAGEMENT AND SOCIAL AND ENVIRONMENTAL OPPORTUNITIES.**



It is noteworthy that all companies that request financing from BDMG undergo an analysis of social and environmental risk, and a large part of the clients served are considered to have low social and environmental risk.

To manage social and environmental risks, in addition to the measures already mentioned, BDMG focuses on the continuous training of employees and the relationship between managers/clients in a transparent manner. Also noteworthy is the social and environmental risk assessment process for the approval of new products, which ensures compliance

in all products launched by the institution.

In 2019, the structuring of new products associated with the promotion of the SDGs and which support the transition to a low carbon economy were important achievements and are aligned to build a more sustainable portfolio with less social and environmental risk.

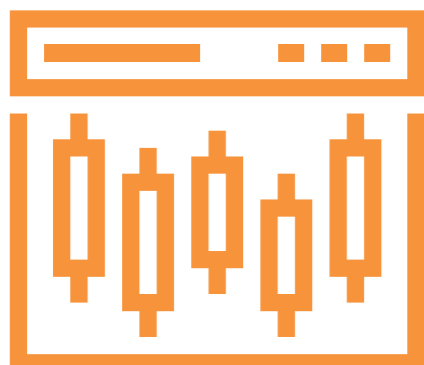
Among the initiatives planned for the near future is the challenge of integrating the climate dimension in the analysis of operations and risk management.

The operational risk management model adopted by BDMG aims to identify, measure, evaluate, monitor, report, control and mitigate the institution's exposure to this risk, ensuring that:

- I** The activities are carried out properly, according to its premises and rules, to protect its assets and promote administrative efficiency;
- II** The operational risks inherent to BDMG's activities are identified, evaluated and minimized through the application of appropriate methodology and controls, so that the residual risk levels are within an acceptable limit, as defined by the Risk and Capital Committee and Board of Directors;
- III** The internal control structure is updated continually, considering the existing risks in the business process, minimizing the costs associated with uncontrolled risks and/or unnecessary control activities;
- IV** Potential conflicts of interest are identified, and the associated risks are minimized by implementing measures to segregate functions, control access to systems and monitor activities;
- V** Employees clearly understand the objectives of the operational risk management process and the roles, functions, and responsibilities assigned to the various hierarchical levels of BDMG;
- VI** The operational risk arising from outsourced services, relevant to BDMG's regular operation, is identified and monitored.

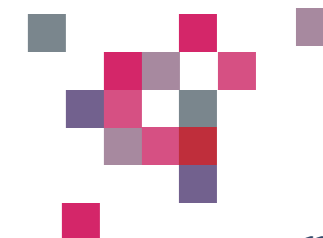
/Operational Risk

Operational risk is defined as the It determines the exposure to operational risks that, if materialized, may negatively affect internal processes, compliance, financial performance, and the institution's reputation.



“Possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or external events”

(CMN Resolution 4,557/17)





BDMG's operational risk management structure is compatible with the nature of operations, the complexity of products, the size of the institution's exposure to operational risk and is guided by the principles of alignment with management's guidelines and strategies; continuous review and improvement of procedures and compliance with the requirements of regulatory agencies. **OPERATIONAL RISK MANAGEMENT, PROCESSES, AND SYSTEMS ADOPTED BY THE INSTITUTION INCLUDE:**

Identifying and assessing risks and, when necessary, the implementation of controls to mitigate them;

Evaluating the control systems implemented to mitigate risks;

Documentation and storage of information regarding losses associated with operational risk;

Preparation, at least annually, of a report that allows the identification and timely correction of deficiencies in control and risk management, including electronic data processing systems that have, or may have, significant impacts on the accounting statements or in operations;

Monitoring and reporting of the institution's Operational Risk Appetite Indicator;

Preparation and dissemination of the operational risk management policy throughout the institution;

Existence of a contingency plan containing the strategies to be adopted to ensure continuity of activities, as well as to limit serious losses arising from operational risk, including the risk related to outsourced services relevant to the regular operation of the institution.



The model used in the management of operational risk is based on the Committee of Sponsoring Organizations of Treadway Commission (COSO), an organization that establishes standards and models for corporate risk management, internal controls and fraud prevention.

THE OPERATIONAL RISK MANAGEMENT METHODOLOGY INCLUDES QUALITATIVE ANALYSIS, QUANTITATIVE ASSESSMENT, AND MONITORING. The results of the qualitative analysis and quantitative assessment of the operational risks of the entire institution are reported to senior management.

In compliance with Bacen Circular Letter 3,640 of 03/04/2013, BDMG adopts the Basic Indicator Approach methodology for the calculation of the portion of Risk-Weighted Assets (RWA), to support the losses arising from operational risk (RWAopad).

In 2019, a new system was developed for the timely capture of losses and monitoring of the implementation of controls to prevent recurrences integrated with the operational risk matrix.



4
**EDUCAÇÃO DE
 QUALIDADE**

BDMG

8
**TRABALHO DECENTE
 E CRESCIMENTO
 ECONÔMICO**

BDMG

**SOCIAL AND
 ENVIRONMENTAL
 Responsibility**



/Internal Sustainability Actions

Encouraging sustainable development and respect for the environment is beyond operations financed by BDMG. Internally, the Bank is concerned with the management of its facilities through the development, improvement, and maintenance of good social and environmental practices in its building. To this end, it implemented actions related to **WATER AND ENERGY CONSUMPTION EFFICIENCY, WASTE MANAGEMENT, DEVELOPMENT OF STRATEGIES, SUSTAINABLE PURCHASING POLICIES AND ENVIRONMENTAL AWARENESS AND TRAINING PROGRAMS.**

These measures reinforce BDMG's commitment to integrating economic, environmental and social development, as well as aligning its governance strategies with the UN Sustainable Development Goals (SDGs). Particularly, in this case, SDG 12 - Responsible Consumption and Production stands out, since the measures presented corroborate the search for sustainable management and the efficient use of resources within the Bank.

/Natural Resources and Waste Management

Waste management at the BDMG building involved suspending the purchase of disposable cups and implementing selective collection. The recyclable materials are sent to the Association of Paper, Cardboard and Reusable Material Collectors (ASMARE), which has many members, whose livelihood depends on this work. Regarding organic waste, BDMG has a waste composting station that produces humus and biofertilizer for the maintenance of the Bank's gardens and is made available to employees. The main initiatives to reduce energy consumption are the replacement of conventional lamps for LED lamps, optimization of the use of systems and equipment, and awareness campaigns. The optimization of the use of water resources included the replacement of discharges and taps with more modern equipment with greater durability.

In 2019, a survey conducted by a Bank employee analyzed the energy performance of the BDMG building through the verification of the results achieved with the implementation of sustainability actions. The survey concluded that **THE ENERGY PERFORMANCE OF THE BANK'S BUILDING IS CONSIDERED POSITIVE COMPARED TO OTHER BUILDINGS WITH SIMILAR CHARACTERISTICS.** Moreover, the study showed the importance and effectiveness of the sustainability actions that were implemented.

/Management of Greenhouse Gas Emissions

BDMG seeks the **CONSTANT DEVELOPMENT OF EFFECTIVE MEASURES TO RECONCILE THE ACTIVITIES PERFORMED BY THE BANK WITH THE CONSERVATION OF THE ENVIRONMENT.** Since 2015, to understand, quantify and manage the impact of its operations, the Greenhouse Gas (GHG) emission inventory has been carried out. Preparation thereof is guided by the GHG Protocol Program, the most used method worldwide for carrying out GHG inventories. The inventory, certified in 2019 with the Gold Seal of the GHG Program, allows monitoring emissions related to Scope 1 (mobile combustion, stationary combustion, fugitives), scope 2 (acquisition of electricity) and scope 3 (waste generated in operations, travel business and displacement of employees) and, consequently, to guide actions to reduce these emissions. The Bank encourages, for example, the holding of virtual meetings to reduce the impacts of travel and business travel and to avoid the use of air or land transport.

/Social Responsibility

several health and well-being actions have been developed.



Program BDMG Envolve

In 2008, the BDMG Envolve Life Quality Program was officially created, which brought together and systematized all actions related to the topic and started to be coordinated by the People Management Superintendence. In 2011, the Program was revitalized and in 2012 it won the Espaço Envolve, an exclusive place for practices of the program's activities, integration between people and meetings of strategic, creative and innovative projects.

POSTURAL REEDUCATION

A program that works to prevent musculoskeletal diseases associated with work, offering activities focused on ergonomics, such as workplace gymnastics, workstation evaluation, ergonomic assessments, and individual interventions.

NUTRITION GROUP

Food re-education program that aims to inform and train employees to deal with their dietary difficulties, weight reduction and building healthy habits. It is also the result of a partnership between BDMG and the Association of BDMG Employees (AFBDMG). The program, which is the result of a partnership between the Association and BDMG Envolvê, had 5 classes in 2019 and served 75 people.

VOCAL GROUP

The result of the partnership with BDMG Cultural, the group called “Quem canta seus males espanta” (Those who sing put their sorrows away) seeks to educate and prepare voices for a good diction and works disinhibition through singing activities.

COMFORT AND BREASTFEEDING ROOM

- space for employees who return from maternity leave and wish to extract milk with privacy and security and store it in an appropriate place, thus increasing the child’s breastfeeding period.

FREE LIBRARY PROJECT

The project was launched on Book Day with the proposal of stimulating the exchange of books between the Bank employees, with easy access and freedom for all. Books are available in an area with a large circulation of employees. Everyone can participate, having the option to leave a book and take others. Through the open library, the habit of reading is encouraged, and new authors and works can be known.



Espaço Envolvê , a place dedicated to BDMG employees

At Espaço Envolvê, after-hours activities take place in partnership with employees: the Bank leases the space, and employees bear the training costs. They are Pilates, massage therapy, yoga, meditation, aromatherapy, dance classes.



BDMG Cultural 2019

Maintained by BDMG since 1988, the Cultural Institute of the Development Bank of Minas Gerais (BDMG Cultural) is a non-profit organization that works in a multidisciplinary way to foster, register and publicize cultural processes in Minas Gerais.

From 2019, BDMG Cultural, in line with BDMG principles, started to guide its actions and guidelines with an attentive look to the Sustainable Development Goals (SDGs). Culture has an essential role to play in SDG 11 and has a direct and positive impact on SDG 8.

In 2019, BDMG Cultural developed a series of actions to qualify its management and digitize processes such as introduction of new technologies and methodologies to existing procedures; cycle planning and portfolio review; scanning of public selection processes; construction of a new communication strategy and a new website; building new partnerships; internal compliance - monitoring of goals, budget, sponsorship disbursements, review of the management system, as well as monitoring of processes related to the institute.

/Visual Arts Program

An exhibition celebrating 30 years of BDMG Cultural - Arte 30 (exhibition of the collection, curated by Márcio Sampaio), with the release of the book "Arte Sempre - O Catálogo do Acervo" (Always Art - The Collection Catalogue);

Realization of 6 exhibitions at Ciclo Mostras BDMG 2019 (BDMG Cultural Art Gallery), with individual works by artists such as Augusto Fonseca, Christiana Quady, Alisson Damasceno, João Pedro Nemer, Mário Azevedo, Alexandre Junior, and FROIID;

Conduction of 6 chat events with artists and workshops for the public;

Release of the public notice Mostras BDMG 2019/2020;

Open Space - 1st National Forum of Photoperformance in Belo Horizonte/ Artistic Residence of Photoperformance at the BDMG Cultural Art Gallery;

Inauguration of Galeria Henfil with the exhibition "Henfil - Um Raio-X do Nosso (In)Consciente" (Henfil - An X-Ray of Our (Un)Conscious);

Launch of the publication "Terra Comum" with a conversation with the authors Ana Paula Baltazar and Louise Ganz.

⁵Making cities and human settlements inclusive, safe, resilient and sustainable.

⁶Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;

/Music Program

BDMG Instrumental - selection announcement and selection process of the 19th BDMG Instrumental Award, with the consequent presentation of the winners: Lucas Telles, Marcus Abjoud, Marcela Nunes and Rafael Martini, with the participation of invited musicians, in Belo Horizonte, at CCBB, and in São Paulo, at Instrumental Sesc Brasil, by Sesc-SP;

Young Musician BDMG - the launch of public notice and performance of 5 Recitals in Sala Juvenal Dias, at Palácio das Artes, at Fundação Clóvis Salgado. Participation of musicians from the capital and countryside of Minas Gerais;

Young Instrumentalist BDMG - young musicians selected by the program attended 30 class hours with renowned teachers/instrumentalists. At the end of the process, the participants got together for the closing concert at Teatro Francisco Nunes;

Collective Design Laboratory (Colé) - through public selection, six young designers were selected for a collective creation laboratory that generated the visual identity of the 20th BDMG Instrumental Award to be held in 2020;

BDMG Choir - in 2019, the choir celebrated 30 years with presentations in several locations in the city of Belo Horizonte and the BDMG auditorium. There were also presentations of the Quatro Cantos Coral BDMG project;

Realization of the Marco Antônio Araújo Award, which recognizes instrumental music production;

Realization of the Flávio Henrique Award, which recognizes popular music production.

/Support for Audiovisual and Scenic Arts

Launch of award-winning films in the 5th edition of the BDMG Cultural/FCS public notice to encourage low-budget short films;

Training activities, film festival and circulation related to the Curtas Award;

Launch of the Trilha Cultural BDMG public notice for the circus, dance and theater circulation, and selection.



BDMG Cultural Art Gallery

/Sponsorships

3rd Leda Maria Martins Award for Black Scenic Arts in Belo Horizonte;

Books “Terra Comum e Uma Composição do Comum”;

Exhibition “Mundos Indígenas” (Indigenous Worlds), at Espaço do Conhecimento;

Forumdoc.bh.2019 - 23rd Belo Horizonte Documentary and Ethnographic Film Festival (via Municipal Culture Incentive Law);

“Exposição João das Neves - Outro Mundo é Possível” (João das Neves Exhibition - Another World is Possible), at the Minas Gerais Academy of Letters;

Book “O Velho Cláudio - Inéditos da Maturidade de Cláudio Manuel da Costa”;

Habemus Muquifu Catalogue, at the Urban Quilombos and Favelas Museum;

31st and 32nd Chamber Music Weeks - Artistic Education Foundation;

Heritage Day 2019 - Cuisine and Food Culture;

Manzuá Magazine, editions 2 and 3 and website;

Piseagrama Magazine, edition 13;

Viola de Feira (via Municipal Culture Incentive Law);

Ponta a Pé Cultural Festival - Traditions and Contemporaneity;

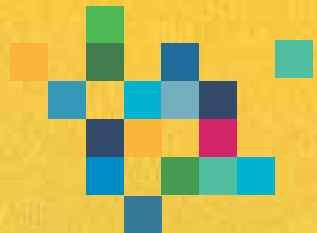
Books “Beagá Perfis” - Sônia Viegas and Lúcia Machado de Almeida;

Nova Economia Magazine;

Minas Gerais in the Historical Archives of Portugal;

Gestão e Sociedade Magazine.

STATEMENTS



“I participated in the BDMG Award in 2014 as chairman of the judging committee. I had already heard about the award here in São Paulo and it was a pleasant surprise to see the quality of the work of young instrumentalists. Visiting the award again in 2019, the increase in participants was evident, both from a technical and aesthetic point of view. It is as if a culture of improvement has been cultivated among musicians”.

FÁBIO TORRES

arranger, composer and pianist

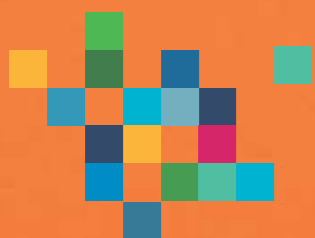
“BDMG Instrumental plays an extremely important role in fostering the instrumental music scene in Minas Gerais. The scenario is shaped by the award, the new generations already have this in mind”.

RAFAEL MARTINI

pianist, arranger, and professor at the UFMG School of Music.

BDMG Employees Citizenship Institute

INDEC



In 2019, the BDMG Employee Citizenship Institute (INDEC) reaffirmed and consolidated its role as a promoter of citizenship and expanded its reach by entering new fronts not yet historically supported, always following the SDGs as macro guides for the choice of projects and portfolio initiatives. The projects supported during the year had excellent results and acted in several vulnerable communities of society in several areas: Futuro da Comunidade (sport through football for children and adolescents); Creche Comunitária Dirce Maria das Dores (community nursery); Bem + Arte (culture through circus and theater for children and adolescents); Transvest (education through preparatory courses for transvestites, transsexuals, and transgenders); Traçando e Traçando Possibilidades - Afro Braids and Hairstyles (entrepreneurship through a braiding



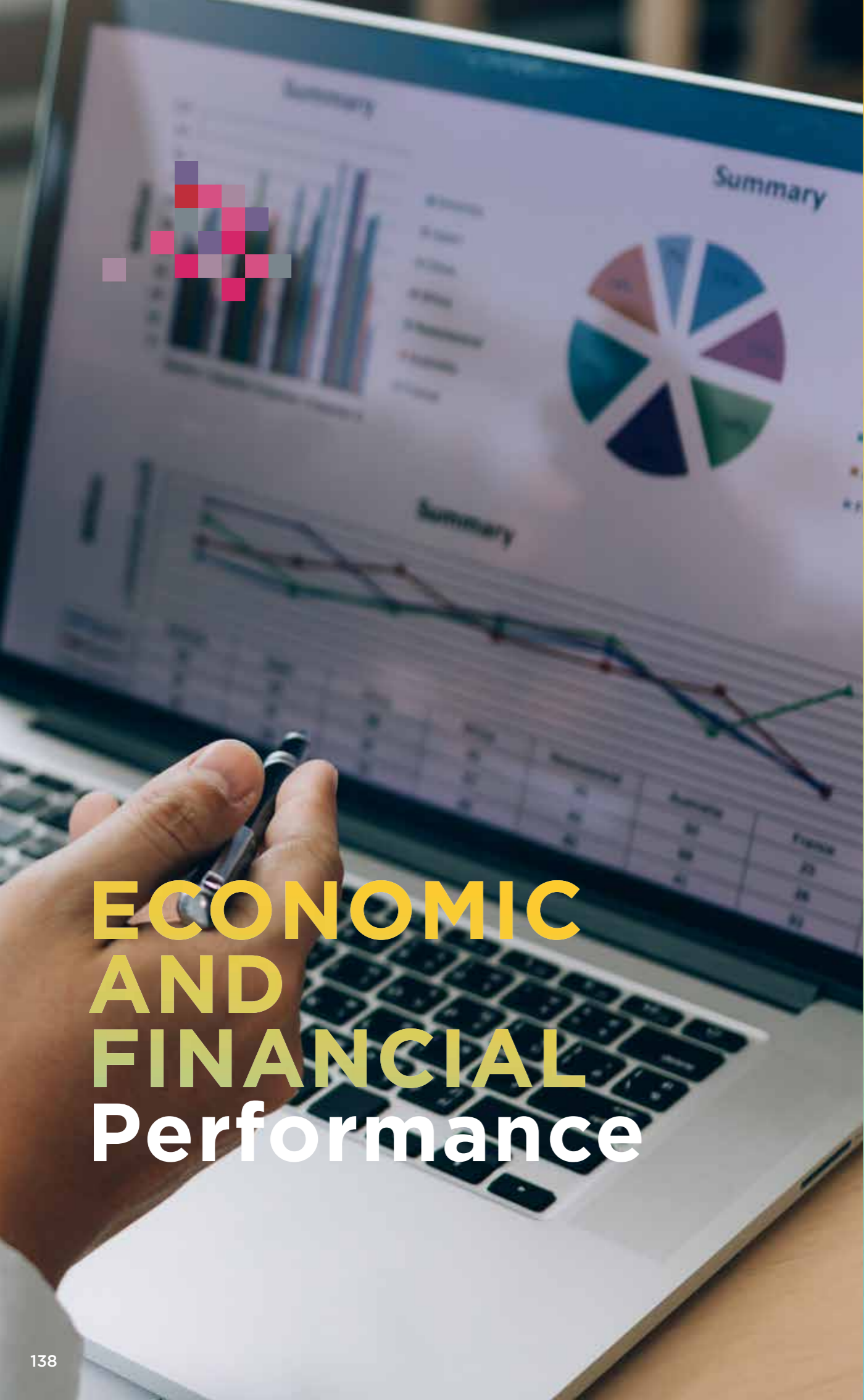
INDEC supports social projects

course for women); Sintonizados no Futuro (education through vocational training for young people); Refúgio 343 (internalization of the families of Venezuelan refugees); Projeto Providência (sport and culture through workshops for children and adolescents) and Associação Comunitária de Macacos (culture through capoeira classes for children and adolescents).

In addition to the projects, several specific supports were given to institutions in the Institute's partner network, such as the donation of diapers to the house of welcome Casa de Acolhida Padre Eustáquio (CAPE) for children with cancer, a washing machine for the nursing home Lar dos Idosos Renascer and blankets and warm clothing for the Casa do Caminho Institute, Darcy Ribeiro Social and Human Promotion Institute, Toca de Assis and Episcopal Vicariate for Social Action of the Archdiocese of BH.

Finally, several internal actions were taken to engage BDMG employees in social causes. One of the highlights of the year was the Solidarity Competitions, which takes place every two years and completed its 9th edition in 2019, aiming to stimulate healthy and fun competition between the Bank departments to collect donations. That year edition was focused on minimizing the effects of winter for vulnerable communities.

Another great highlight of the year was the V DAY, when, under the coordination of the TETO organization, BDMG volunteers moved to the Terra Nossa occupancy in the Taquaril neighborhood, in Belo Horizonte/ MG, with the mission of delivering a new home to a family in two days, overcoming the extremely precarious conditions in which they lived before.



ECONOMIC AND FINANCIAL Performance

BDMG, as shown in the financial statements, closed the year with net income of BRL 84 million and shareholders' equity of BRL 1,821 million.

The Bank has securities classified in the Held-to-Maturity category in its portfolio, of BRL 152 million, for which the Bank's management, in compliance with Circular Letter 3,068/2001, declares to have the financial capacity to maintain until the Maturity date.



Challenges and Opportunities for 2020

The actions developed in 2019 show the search for new partnerships, fundraising with a focus on sustainability and the construction of a new plan, aligned with the global trends of the new development banks. In line with the transformations in the Brazilian and Minas Gerais economic scenarios, multiple opportunities are envisaged, to act closer to its development bank mission, to improve rating and results for 2019.

The pillars for the

2020 2024

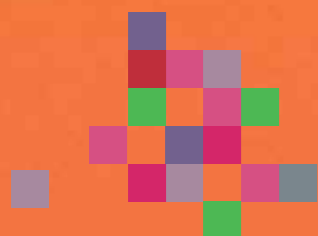
cycle highlight the performance by the SDGs, the funding diversification and the promotion of a credit portfolio quality.

In this context, the future of the Bank is to identify and mobilize resources from unconventional sources, with a focus on sustainable development and with institutions that share the same DNA. BDMG will work to build new partnerships with regional and multilateral development institutions, funds and international financial institutions, to pave practical results and share good experiences.

There are opportunities to be explored in the environmental and social areas, in strategic actions by the State, strengthening its role in inducing sustainability and renewable energies in the process of diversifying the state's economic matrix. New projects also appear, expanding the possibilities of revenue gains and the use of technology for a more digital and innovative BDMG, strengthening instruments to make credit even more accessible.

Another fundamental agenda for the coming years is to further expand the transparency and clarity of its purpose for society, with clearer indicators of how projects financed by BDMG impact the degree of social and economic development in the state.

In summary, BDMG's commitment to be a value-adding platform for the state of Minas Gerais, with a focus on development, will persist in 2020 with the deepening of management instruments appropriate to the context and connected with the credit market trends, aiming to obtain consistent results.





bdmg.mg.gov.br/report



**MINAS
GERAIS**

GOVERNO
DIFERENTE.
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EFICIENTE.