

Financial Statements

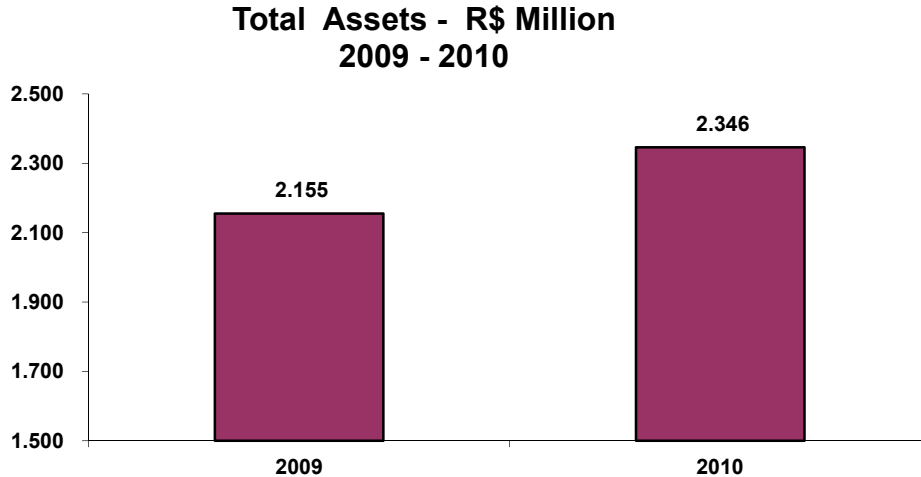
Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

December 31, 2010 and 2009
with Independent Auditors' Report

**BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A. – BDMG
MANAGEMENT REPORT 2010**

1. ECONOMIC AND FINANCIAL RESULTS

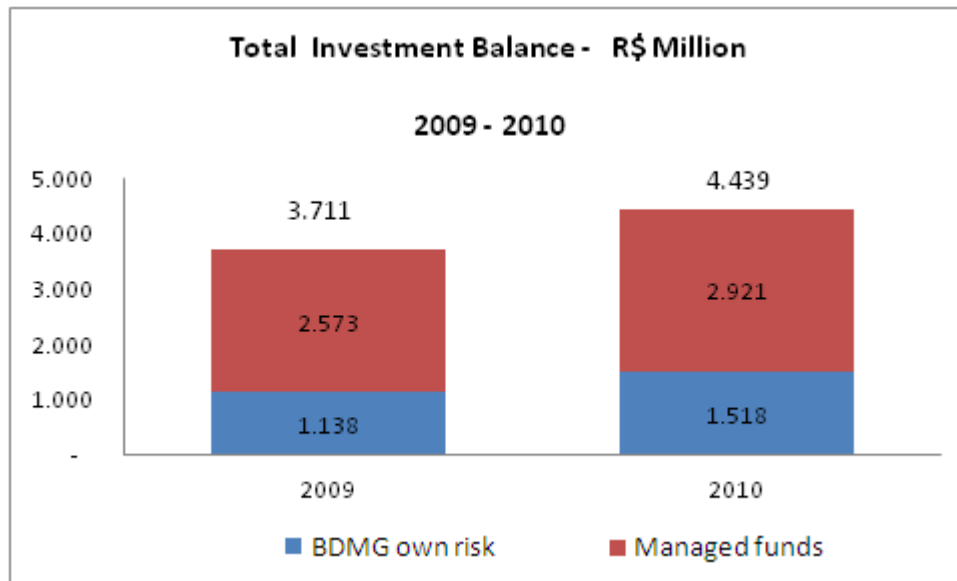
BDMG's total assets grew 9%, from R\$ 2,155 million at December 31, 2009 to R\$ 2,346 million at December 31, 2010.



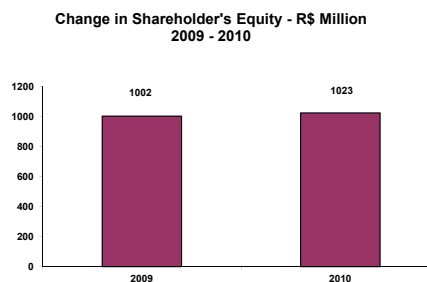
The net income for the year ended December 31, 2010, totaling R\$ 84 million, grew 33% over the R\$ 63 million reported for year 2009.

The balance of credit and similar operations reached R\$ 1,518 million at December 31, 2010, up 33% from the balance of R\$ 1,138 million recorded at December 31, 2009. In line with management's guidelines focusing on a quality credit portfolio, operations rated AA, A and B represent 78% of the total portfolio.

Financing granted by BDMG with managed funds (third-party risks) totaled R\$ 2,921 million at December 31, 2010, R\$ 2,881 million of which refer to operations involving state government funds, R\$ 40 million to operations involving state government funds extinguished by State Law No. 13848/2001 and to financing involving private funds and/or those linked to state and federal government entities.



BDMG's shareholder's equity was R\$ 1,023 million at December 31, 2010, up 2% from shareholder's equity reported for December 31, 2009 in the amount of R\$ 1,002 million.



The capital adequacy ratio (Basel Index) as of December 31, 2010 is 37%, greater than the minimum 11% required by the Central Bank of Brazil. Equity capital required for BDMG, calculated considering its capital structure and risk-weighted assets, amounts to R\$ 200 million. The amount of equity capital in excess of minimum capital requirements, in the amount of R\$ 464 million, represents a great potential for asset leverage and permits BDMG to enter into new operations, which may lead to an even more outstanding performance in favor of the State's development.

CIRCULAR LETTER No. 3068/2001 – CENTRAL BANK OF BRAZIL

In compliance with Circular Letter No. 3068/2001 issued by the Central Bank of Brazil, Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) acknowledges its financial capacity and intention to hold to maturity the securities thus classified, in the amount of R\$ 134 million.

2. OPERATING PERFORMANCE

BDMG operations in 2010 were characterized by an outstanding operating performance. Disbursements reached a record high of R\$1.39 billion representing a 34.2% increase over 2009. The volume of disbursements and served customers increased on a consistent basis throughout the year, reflecting the Bank's continuous efforts to expand access to credit, tailoring its products and services to the needs of companies operating in the state of Minas Gerais.

In 2010, BDMG also expanded its presence in the State, with a 23% increase in the number of cities served - 565 overall - as compared to 2009. In the same period, 6858 credit operations were performed with 5774 customers, up 35% from the previous year. Combining these figures with other active contracts, the Bank has operations in 662 cities of Minas Gerais State, equivalent to some 80% of the total, to 96% of the population of Minas Gerais, and to 98% of State GDP.

Disbursements by sector reflected the dynamic economy of Minas Gerais in 2010 and showed BDMG's contribution to the performance of important economic activities in the State. Throughout the year, the industrial segment demanded most funds, having accounted for 40% of total disbursements, with focus on metallurgy, and the sectors of food products, machinery, vehicles and auto parts. Then, financing for public utility industrial services is to be highlighted, with the largest disbursement being allocated to sanitation and urban development in a total R\$141.4 million. In addition, BDMG provided R\$ 245 million to trade and service activities and R\$33 million to agricultural activities.

Based on estimates, the funded projects allowed investments of more than R\$ 2.3 billion in productive activities in the State, having created some 80,000 direct, indirect and induced jobs¹.

2.1. OPERATING HIGHLIGHTS

More funds for Minas Gerais cities

One of the Bank's major operating highlights in 2010 was the significant increase in the volume of funds used in the development of the cities of Minas Gerais, with a 375.5% growth in financing of city projects. The investment of this amount of funds in urban development reaffirms the Bank's commitment to increasingly support the cities in fostering the regional economic development.

¹ The estimated number of jobs is based on a report prepared by João Pinheiro Foundation for measuring BDMG's economic, social and environmental impact. According to this report, BDMG's performance in 2009 contributed to creating 79,447 jobs in Minas Gerais

In 2010, the Bank could allow productive investments in the State 40% higher than in 2009. Even knowing that the sector distribution of these funds impacts the methodology for identifying jobs created, we believe that BDMG's performance allows us to infer that the number of jobs created in the State in 2010 was very similar to or higher than the previous year.

Greater closeness to customers

In 2010, the Bank launched its new internet portal at www.bdmq.mg.gov.br. This introduces the BDMG Net tool, which allows legal entities with revenues up to R\$ 10.5 million to request financing via web, and the Portal of Minas Gerais Cities, which brings information on loan options and various contents of interest to the Minas Gerais city governments. On another front, BDMG enhanced its operational partnerships with trade associations, chambers of retail directors, credit unions, FIEMG, SEBRAE, trade unions and accountants' unions, entities that advertise its products and facilitate customer access to the Bank throughout the state of Minas Gerais.

Disbursements for low-dynamism regions

The most striking aspect of the Bank's operating result is its social dimension. Detailed indicators for 2010 show a substantial increase in the allocation of funds to regions hit hardest by the credit crunch in Minas Gerais. Financing for low-HDI areas, such as northern Minas Gerais, Vale do Jequitinhonha, Mucuri and Rio Doce, for example, totaled R\$ 169.3 million, an increase of 125.7% over the same 2009 period.

Among the efforts that led BDMG to achieve these impressive results, the so-called "*Caravanas do Desenvolvimento*" (Development Caravans) is worth highlighting: a project involving lectures and meetings with businessmen, farmers, trade representatives and city leaders to promote the Bank's products. The introduction of "*Geraminas Dinamizar*" is also worthy of note: a line of credit specially designed to serve micro and small enterprises and production cooperatives in low-dynamism areas of the State.

Contribution to the long-term strategy and dissemination of a quality public management

In addition to proposed strategic actions for the next 20 years, another important contribution of BDMG to the State in 2010 was its active participation in the "*Agenda de Melhorias*" (Improvement Agenda) project. The final documents summarize the good management practices adopted by the Government of Minas Gerais, contributing to the improvement of a result-driven public management.

BMDG in the capital market

In 2010, BDMG became an investor in two FIPs (Private Equity Funds), with a total investment commitment of R\$ 12.5 million. An FDIC (Credit Rights Investment Fund) was also structured, aimed at supply chains in Minas Gerais. The fund will start with a net worth of R\$ 100 million, which may reach R\$ 500 million.

Quality and credibility

Another important BDMG achievement in 2010 was having its rating revalued by Moody's Investors Service, which upgraded its Ba2 rating to Ba1, with a stable outlook. This places BDMG one step away from investment grade.

3. CORPORATE ACTIONS

3.1. Environment and technology

BDMG also fosters the sustainable development of Minas Gerais, providing financing for technology-based private undertakings with favorable environmental impacts. In 2010, R\$ 35.8 million were disbursed to 42 companies to be used in this type of projects. Of the total companies, 28 operate in the technology segment, having received R\$ 18.6 million, and 14 are involved with environmental activities, in a total R\$ 17.2 million.

Also in 2010, BDMG advanced in the technical cooperation agreement entered into with the IDB in 2009, in order to support the State in its efforts to eliminate dumpsites and to promote the integrated management of urban solid waste (GIRSU). After the bidding process, the winning company initiated studies to determine the technical, institutional and economic feasibility of the integrated management.

3.2. Integrated development

Supported by BDMG and by CEMIG, the *Instituto de Desenvolvimento Integrado de Minas Gerais* (Minas Gerais Integrated Development Institute - INDI) allowed, in 2010, the development of 174 projects with estimated investments of R\$ 52.9 billion and potential to generate more than 154.7 thousand jobs in several economic sectors in Minas Gerais over the next years.

4. OPERATING EFFICACY

4.1. Risk management

In line with the process of improving its risk management, BDMG concentrated efforts throughout the year in the development and improvement of essential tools for ensuring the quality of assets at risk levels consistent with the Bank's activities and implementation of risk management structures for compliance with applicable legislation.

The actions undertaken include primarily the review of the massified credit risk rating model (credit scoring), and the adoption of a market risk management system, which allowed for improving risk identification, measurement, assessment and reporting procedures.

5. SOCIAL RESPONSIBILITY

5.1. Voluntary actions

The *Instituto de Cidadania dos Empregados do BDMG* (BDMG's Employees Citizenship Institute - INDEC), a non-profit civil entity supported by BDMG and its employees, implemented its main project, *Pão Forte Educativo* (Educational Strong Bread), to fight malnutrition, having benefited 1,300 children from 11 entities located in 8 cities in the State. Another major project, *Vita-Sopa* (Vita-Soup), in partnership with *SERVAS*, helped to distribute dried food with high nutritional value to underprivileged people of all ages at various institutions.

5.2. Arts and culture

Celebrating 22 years of actions dedicated to promoting arts and culture in Minas Gerais, *BDMG Cultural* organized 74 events in 19 cities of Minas Gerais. The shows involved 888 artists and an estimated audience of 14,600 viewers. In addition to traditional projects such as *Raio de Luz BDMG* (BDMG Ray of Light), *Prêmio BDMG Instrumental* (BDMG Instrumental Award), *Jovem Músico BDMG* (BDMG Young Musician), *Jovem Instrumentista BDMG* (BDMG Young Instrumentalist), and the performances of *Coral BDMG* (BDMG Choir), in 2010 the Institute brought back the *Trilha Cultural BDMG* (BDMG Cultural Trail) project, in which inner cities of Minas Gerais host top-grade performances produced in Belo Horizonte. Additionally, the Art Gallery was reopened, returning to the cultural circuit of Belo Horizonte with exhibits that can be viewed daily.

6. ACKNOWLEDGMENTS

BDMG's management wishes to thank the support of the State Government and of the State Legislature in addressing matters of interest to the people of Minas Gerais, which involved the Bank in its mission as a representative of government actions. BDMG is also thankful to its associates for the efforts undertaken to achieve results.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Financial statements

December 31, 2010 and 2009

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A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent Auditor's Report on Financial Statements

To
The Shareholders, Board of Directors and Officers
Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

We have audited the accompanying financial statements of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG (“Bank”), which comprise the balance sheet as at December 31, 2010, and the related statements of income, changes in shareholders’ equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the Bank's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Belo Horizonte, February 16, 2011.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6 "F"- MG

A handwritten signature in dark ink, appearing to read 'Eduardo Braga Ferdigão', written over a faint, larger version of the same signature.

Eduardo Braga Ferdigão
Accountant CRC 1CE 013.803/O-8-"S"- MG

A free translation from Portuguese into English of financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Balance sheets

At December 31, 2010 and 2009

(In thousands of reais)

Assets	Note	2010	2009
Current assets		801,364	767,695
Cash and cash equivalents		895	3,581
Short-term interbank investments	4	377,034	460,774
Open market investments		5,103	122,203
Interbank deposits		371,931	338,571
Marketable securities	5	49,001	31,270
Own portfolio		49,001	31,270
Credit operations	6	354,234	253,462
Credit operations		373,093	267,839
Public sector		63,540	40,289
Private sector		309,553	227,550
(Allowance for loan losses)		(18,859)	(14,377)
Lease operations	6	(31)	-
Lease and sublease receivables		445	445
Private sector		445	445
(Unearned income from lease operations)		(445)	(445)
(Allowance for losses on lease receivables)		(31)	-
Other receivables	7	20,139	18,512
Accrued income		2,062	1,485
Sundry		18,077	17,028
(Allowance for losses on other receivables)		-	(1)
Other assets		92	96
Other assets		92	96
Noncurrent assets		1,544,316	1,387,509
Long-term receivables		1,516,666	1,360,039
Short-term interbank investments		-	-
Interbank deposits		12,883	17,893
(Allowance for losses)		(12,883)	(17,893)
Marketable securities	5	273,439	294,058
Own portfolio		273,439	234,948
Restricted deposits - Central Bank of Brazil		-	59,110
Credit operations	6	1,046,604	776,753
Credit operations		1,143,940	868,442
Public sector		193,913	111,429
Private sector		950,027	757,013
(Allowance for loan losses)		(97,336)	(91,689)
Lease operations	6	(49)	-
Lease and sublease receivables		557	1,002
Private sector		557	1,002
(Unearned income from lease operations)		(557)	(1,002)
(Allowance for losses on lease receivables)		(49)	-
Other receivables	7	196,561	288,958
Accrued income		3,028	2,227
Specific receivables		969	896
Sundry		203,634	296,443
(Allowance for losses on other receivables)		(11,070)	(10,608)
Other assets		111	270
Other assets		1,807	1,950
(Impairment provision)		(1,696)	(1,680)
Permanent assets	8	27,650	27,470
Investments		487	48
Other investments		1,324	1,324
(Allowance for losses)		(837)	(1,276)
Property and equipment in use		24,578	24,570
Properties in use		40,148	37,923
Other property and equipment in use		10,084	10,153
(Accumulated depreciation)		(25,654)	(23,506)
Leased property and equipment		1,318	1,557
Leased assets		1,704	1,704
(Accumulated depreciation)		(386)	(147)
Intangible assets		840	605
Intangible assets		1,035	649
(Accumulated amortization)		(195)	(44)
Deferred charges		427	690
Organization and expansion costs		3,190	3,190
(Accumulated amortization)		(2,763)	(2,500)
Total assets		2,345,680	2,155,204

Liabilities and shareholders' equity	Note	2010	2009
Current liabilities	9	318,625	209,407
Local onlendings - official institutions		216,926	165,061
National Treasury		2,680	1,850
National Bank for Economic and Social Development (BNDES)		153,308	112,217
Federal Savings and Loans Bank (CEF)		315	861
Government Agency for Machinery and Equipment Financing (FINAME)		57,003	46,383
Other institutions		3,620	3,750
Other liabilities	10	101,699	44,346
Social and statutory		36,646	8,071
Collection of taxes and other contributions		389	263
Tax and social security contributions		29,077	11,230
Financial and development funds		6,307	1,089
Sundry		29,280	23,693
Non-current liabilities		999,370	940,547
Long-term liabilities		999,370	940,547
Local onlendings - official institutions	9	743,629	592,382
National Treasury		15,366	17,084
National Bank for Economic and Social Development (BNDES)		470,760	444,794
Federal Savings and Loans Bank (CEF)		228	537
Government Agency for Machinery and Equipment Financing (FINAME)		219,309	88,424
Other institutions		37,966	41,543
Other liabilities	10	255,741	348,165
Tax and social security contributions		177,653	273,606
Financial and development funds		12,434	19,356
Sundry		65,654	55,203
Deferred income		4,376	3,056
Deferred income		4,376	3,056
Shareholders' equity	11	1,023,309	1,002,194
Capital:		1,003,299	999,187
Capital - local residents		1,003,299	927,892
Capital increase		-	71,295
Unpaid capital		-	(12,794)
Income reserves		21,013	16,807
Mark-to-market - Securities and derivatives		(1,003)	(1,006)
Total liabilities and shareholders' equity		2,345,680	2,155,204

See accompanying notes.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Statements of income

Years ended December 31, 2010 and 2009 and half-year ended

December 31, 2010

(In thousands of reais, except earnings per share)

	Note	2nd half-	Years	
		year	2010	2009
		2010	2010	2009
FINANCIAL INCOME		156,288	278,437	197,825
- Credit operations		84,127	164,820	112,333
- Lease operations		276	565	475
- Marketable securities		71,885	113,052	85,017
FINANCIAL EXPENSES		(46,097)	(80,546)	(73,669)
- Loans and onlending		(30,639)	(62,485)	(53,423)
- Lease operations		(179)	(358)	(287)
- Foreign exchange		(6)	(3)	(20)
- Allowance for loan losses	6.d	(15,273)	(17,700)	(19,939)
GROSS FINANCIAL INCOME (EXPENSES)		110,191	197,891	124,156
OTHER OPERATING INCOME/EXPENSES		(34,031)	(76,666)	(62,782)
- Income from services rendered		31,779	59,680	56,984
- Payroll and related charges		(35,342)	(70,517)	(68,242)
- Other administrative expenses	14.a	(15,269)	(28,671)	(26,987)
- Tax expenses	14.b	(9,098)	(16,056)	(12,841)
- Other operating income	14.c	14,949	19,254	36,477
- Other operating expenses	14.d	(21,050)	(40,356)	(48,173)
OPERATING PROFIT		76,160	121,225	61,374
NONOPERATING PROFIT		(2,329)	(3,209)	(2,608)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES AND PROFIT SHARING		73,831	118,016	58,766
INCOME AND SOCIAL CONTRIBUTION TAXES	13.b	(5,045)	(25,120)	9,555
Provision for income tax		(10,696)	(24,793)	(6,967)
Provision for social contribution tax		(6,998)	(15,752)	(4,809)
Deferred tax assets		12,649	15,425	21,331
STATUTORY PROFIT SHARING		(7,633)	(8,781)	(5,705)
Employees' profit sharing		(7,633)	(8,781)	(5,705)
NET INCOME		61,153	84,115	62,616
INTEREST ON EQUITY		(41,382)	(41,382)	(20,198)
EARNINGS PER SHARE – R\$		0.0013429	0.0018471	0.0013751

See accompanying notes.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009 and half-year ended December 31, 2010

(In thousands of reais, except where indicated otherwise)

	Capital	Capital increase	Income reserve - Legal	Income reserve - Other	Equity valuation adjustment	Retained earnings	Total
Balances at December 31, 2008	<u>856,345</u>	<u>53,048</u>	<u>13,676</u>	<u>16,000</u>	<u>(3,032)</u>	<u>-</u>	<u>936,037</u>
Reversal of Reserves				(16,000)		16,000	-
Approval of capital increase	71,547	(71,547)					-
Capital increase		77,000					77,000
Equity valuation adjustment					2,026		2,026
Net income for the year						62,616	62,616
Allocations:							-
Reserves			3,131			(3,131)	-
Dividends (R\$ 0.00121 per share)						(55,287)	(55,287)
Interest on equity (R\$ 0.00044 per share)						(20,198)	(20,198)
Balances at December 31, 2009	<u>927,892</u>	<u>58,501</u>	<u>16,807</u>	<u>-</u>	<u>(1,006)</u>	<u>-</u>	<u>1,002,194</u>
Prior years' adjustments (nota 21)						(1,881)	(1,881)
Approval of capital increase	75,407	(62,613)					12,794
Capital increase		4,112					4,112
Equity valuation adjustment					3		3
Net income for the year						84,115	84,115
Allocations:							-
Reserves			4,206			(4,206)	-
Dividends (R\$ 0.00080 per share)						(36,646)	(36,646)
Interest on equity (R\$ 0.00091 per share)						(41,382)	(41,382)
Balances at December 31, 2010	<u>1,003,299</u>	<u>-</u>	<u>21,013</u>	<u>-</u>	<u>(1,003)</u>	<u>-</u>	<u>1,023,309</u>
Balances at June 30, 2010	<u>999,187</u>	<u>4,112</u>	<u>17,955</u>	<u>-</u>	<u>769</u>	<u>21,814</u>	<u>1,043,837</u>
Prior years' adjustments						(1,881)	(1,881)
Approval of capital increase	4,112	(4,112)					-
Capital increase							-
Equity valuation adjustment					(1,772)		(1,772)
Net income for the half-year						61,153	61,153
Allocations:							-
Reserves			3,058			(3,058)	-
Dividends (R\$ 0,00080 per share)						(36,646)	(36,646)
Interest on equity (R\$ 0,00091 per share)						(41,382)	(41,382)
Balances at December 31, 2010	<u>1,003,299</u>	<u>-</u>	<u>21,013</u>	<u>-</u>	<u>(1,003)</u>	<u>-</u>	<u>1,023,309</u>

See accompanying notes.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Statements of cash flows

Years ended December 31, 2010 and 2009 and half-year ended December 31, 2010

(In thousands of reais)

	2nd half-year 2010	12/31/2010	12/31/2009
Cash flow from operating activities			
Net income before taxation and profit sharing	73,831	118,015	58,766
Adjustments to net income:			
Depreciation and amortization	1,490	2,954	2,676
Constitution and reversal of provisions for contingent liabilities, net	12,732	29,433	(2,447)
Constitution and reversal of allowance for loan losses	15,274	17,700	19,947
Recognition and derecognition of allowance for losses	226	541	231
Gain (loss) on sale of nonoperating assets	(508)	(678)	(119)
Appropriation of deferred revenue	(817)	(2,539)	(3,037)
Foreign exchange gain (loss) on long-term marketable securities	1,901	(85)	11,752
Recovery of credit operations written-off as losses	(19)	(3,804)	(10,246)
Gain (loss) on monetary adjustment of long-term credit operations	(8,622)	(14,195)	1,302
Adjusted net income	<u>95,488</u>	<u>147,342</u>	<u>78,825</u>
(Increase) decrease in short-term interbank investments	(8,133)	(886)	47,772
(Increase) decrease in marketable securities	6,717	949	(77,639)
(Increase) in credit operations	(287,022)	(370,356)	(249,883)
(Increase) decrease in other receivables and other assets	112,894	106,045	(11,318)
Increase in liabilities for loans and onlending	115,437	203,112	115,202
Increase in deferred income	1,443	3,859	3,950
Increase (decrease) in other liabilities	(117,040)	(118,087)	511
Income and social contribution taxes paid	(10,098)	(18,608)	(24,037)
Profit sharing paid	(1,666)	(5,418)	(3,825)
Changes in assets and liabilities	<u>(187,468)</u>	<u>(199,390)</u>	<u>(199,267)</u>
Net cash used in operating activities	<u>(91,980)</u>	<u>(52,048)</u>	<u>(120,442)</u>
Cash flow from investing activities			
Acquisition of property and equipment	(1,158)	(2,716)	(3,348)
Net cash used in investing activities	<u>(1,158)</u>	<u>(2,716)</u>	<u>(3,348)</u>
Cash flow from financing activities			
Capital increase	-	16,905	77,000
Dividends paid	-	(8,071)	(65,000)
Interest on equity	(41,382)	(41,382)	(20,198)
Net cash used in financing activities	<u>(41,382)</u>	<u>(32,548)</u>	<u>(8,198)</u>
Decrease in cash and cash equivalents, net	<u>(134,520)</u>	<u>(87,312)</u>	<u>(131,988)</u>
Cash and cash equivalents at the beginning of the period	151,741	104,533	236,521
Cash and cash equivalents at the end of the period	17,221	17,221	104,533

See accompanying notes.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

1. Operations

Banco de Desenvolvimento de Minas Gerais S.A. – BDMG, a closely held corporation, is a government entity controlled by the state of Minas Gerais and ruled by the Brazilian Corporations Act, the applicable regulations of the National Financial System and the applicable legislation of the State Government of Minas Gerais.

BDMG based on its business purposes are the economic and social development of the State of Minas Gerais. In this context, the Bank performs activities pertaining to development banks under the standards defined by the National Monetary Council, and operates as a financial agent of the funds formed by the State to finance programs and projects aimed at developing Minas Gerais. BDMG is also a financial agent and/or manager of other non-State funds, which finance projects located in the State of Minas Gerais, fostering its development. Moreover, the Bank also renders advisory and technical support services to the direct and indirect State Government administration, being relevant the management of assets received by the State of Minas Gerais as a result of the privatization of state-owned banks Credreal and BEMGE being worthy of note.

2. Basis of preparation and presentation of the financial statements

The Board of Directors of Banco de Desenvolvimento de Minas Gerais approved the accompanying financial statements on February 16, 2011, in conformity with the approval by the Executive Board on February 15, 2011.

These financial statements were prepared in accordance with the accounting practices adopted in Brazil, in compliance with the accounting guidelines of the Brazilian Corporation's Act (Law No. 6.404/76), as amended by Law No. 11.638, of December 28, 2007, and by Law No. 11.941, of May 27, 2009, together with the standards and instructions of the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN).

The Bank has also adopted the following accounting pronouncements issued by the Brazilian FASB (CPC) for purposes of convergence with international accounting practices, as approved by BACEN:

CPC 01 – Impairment of assets – CMN Resolution No. 3566/08;
CPC 03 – Statement of cash flows – CMN Resolution No. 3604/08;
CPC 05 – Related-party disclosures – CMN Resolution No. 3750/09;
CPC 25 – Provisions, contingent liabilities and contingent assets – Resolution No. 3823/09.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
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2. Basis of preparation and presentation of the financial statements (Continued)

The preparation of the financial statements requires management to make estimates and assumptions, to the best of their judgment, that affect the reported amounts of assets and liabilities, as well as the unrealized amounts of revenues, costs and expenses. Settlement of transactions involving these estimates could result in values different from those estimated due the inaccuracies inherent to their estimation process.

3. Summary of significant accounting practices

(a) Determination of profit and loss

Revenues and expenses are recorded on the accrual basis, adjusted by income and social contribution taxes attributable to taxable profits, and, when applicable, by deferred income and social contribution taxes that will be recoverable or payable in future years, except with regard to gains on renegotiated credit operations which are posted to the income statement on the cash basis, as required by CMN/BACEN Resolution No. 2682/1999.

(b) Cash and cash equivalents

Cash and cash equivalents comprise amounts available in local and foreign currencies and short-term interbank investments, involving operations that mature within 90 days from the date of actual investment, and are used by BDMG to manage their short-term commitments. The balances at the end of the period are:

	<u>2010</u>	<u>2009</u>
Cash and cash in banks	895	3,581
Short-term interbank investments	16,326	100,952
Total	<u>17,221</u>	<u>104,533</u>

(c) Short-term interbank investments

These are stated at acquisition cost plus earnings accrued to the balance sheet date on a pro rate basis, less an impairment provision, as applicable.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(d) Marketable securities

As required by BACEN Circular Letter No. 3068/2001 and supplementary regulations, marketable securities are classified into the categories described below according to the intent of management in relation to their negotiation, in conformity with the following accounting criteria:

- (i) Trading securities - Acquired for the purpose of being frequently and actively traded, these securities are recorded at market value and realized or unrealized gains and losses thereon are posted directly to net income for the year.
- (ii) Available-for-sale securities - Used as part of the Bank's strategy to manage cash flow, these securities are recorded at market value; their underlying earnings (securities curve) are recognized against net income for the year and the unrealized gains and losses arising from changes in market value are recorded as Equity valuation adjustment under Shareholders' equity, net of the related tax effects.

Gains and losses, when realized, are recognized through specific identification at the date of negotiation in the statement of income, against a specific stockholders' equity account, net of the related tax effects.

- (iii) Held-to-maturity securities - Marketable securities for which management has the intention and financial capacity to hold to maturity, are stated at acquisition cost, plus accrued income. The financial capacity is defined in accordance with cash flow forecasts, not considering the possible early redemption of these securities.

Decreases in the market value of securities available for sale and held to maturity below their related cost, in connection with non-temporary aspects, are reflected in net income as realized losses.

(e) Credit operations and other current assets and long-term receivables

These are stated at realizable values including, when applicable, accrued income calculated on a daily pro rate basis, net of the corresponding unearned income. The allowance for loan losses is recorded based on criteria defined by CMN/BACEN Resolution No. 2682/1999, and on management's analysis of outstanding operations, taking into consideration the value of guarantees and portfolio risks.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
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3. Summary of significant accounting practices (Continued)

(f) Permanent assets

Pursuant to Law No. 11638/2007, as amended, and to CMN/BACEN Resolution No. 3642/2008, the group of accounts "Permanent assets" has included subgroup "Intangible assets" since 2008.

Permanent assets are recorded at acquisition cost, and subgroup "Property and equipment in use" includes monetary adjustment through to 1995.

Depreciation of property and equipment in use, amortization of deferred charges and amortization of intangible assets are recorded on the straight-line basis, at annual rates described respectively in items (a), (c) and (d) of Note 8.

(g) Impairment of non-financial assets

CMN/BACEN Resolution No. 3566/2007 requires financial institutions to comply with Technical Pronouncement CPC 1, issued by the Brazilian FASB (CPC), as for recognition, measurement and disclosure of asset impairment.

Impairment occurs when the book value of an asset and/or the cash-generating unit is greater than its recoverable value, and should be recognized in the income statement.

BDMG's non-financial assets, except for the tax credits, are reviewed at December 31 each year, in order to determine whether there is an indication of relevant impairment losses.

At December 31, 2010, there were no significant changes in relation to the previous analysis conducted by management, and no indications of impairment losses were identified.

(h) Current and long-term liabilities

These are stated at known or estimated amounts including, when applicable, charges accrued on a pro rate basis.

(i) Transactions in foreign currency

Assets and liabilities of foreign currency-denominated operations are translated into the local currency (R\$), which is also the Bank's functional currency, at the selling exchange rate prevailing at the balance sheet closing date.

At December 31, 2010, the U.S. dollar is the foreign currency that mostly impacts operations, the exchange rate being US\$ 1.00 = R\$ 1.6662 (2009 - US\$1.00 = R\$ 1.7412).

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(j) Income and social contribution taxes

The provision for income tax is recognized at the basic rate of 15% of taxable profit plus a 10% surcharge; the provision for social contribution tax on net profit is calculated at 15% of taxable profit.

The tax effects from changes in accounting records as a result of applying Law No. 11638/2007 have been treated in accordance with the Transitional Taxation Regime (RTT) established by Law No. 11941/2009 which originated as Provisional Executive Act No. 449/2008.

(k) Employee benefits

The Bank sponsors defined benefit pension and health care plans, which supplement the retirement income of participating employees and the coverage of health and dental care expenses of active and assisted participants and their beneficiaries. Additionally, the Bank sponsors defined benefit life insurance for those willing to participate. The Bank fully adopts the guidelines defined in Brazilian Accounting Standard (NBC)T 19.31 - Employee Benefits, as approved by Resolution No. 1193/2009 of the National Association of State Boards of Accountancy (CFC), when accounting for the pension plan, the health and dental care plan and the life insurance benefits it offers, as mentioned in Note 21.

The Bank recognizes actuarial gains or losses on post-employment benefits in accordance with item 93 of NBC T 19.31.

- (i) The amount of actuarial gains and losses to be recognized as income or expense corresponds to the accumulated gains and losses not recognized in the previous period exceeding, each year, the greater of the following limits:
 - 10% of the present value of the total actuarial liability; and,
 - 10% of the fair value of the plan assets.
- (ii) The amount of actuarial gains and losses amortized in each year corresponds to dividing the actuarial gains and losses accrued over the average remaining service time estimated for the plan participants.

The costing of benefits offered under defined benefit plans is established separately for each plan, calculated annually by independent actuaries using the projected credit unit method.

The cost of past services is recognized as an expense on the straight-line basis over the vesting period.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(k) Employee benefits (Continued)

The defined benefit plan liability recognized in the balance sheet comprises the present value of the defined benefit obligation, adjusted for unrecognized gains and losses and past service costs not yet recognized, less the fair value of plan assets.

(l) Contingent assets and liabilities and legal obligations

Contingent assets and liabilities and legal obligations are recognized, measured and disclosed according to Technical Pronouncement CPC 25 issued by the Brazilian FASB (CPC), pursuant to the following criteria:

- (i) Contingent assets – are not recognized in the financial statements, except when there is evidence that ensures their realization and against which appeals may no longer be filed.
- (ii) Contingent liabilities – are recognized in the financial statements when, based on the opinion of the legal advisors and of management, there is probable risk of loss in a legal or administrative proceeding, resulting in a probable disbursement of funds for settlement of the obligations, and when the amounts involved may be reliably measured. Contingent liabilities considered as possible losses by the legal counsel are only disclosed in the notes to the financial statements, whereas those rated as remote do not require any provision or disclosure.
- (iii) Legal obligations – refer to legal claims whereby lawfulness or constitutionality of certain taxes and contributions are under dispute. The amount at issue is monthly measured, recorded and adjusted.

(m) Employees' profit sharing

This is defined in collective agreements and also for compliance with the Target Plan, being accrued based on a percentage of the net profit and adjusted at year-end after net income has been computed and targets have been assessed.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

4. Short-term interbank investments

	2010	2009
Investments in purchase and sale commitments		
Funded position		
Financial Treasury Bills	-	29,822
National Treasury Bills	5,103	-
Debentures	-	92,382
Interbank deposits	384,814	356,463
Allowance for losses	(12,883)	(17,893)
Total – Current	377,034	460,774

5. Marketable securities

(a) Marketable securities are broken down as follows:

	2010	2009
Fixed-income securities		
Freely-traded:		
. Federal government securities	318,109	262,333
. Debentures	4,023	3,760
. Shares	308	125
Restricted:		
. Federal government securities	-	59,110
Total	322,440	325,328
Current	49,001	31,270
Noncurrent	273,439	294,058

At December 31, 2009, restricted fixed-income securities refer to the amount blocked on behalf of BACEN, during the approval process of BDMG's capital increase.

(b) Classification of marketable securities

Considering the Bank's intention and financial capacity, the classification of the marketable securities portfolio was reviewed in December 2010, and the securities were distributed into the three categories established by BACEN Circular Letter No. 3068/2001, as follows:

Category	2010		2009	
	Curve value	Market value	Curve value	Market value
Available for sale	145,068	143,948	287,543	287,413
Trading	44,980	44,978	-	-
Held to maturity	133,514	134,041	37,915	49,247
TOTAL	323,561	322,967	325,458	333,360

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

5. Marketable securities (Continued)

(b) Classification of marketable securities (Continued)

(i) Trading securities

This category includes 10,000 Financial Treasury Bills with market value of R\$ 44,978 and curve value of R\$ 44,980. In December 2009, BDMG had no securities classified in this category.

(ii) Available-for-sale securities

The following securities are classified in this category:

Security	Number	2010		Number	2009	
		Curve value	Market value		Curve value	Market value
Financial						
Treasury Bills	5,500	24,742	24,738	79,958	175,754	175,624
National Treasury Notes	-	-	-	42,300	77,858	78,514
National Treasury Bills	150,000	120,018	118,902	30,000	29,379	29,390
Debentures	-	-	-	5,621	4,427	3,760
Investment fund shares	25	308	308	6,25	125	125
Total		145,068	143,948		287,543	287,413

In December 2010, unrealized losses on securities classified in this category totaled R\$ 1,120 (2009 – R\$ 130).

National Treasury Bills and debentures classified in this category as of December 2009 were reclassified to “held to maturity” as of June 30, 2010.

Government securities are marked-to-market considering the quotations published by the Brazilian Financial and Capital Markets Association (ANBIMA) for the secondary market of these securities.

In the second half of 2009, BDMG acquired 125 investment fund shares in innovative emerging companies, and the payment price of each share was R\$ 20. The 25 shares paid until December 31, 2010 (2009 – 6.25) were recorded for the curve value, i.e. the payment price adjusted for the fund's administration expenses.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
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5. Marketable securities (Continued)

(b) Classification of marketable securities (Continued)

(iii) Held-to-maturity securities

At December 31, 2010, securities classified as “held to maturity” are broken down as follows:

Security	2010		2009	
	Number	Curve value	Number	Curve value
NTN-A3	-	-	37,448	37,915
NTN-B	22,000	45,400	-	-
LFT-A	59,958	84,091	-	-
Debentures BMP	5,621	4,023	-	-
		<u>133,514</u>		<u>37,915</u>

If measured at market value, the securities classified in this category would amount to R\$ 134,041 (2009 – R\$ 49,247).

At June 30, 2010, management opted for reclassifying 12,500 National Treasury Notes, which had been classified in 2005 as “held to maturity”, to “available for sale”. At an auction organized by CETIP (OTC Clearing House) on August 6, 2010, BDMG sold these 12,500 NTN-A3 securities, with a positive R\$ 9,260 impact on net income. This operation aimed at minimizing the impacts of the fluctuation of US dollars quoted in Brazilian reais on the Bank’s results, considering that some securities were indexed to this currency.

In 2010, BDMG acquired NTN-B securities maturing in 2030, classified as “Held to maturity” due to the sale of National Treasury Notes-A3, that were part of this portfolio in 2009 and sold in 2010. The purpose of this procedure was to comply with CMN/BACEN Resolution No. 3181/2004 as regards the securities classified in this category. The sale of securities (24,948 National Treasury Notes – A3) on October 6, 2010, at an auction organized by CETIP, generated gains of R\$ 17,509.

In June 2010, the Bank’s management reclassified as “Held to maturity” LFT-A securities and debentures, which had been classified as “available for sale”. Consequently, the amount of R\$ 1,041, then recorded as mark-to-market adjustment under shareholders’ equity, has been appropriated to net income for the year, as required by BACEN Circular Letter No. 3068/2001. At December 31, 2010, R\$ 719 was the residual value to be appropriated to net income as a result of those reclassifications.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

5. Marketable securities (Continued)

(c) Marketable securities mature as follows:

	91 to 180 days	181 to 360 days	After 360 days	Total
Federal government securities	-	44,978	273,131	318,109
Debentures	-	4,023	-	4,023
Investment fund shares	-	-	308	308
Total 2010	-	49,001	273,439	322,440
Total 2009	29,390	1,880	294,058	325,328

(d) Changes in amounts recorded as “Equity valuation adjustment” under shareholders’ equity, including adjustments to securities available for sale, held in the portfolio, and the remaining balance of mark-to-market adjustment of securities reclassified to “Held to maturity”, on the date of reclassification:

	Unrealized gains (losses)	Tax effects	Mark-to- market adjustment
Balance at December 31, 2009	(1,546)	540	(1,006)
Adjustment for the half-year ended June 30, 2010	3,072	(1,297)	1,775
Adjustment for the half-year ended December 31, 2010	(3,029)	1,257	(1,772)
Balance at December 31, 2010	(1,503)	500	(1,003)

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

6. Credit operations, lease operations and similar credit operations

BDMG's active credit portfolio comprises credit operations referring to development project financing and/or associated conditions, finance lease operations and similar credit operations including the credit sale of nonoperating assets.

At December 31, 2010 and 2009, BDMG's active credit portfolio is made up as follows:

	2010		2009	
	Total	Allowance	Net	Net
Active credit portfolio				
Credit operations	1,517,033	(116,195)	1,400,838	1,030,215
Finance lease	795	(80)	715	1,041
Similar credit operations - credit sales of nonoperating assets	351	-	351	697
Total	1,518,179	(116,275)	1,401,904	1,031,953

As for lease operations, which are all lease back transactions, the amounts above reflect the present value of the contracts, and the items that originate these amounts are classified in different accounts in the balance sheet, as required by the Chart of Accounts for Brazilian Financial Institutions (COSIF).

Because of the accounting treatment of these operations, the following accounts are considered to determine the present value of the contracts:

Groups/Subgroups	Account	2010	2009
Assets – Finance lease operations	Lease receivables	1,002	1,448
Assets – Finance lease operations	Unearned income from lease operations	(1,002)	(1,448)
Assets – Permanent assets	Leased property and equipment	1,318	1,557
Liabilities - Other liabilities	Prepayment of residual value	(523)	(516)

Lease operations generated total revenues of R\$ 565 in 2010 (2009 – R\$ 475) and the related allowances amounted to R\$ 80 in 2010 (2009 – R\$ 0).

At December 31, 2010, of the total R\$ 1,518,179 (2009 - R\$ 1,138,020) in credit operations, the amount of R\$ 464,107 (2009 - R\$ 302,371) was originally granted with own funds and R\$ 1,054,072 (2009 - R\$ 835,649) with onlendings received from other financial institutions.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

6. Credit operations, lease operations and similar credit operations (Continued)

(a) Classification by product and industry

	2010	2009
Financing to the private sector	1,259,580	984,563
.Manufacturing industry	620,497	393,203
.Other Services	248,816	242,425
.Rural and agribusiness - manufacture	246,047	222,943
.Commerce	113,922	97,621
.Financial intermediaries	29,500	24,505
.Individuals	798	1,151
.Export	-	2,715
Financing to the public sector	257,453	151,718
. Direct and indirect city government administration	257,453	151,718
Lease operations (i)	795	1,041
Other receivables (similar to credit operations)	351	698
Subtotal	1,518,179	1,138,020
Allowance for loan losses	(116,275)	(106,067)
Credit operations	(116,195)	(106,066)
Lease operations	(80)	-
Other receivables	-	(1)
Total	1,401,904	1,031,953
Current	354,714	254,141
Noncurrent	1,047,190	777,812

(i) The balance is adjusted to present value.

(b) Classification by maturity date and risk level

Risk level	2010							2009	
	Total	Overdue	Falling due per maturity dates (days)					Above 5400	Total
			15 to 90	91 to 360	361 to 1080	1081 to 1800	1801 to 5400		
AA	540,406	-	25,324	100,467	171,053	102,690	140,863	9	494,242
A	318,897	-	17,740	53,911	99,176	65,951	81,854	265	289,269
B	327,110	95	21,204	66,025	130,582	64,006	44,722	476	90,071
C	228,461	555	13,779	44,702	86,445	52,467	30,513	-	107,628
D	39,110	172	2,829	9,077	16,947	6,735	3,264	86	90,478
E	4,703	321	736	1,241	2,405	-	-	-	5,595
F	7,608	1,020	1,091	743	1,917	1,388	1,449	-	19,912
G	53	15	4	14	20	-	-	-	-
H	51,831	2,525	2,742	7,272	11,529	8,998	18,235	530	40,825
	1,518,179	4,703	85,449	283,452	520,074	302,235	320,900	1,366	1,138,020

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
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6. Credit operations, lease operations and similar credit operations (Continued)

(c) Classification by risk level and allowance

The allowance for loan losses is recognized in accordance with the criteria established in CMN/BACEN Resolution No. 2682/1999, especially considering the following aspects: (i) the nature of operations and related guarantees, and; (ii) default levels.

Level	%	Portfolio	2010		2009	
			Allowance for credit risks based on minimum required percentages	Allowance for loan losses	Portfolio	Allowance for loan losses
AA	0.0	540,406	-	43,561	494,242	38,983
A	0.5	318,897	1,595	1,595	289,269	1,446
B	1.0	327,110	3,271	3,271	90,071	901
C	3.0	228,461	6,854	6,854	107,628	3,229
D	10.0	39,110	3,911	3,911	90,478	9,048
E	30.0	4,703	1,411	1,411	5,595	1,679
F	50.0	7,608	3,804	3,804	19,912	9,956
G	70.0	53	37	37	-	-
H	100.0	51,831	51,831	51,831	40,825	40,825
		1,518,179	72,714	116,275	1,138,020	106,067

Until November 2005, credit operations relating to PESA (Rural Credit, pursuant to CMN/BACEN Resolution No. 2471/1998) were classified as H level. After that date, BDMG's management has classified them as AA level. This risk reclassification considered the specific features of these transactions in relation to credit risk, mitigated with real guarantees represented by government securities. At December 31, 2010, the supplementary allowance for credit operations, in the amount of R\$ 43,561 (2009 - R\$ 38,983) refers to PESA operations, and results from the difference between the adjusted principal amount of reclassified credit operations and the present value of the securities that guarantee such operations.

(d) Changes in the allowance for loan losses during the year

	2010	2009
Opening balance	106,067	95,285
Recognition of allowance, net of derecognition	17,700	19,939
Credits written off as losses	(7,492)	(9,157)
Closing balance	116,275	106,067

For the year ended December 31, 2010, the amount of R\$ 6,968 (2009 - R\$ 12,327) was recovered in connection with credits that had been written off as losses.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

7. Other receivables

	2010	2009
Tax credits (a)	138,449	123,204
Debtors for guarantee deposits (b)	67,721	176,438
Sundry debtors – Domestic	3,407	491
Notes and credits receivable (c)	10,101	9,712
Accrued income (d)	5,090	3,712
Other	3,003	4,522
Subtotal	227,771	318,079
Allowance for losses on other receivables (e)	(11,071)	(10,609)
Total	216,700	307,470
Current	20,139	18,512
Noncurrent	196,561	288,958

- (a) The tax credits arising from income tax and social contribution tax on net profit were established and recorded as described in Note 13 (a).
- (b) Guarantee deposits refer to legal questionings, especially tax claims. The relation between court deposits and their related legal questionings is described in Note 10 (b).
In December 2010, as a result of an outcome favoring the government, the court deposit recorded in the amount of R\$ 124,820 was written off after the National Treasury recorded it as income.
- (c) Notes and credits receivable refer to amounts owed by the National Treasury Secretariat (STN) as a result of legally supported renegotiations of rural credit operations entered into with funds from the Secretariat.
- (d) Accrued income substantially comprises yield receivable, net of the related provision, from credit operations involving funds from development funds managed by BDMG. Yield shall be payable upon maturity of the related installments and a provision is recognized on amounts recorded based on the percent risk level of the operation to which the yield refers. The risk rating is based on the policy adopted by the Bank whereby operations financed with amounts from the managed funds are subjected to the same criteria of CMN/BACEN Resolution No. 2682/1999 for credit operations of BDMG's own portfolio.
- (e) The allowance for losses on other receivables is recognized to cover operations that are not similar to credit operations. The total allowance, namely R\$ 11,071 (2009 - R\$ 10,608), comprises R\$ 10,101 (2009 - R\$ 9,712) for yield amounts and R\$ 970 (2009 - R\$ 896) for amounts due as a result of the equalization of interest rates of rural financing, both of which to be returned by the National Treasury Secretariat (STN), which has not expressed its formal opinion as to the amount and date of settlement of these operations. The recognized allowance is essentially based on the uncertain timing of realization of these credits.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
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8. Permanent assets

At December 31, 2010, the group of Permanent assets consists of investments in the amount of R\$ 487 (2009 – R\$ 49) and of the following subgroups:

(a) Property and equipment in use

	Annual depreciation rate - %	2010		2009	
		Cost	Accumulated depreciation	Net	Net
Properties	4	40,148	(19,541)	20,607	19,680
Facilities, furniture and equipment	10	5,530	(3,186)	2,344	2,514
Data processing system	20	3,480	(2,485)	995	1,311
Other	10	608	(442)	166	182
Construction in progress		466	-	466	883
Total		50,232	(25,654)	24,578	24,570

(b) Leased property and equipment

	2010		2009	
	Cost	Accumulated depreciation	Excess depreciation	Net
Leased assets	1,704	(646)	260	1,318
				1,557

(c) Deferred charges

	Annual amortization rate - %	2010		2009	
		Cost	Accumulated amortization	Net	Net
Software acquisition and development costs	20	3,190	(2,763)	427	690

Under CMN/BACEN Resolution No. 3617/2008, the balance of deferred charges will be kept until fully realized.

(d) Intangible assets

	Annual amortization rate - %	2010		2009	
		Cost	Accumulated amortization	Net	Net
Intangible assets	20	1,035	(195)	840	605

In compliance with CMN/BACEN Resolution No. 3642/2008 and BACEN Circular Letter No. 3357/2008, BDMG has recorded as intangible assets, as of 2008, those incorporeal assets intended to sustain the entity's activities that had been classified as deferred charges.

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9. Local onlendings – official institutions

These liabilities refer to resources obtained from official funds and programs passed on to finance undertakings in Minas Gerais State. Principal and interest amounts mature until 2025, and the financial charges are defined in the operating policies of each agency or fund that transfer the resources.

The balances are summarized as follows:

	2010	2009
National Bank for Economic and Social Development (BNDES)	624,068	557,011
Government Agency for Machinery and Equipment Financing (FINAME)	276,313	134,807
BNB	41,586	45,228
National Treasury	18,045	18,934
Federal Savings and Loans Bank (CEF)	543	1,398
Other	-	65
Total	960,555	757,443
Current	216,926	165,061
Noncurrent	743,629	592,382

The BNDES/FINAME System is the main source of funds for BDMG's onlending to its clients.

The funds provided by the National Bank for Economic and Social Development (BNDES) are primarily intended to finance long-term investment projects. At December 31, 2010, the main lines of credit involving funds passed on from BNDES are: BNDES Automático TJLP, totaling R\$ 198,630 (2009 - R\$ 206,853); BNDES FINEM TJLP line of credit, in the amount of R\$ 80,898 (2009 - R\$ 70,575); BNDES PEC-GIRO TJ462 amounting to R\$ 64,535 (2009 - R\$ 45,957) and BNDES Automático Rural line of credit, totaling R\$ 60,274 (2009 - R\$ 73,163). The amount of R\$ 404,337 (2009 - R\$ 396,548) of these lines of credit represent 64.8% of the amount obtained from BNDES and all of them are subject to interest based on the TJLP (long-term loan rate) plus annual 0.9% to 1.8% - pursuant to the purpose of the loan, including, as applicable the financial intermediation fee of 0.5% per annum (p.a.).

The funds obtained by BDMG from the Government Agency for Machinery and Equipment Financing (FINAME) are mostly intended to finance machinery and equipment associated with development projects. At December 31, 2010, the lines of credit FINAME PSI, totaling R\$ 162,026 (2009 - 0); FINAME - TJLP, in the amount of R\$ 32,044 (2009 - R\$ 59,647), FINAME PROVIAS, in the amount of R\$ 31,961 (2009 - R\$ 20,251) and FINAME MODERMAQ, totaling R\$ 27,444 (2009 - R\$ 24,251), totaled R\$ 253,475, which together account for 91.7 % of BDMG's debit balance to FINAME. These lines, except for FINAME PSI, are subject to interest based on the TJLP (long-term loan rate) plus annual 0.9% to 1.4% - pursuant to the purpose of the loan, including, as applicable the financial intermediation fee of 0.5% p.a. FINAME PSI is subject to fixed interest of 4.5% p.a., which includes BDMG's annual compensation of 3%.

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Notes to financial statements (Continued)
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9. Local onlendings – official institutions (Continued)

In 2005, BNB – Banco Nordeste do Brasil passed on to BDMG funds from two different sources to be invested only in the segment where BNB operates. The funds passed on to BDMG from the Inter-American Development Bank (IDB) aimed at financing the Market Expansion Program for Small- and Medium-Sized Enterprises of Northeastern Brazil (PEM), and the funds from the Northeast Financing Constitutional Fund (FNE) were passed on to BDMG to finance productive undertakings of mini-, small-, medium- and large-sized farmers, industries, agribusiness (individuals and legal entities), commercial, and service ventures, their cooperatives and associations. At December 31, 2010, the balance of FNE, totaling R\$ 36,355 (2009 - R\$ 38,922), accounts for 87.4% of the total amount owed by BDMG to BNB, subject to interest of 10% p.a.

10. Other liabilities

	2010	2009
Collection of taxes	389	263
Social and statutory (a)	36,646	8,071
Tax and social security contributions (b)	206,730	284,836
Funds for specific purposes (c)	18,741	20,445
Sundry (d)	94,934	78,896
Total	357,440	392,511
Current	101,699	44,346
Noncurrent	255,741	348,165

(a) Social and statutory

The remaining profit for the year ended December 31, 2010 was allocated by the Bank's management to pay dividends to shareholders.

The balance for December 2009, as defined at the Annual General Meeting that approved the financial statements for that year, was paid to shareholders in the form of dividends.

(b) Tax and social security contributions

	2010	2009
Provision for taxes and contributions	24,503	2,701
Taxes and contributions payable	3,056	3,327
Provision for deferred taxes and contributions	4,452	3,525
Provision for tax obligations (i)	174,719	275,283
Total	206,730	284,836
Current	29,077	11,230
Noncurrent	177,653	273,606

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Notes to financial statements (Continued)
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10. Other liabilities (Continued)

(b) Tax and social security contributions (Continued)

- (i) The Bank's management reviews the contingencies and, based on the opinion of its legal advisors, evaluates possible losses, adjusting the provision for tax obligations, as applicable. The tax-related contingent liabilities, recorded as "Provision for tax obligations", consist of legal claims and administrative proceedings in course at Brazil's IRS. These liabilities are adjusted on a monthly basis considering the SELIC rate, and BDMG's results forecast expects these liabilities to be realized within 10 years.

The change in the provision for tax risks in the half year is as follows:

	Balance at 31/12/2009	Provision recorded	Adjustment	Write-off	Balance at 31/12/2010
Income tax losses (IRPJ and CSLL) offset	119,003	-	5,817	(124,820)	-
Change in COFINS tax base – Law No. 9718/1998	109,782	10,684	6,851	-	127,317
Change in PIS/PASEP tax base - Law No. 9718/1998	29,271	1,735	2,222	-	33,228
Income tax – Law No. 8200/1991	4,210	-	64	(4,274)	-
FINSOCIAL tax immunity from June 1986 to March 1990	3,960	-	135	-	4,095
Provision for lawyers' fees	7,773	311	387	-	8,471
Other contingencies and legal obligations	1,284	234	90	-	1,608
Total	275,283	12,964	15,566	(129,094)	174,719

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
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10. Other liabilities (Continued)

(b) Tax and social security contributions (Continued)

- (ii) Of the court deposits amounting to R\$ 67,721 (2009 – R\$ 176,438), recorded by BDMG as “Other receivables – Debtors for guarantee deposits” (Note 7 (b)), the amount of R\$ 65,687 (2009 – R\$176,180) refers to the tax claims mentioned in (i) above, as follows:

	2010		2009	
	Provision	Deposit	Provision	Deposit
Income tax losses (IRPJ and CSLL) offset	-	-	119,003	119,003
Change in COFINS tax base – Law No. 9718/1998	127,317	25,153	109,782	21,072
Increase in PIS/PASEP rate, introduced by Law No. 9718/1998	33,228	33,069	29,271	29,106
Income tax – Law No. 8200/1991	-	-	4,210	-
FINSOCIAL tax immunity from June 1986 to March 1990	4,095	4,095	3,960	3,960
Provision for lawyers’ fees	8,471	-	7,773	-
Administrative deposit - PASEP	-	1,940	-	1,843
Other contingencies and legal obligations	1,608	1,430	1,284	1,196
Total	174,719	65,687	275,283	176,180

The suit relating to income tax losses offset (including income tax and social contribution tax) ended with the publication on August 3, 2009, of the Supreme Court’s decision in favor of the National Treasury. When the court deposit intended to cover the risk of this suit was recorded as income, the related provision was written off. In December 2010, the month in which the amounts were written off, the provision and the corresponding deposit amounted to R\$ 124,820.

After a partially unfavorable ruling by the Taxpayers’ Council, the Bank paid the amount of R\$ 365 referring to the effects produced by Law No. 8200/1991 regarding Income Tax for 1999 and wrote off the remaining provision.

In the lawsuits involving COFINS and PIS/PASEP, BDMG seeks to have the enforceability of such contributions suspended, in accordance with Law No. 9718/1998, which, in addition to establishing the payment of COFINS by financial institutions, increased the tax base of PIS/PASEP contributions, as it established that sales covered both gross operating and non-operating income. Because of decisions awarded during the suit, the Bank has made court deposits to cover COFINS contributions on service revenues. Court deposits for PIS/PASEP have been made for the full amount, in accordance with the tax base defined in Law No. 9718/1998.

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Notes to financial statements (Continued)
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10. Other liabilities (Continued)

(b) Tax and social security contributions (Continued)

(iii) In 2006, BDMG was notified by the National Institute of Social Security (INSS) in connection with events considered to be subject to social security contributions. Management and their legal representatives currently discuss these notifications at the administrative level, and the adjusted amount of R\$ 128 represents the total considered by the legal counsel as a possible loss. No provisions were recognized for these contingencies.

In July 2010, BDMG was notified by Brazil's IRS in relation to payments of income tax and social contribution on net profit. Considering the events mentioned in the assessment notice, the legal advisors considered the amount of R\$ 2,908 as a possible loss and no related provision was recorded. In December 2009, there were no tax-related claims assessed as possible losses.

(c) Funds for specific purposes

The amount of R\$ 18,741 (2009 – R\$ 20,444) refers substantially to resources from funds managed by BDMG (private funds and funds associated to government agencies), received from clients but not transferred to the funds yet.

(d) Sundry

	<u>2010</u>	<u>2009</u>
Provision for amounts to be paid (i)	44,490	34,528
Provision for contingent liabilities (ii)	40,230	33,963
Sundry creditors – Domestic (iii)	5,613	8,840
Contribution to DESBAN (iv)	-	93
Contribution for capital increase (v)	4,078	956
Other (vi)	523	516
Total	<u>94,934</u>	<u>78,896</u>
Current	29,280	23,693
Noncurrent	65,654	55,203

(i) The provision for amounts to be paid refers basically to actuarial liabilities relating to the Health Promotion Program (*Programa de Promoção à Saúde - PRO-SAÚDE*), to health and dental care assistance, and to life insurance, as described in Note 21, in the amount of R\$ 24,348 (2009 – R\$ 18,598), provision for accrued vacation pay and related charges, in the amount of R\$ 8,770 (2009 – R\$ 8,386), provision for employees' profit sharing for the year (PLR), in the amount of R\$ 7,035 (2009 - R\$ 4,178) and provision for compliance with State Law No. 11050/1993 and with BDMG's Bylaws, in the amount of R\$ 4,206 (2009 – R\$ 3,204).

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Notes to financial statements (Continued)
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10. Other liabilities (Continued)

(d) Sundry (Continued)

The method for calculating the provision for the Health Plan (PRO-SAÚDE) was changed as of September 2009, after DESBAN's Advisory Board approved a change in the Plan from a defined contribution plan with actuarial risks to a defined benefit plan.

(ii) The change in the provision for contingent liabilities for the year was:

	Balance at 31/12/2009	Provision recorded	Adjustmen t	Write-off	Balance at 31/12/2010
Charges on compulsory deposit with Central Bank	19,928	-	1,949	-	21,877
Joint obligation under credit operations assigned to STN	5,923	445	-	(1,033)	5,335
Civil suits	5,731	7,181	-	(2,767)	10,145
Labor suits	2,311	270	-	(106)	2,475
Collateral provided	70	103	-	(173)	-
Lawyers' fees	-	398	-	-	398
	33,963	8,397	1,949	(4,079)	40,230

The Bank records as "Other receivables – Debtors for guarantee deposits" the amount of R\$ 245 (2009 - R\$ 258) relating to deposits for appeals on labor-related suits.

Labor and civil contingencies considered as "possible" losses for the Bank, and for which no provision was recognized, total, at December 31, 2010, respectively, R\$ 80 (2009 - R\$ 23) and R\$ 797 (2009 - R\$ 522).

- (iii) The balance of "Sundry creditors - Domestic" mainly comprises clients' credits to be offset, totaling R\$ 3,261 (2009 - R\$ 5,773) and restricted credits in the amount of R\$ 750 (2009 - R\$ 1,026) resulting from the sale, in September 2008, of the right to provide payroll services relating to BDMG's employees.
- (iv) The balance of "Contribution to DESBAN" existing in 2009 referred to BDMG's commitment as a result of the Bank's employees joining DESBAN – *Fundação BDMG de Seguridade Social* (BDMG Social Security Foundation) but having prior service time. This obligation, which involved the installment payment of the Reserve for Prior Service Time, ceased in January 2010.

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Notes to financial statements (Continued)
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10. Other liabilities (Continued)

(d) Sundry (Continued)

- (v) The “Contribution for capital increase” refers to a percentage of returns on financing obtained from FUNDESE State Fund, to increase the capital applicable to CREDPOP program, under State Law No. 13667/2000.
- (vi) The amount recorded as “Other” refers to the residual value of prepaid lease operations.

11. Shareholders’ equity

(a) Capital

BDMG’s subscribed capital amounts to R\$ 1,003,299 (2009 – R\$ 999,187), comprising 45,538,077,596 (2009 – 45,533,965,970) nominative common shares with no par value.

The following events refer to capital increase:

Date	Event
12/16/2010	The Extraordinary General Meeting decided to increase capital in the amount of R\$ 46,479, to be fully subscribed by the State of Minas Gerais, after official confirmation by a Extraordinary General Meeting to be held by January 20, 2011;
6/30/2010	Approval by the Board of Directors of a capital increase in the amount of R\$ 4,112, subscribed by the State of Minas Gerais. The Central Bank of Brazil officially confirmed this capital increase on August 18, 2010;
12/17/2009	Approval by the Extraordinary General Meeting of a capital increase in the amount of R\$ 71,295, subscribed by the State of Minas Gerais, which paid, on that date, the amount of R\$ 58,501 and on April 30, 2010, the remainder R\$ 12,794. The Central Bank of Brazil officially confirmed this capital increase on January 13, 2010.
6/16/2009	Approval by the Board of Directors of a capital increase in the amount of R\$ 18,498 then subscribed by the State of Minas Gerais, and officially confirmed by the Central Bank of Brazil on July 9, 2009;
1/8/2009	Official confirmation by the Central Bank of Brazil of a capital increase in the amount of R\$ R\$ 24,450, approved by the Extraordinary General Meeting held on December 12, 2008;
1/7/2009	Official confirmation by the Central Bank of Brazil of a capital increase in the amount of R\$ R\$ 28,598, approved by the Board of Directors on December 10, 2008.

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Notes to financial statements (Continued)
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11. Shareholders' equity (Continued)

(b) Income reserve - legal

The income reserve is recognized at 5% of net income recorded for the year, limited to 20% of capital. At December 31, 2010, the reserve balance totaled R\$ 21,013 (2009 - R\$ 16,807).

(c) Retained earnings /Special income reserve

The positive results reported for year 2010 totaled R\$ 84,115 (2009 - R\$ 62,616), with R\$ 61,153 (2009 - R\$ 51,321) of which having been generated in the second half-year.

In compliance with Law No. 11638/2007 and CMN/BACEN Resolution No. 3605/2008, and as proposed by management, the amount of R\$ 36,646 (2009 - R\$ 8,071), remaining from net income produced in the year, was allocated from "retained earnings" to "dividends and bonus payable".

(d) Dividends and interest on equity

Shareholders are entitled to minimum mandatory dividends of 1% of net income for the year, adjusted under Brazil's Corporations Act and the Bank's Bylaws.

In order to return capital to its shareholders, BDMG distributes dividends or pays interest on equity consistent net income reported for the year.

Return on shareholders' capital was as follows:

	2010	
Type	R\$	Decision /Approval
Dividends	36,646	Management's proposal for allocation of the remaining balance of net income for year 2010.
Interest on equity	41,382	Extraordinary General Meeting held 12/16/2010 – approval of payment of interest on equity for year 2010 to shareholders.
Total	78,028	

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12. Regulatory capital

a) Equity capital

In compliance with the guidelines of the New Capital Accord - Basel II, the Central Bank of Brazil changed the rules for computing Equity Capital as defined in CMN/BACEN Resolution No. 3444/2007. The Bank's equity capital at December 31, 2010 was computed as follows:

Calculation of Equity Capital		
	2010	2009
(A) Adjusted shareholders' equity	1,023,309	1,002,194
Decrease in deferred charges	(400)	(567)
Decrease in losses on mark-to market adjustments	(1,245)	(1,998)
Additional allowance for loan losses in supplement to the minimum established by CMN/BACEN Resolution No. 2682/1999	-	38,983
(B) Equity Capital - Level I	1,021,664	1,038,612
Addition of losses on mark-to market adjustments	1,245	1,998
(c) Equity Capital - Level II	1,245	1,998
Decrease in earmarked capital (EC) for public sector operations: CMN/BACEN Resolution No. 3781/2009	(350,000)	(200,000)
(D) Equity Capital per Resolution No. 3444/07 (Level I + Level II)	1,022,909	1,040,610
(E) Equity Capital [(Level I + Level II) – EC]	672,909	840,610

In compliance with CMN/BACEN Resolution No. 3825/2009, as of April 2010, the additional allowance for loan losses has no longer been considered for purposes of computing Equity Capital, as one of its Level I items.

b) Basel index

The new rules for measuring regulatory capital under Basel II Standardized Approach, effective since July 2008, require financial institutions to maintain net equity consistent with the risk level of their assets, in accordance with risk-weighting factors, risk-mitigating factors, and credit conversion factors. The minimum index required in Brazil is 11% of net equity to risk-weighted assets.

The methods to determine capital amounts required to cover credit, market and operational risks comply with BACEN Circular Letters No. 3360 to 3366, 3368, 3383, 3388 and 3389.

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Notes to financial statements (Continued)
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12. Regulatory capital (Continued)

b) Basel index (Continued)

Statement of capital requirements and Basil index		
	2010	2009
A - Equity Capital per Resolution No. 3444/07	1,022,909	1,040,610
B - Equity Capital for operating limit purposes	672,909	840,610
Allocation of capital: 1 - Credit risk	167,815	190,208
2 - Market risk	1,162	
3 - Operational risk	30,794	19,880
C - Equity capital requirement (1+2+3)	199,771	210,088
D - Allocation of capital to cover risks of operations subject to interest rate fluctuations not classified in the trading portfolio	8,996	3,710
E - Margin ("B"- "C"- "D")	464,142	626,812
F - Total exposures subject to risk weighting	2,273,902	2,221,988
G - Total risk-weighted exposures	1,525,586	1,729,160
H - Leverage capacity: ("E" *100)/11	4,219,473	5,698,291
I - Basel index: ("B"/("C"/0.11))*100	37.05	44.01
J - Basel broad index: ("B"/("C"+"D"/0.11))*100	35.46	43.25

c) Operating limits

Pursuant to Circular Letter No. 3398/2008, the Central Bank established the procedures to determine regulatory limits and minimum standards. At December 31, 2010, the Bank's positions and regulatory requirements for the limits regulated by the Central Bank are shown below:

Regulated limits	Requirement (Requirement/Limit)	Position	Margin	Index
2010				
Capital equity compatible with capital equity requirement	208,767	672,909	464,142	35.46%
Fixed assets to total assets	336,454	25,932	310,522	3.85%
2009				
Capital equity compatible with capital equity requirement	213,798	840,611	626,813	43.25%
Fixed assets to total assets	420,305	24,741	395,564	2.94%

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13. Income and social contribution taxes

(a) Deferred income and social contribution taxes

Deferred tax credits recorded at December 31:

	2010	2009
Temporary additions	137,614	122,188
Mark-to-market (Marketable securities)	835	1,016
Total	138,449	123,204

The table below shows the breakdown of tax credits from temporary additions arising from the related provision:

Provision	2010	2009
Allowance for loan losses	57,877	50,922
COFINS – (change in tax base Law No. 9718/1998)	47,807	41,352
Civil, labor and tax contingencies	9,504	10,440
Compulsory deposit with the Central Bank (interest on deposit)	8,750	7,971
Increase in PIS/PASEP rate introduced by Law No. 9718/1998	6,775	6,081
Post-employment benefit	4,671	3,323
Joint obligation with STN	1,320	1,352
Other	910	747
Total	137,614	122,188

The tax credits on the provision for life insurance post-employment obligations have been accounted for since September 2009, with a view to ensuring the application of consistent accounting principles, given that such credits had been recorded in connection with the provisions for other benefits payable by the Bank to its retired employees.

The changes in tax credits for the half-year ended December 31, 2010 are shown below:

	Mark-to-market adjustment	Temporary additions	Total
Balance at December 31, 2009	1,016	122,188	123,204
Constitution	678	38,095	38,773
Reversal	(859)	(22,669)	(23,528)
Balance at December 31, 2010	835	137,614	138,449

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Notes to financial statements (Continued)
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13. Income and social contribution taxes (Continued)

(a) Deferred income and social contribution taxes (Continued)

BDMG's tax credits were recorded in accordance with CMN/BACEN Resolution No. 3355/2007, considering that they are likely to be realized within 10 years, supported by the positive tax results included in the results forecast. At December 31, 2010, the Bank had remaining tax credits arising from temporary differences of income tax and social contribution tax, respectively R\$ 5,124 (2009 - R\$ 6,304) and R\$ 3,074 (2009 - R\$ 3,782), which were not recorded considering that their expected realization exceeds 10 years.

The table below shows the expected realization of tax credits arising from temporary differences recorded at December 31, 2010, in the amount of R\$ 137,614. It should be noted that the realization of these credits is primarily related to the possible recognition, as actual losses, of allowances for loan losses, to the derecognition thereof or to the recovery of the underlying credits. In line with the provisions of BACEN Circular Letter No. 3171/2002, these assets are recognized considering their probable realization based on forecasts of future results prepared on the basis of internal assumptions and future economic scenarios, and may, therefore, be subject to change.

The probable recovery of tax credits is shown below:

Year	Nominal value	Present value
2011	11,156	10,761
2012	56,042	50,566
2013	16,845	14,217
2014	9,128	7,206
2015	4,315	3,186
2016	4,394	3,035
2017	17,852	11,533
2018	4,542	2,745
2019	6,113	3,455
2020	7,227	3,821
Total	137,614	110,525

The present value of tax credits was derived by discounting the future recovery flow at the average rate of funds obtained from onlendings arranged by BDMG, of 6.91% p.a. (2009 - 7.30% p.a.).

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13. Income and social contribution taxes (Continued)

(b) Reconciliation of income and social contribution taxes recorded in the income statement

	2010				2009	
	2nd half-year		Year		Year	
	Income tax	Social contribution tax	Income tax	Social contribution tax	Income tax	Social contribution tax
Income before income and social contribution taxes and after profit sharing	66,198	66,198	109,235	109,235	53,061	53,061
Interest on equity	(41,382)	(41,382)	(41,382)	(41,382)	(20,198)	(20,198)
Additions (exclusions), net:						
Recognition of provision for contingencies, net of reversals	(823)	(823)	8,878	8,878	8,198	8,198
Suspended enforceability of taxes	7,334	7,334	12,653	12,653	9,753	9,753
Recognition of allowance for loan losses and recovery of credits written off as losses, net	16,629	16,549	14,517	14,437	10,182	10,182
Actual credit losses	(992)	(992)	(3,729)	(3,729)	(12,805)	(12,805)
Recognition of provision for post-employment benefit (net of reversals)	1,706	1,706	3,869	3,869	(16,690)	(16,690)
Other	(1,210)	(529)	(1,298)	1,029	(2,872)	556
Tax base	47,460	48,061	102,743	104,990	28,629	32,057
Tax at effective rate (*)	(7,119)	(7,209)	(15,412)	(15,749)	(4,294)	(4,809)
Income tax surcharge	(4,734)	-	(10,250)	-	(2,839)	-
Tax incentives	912	-	998	-	201	-
Subtotal income and social contribution taxes payable	(10,941)	(7,209)	(24,664)	(15,749)	(6,932)	(4,809)
Provision for deferred taxes	339	211	(35)	(3)	(35)	-
Total provision for income and social contribution taxes payable	(10,602)	(6,998)	(24,699)	(15,752)	(6,967)	(4,809)
Adjustment of amounts payable in prior years	(94)	-	(94)	-	-	-
Recognition of deferred tax credits (net of reversals) on temporary differences	7,906	4,743	9,641	5,784	13,332	7,999
Income and social contribution taxes per income statement	(2,790)	(2,255)	(15,152)	(9,968)	6,365	3,190

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14. Administrative expenses, tax expenses and other operating income (expenses)

(a) Other administrative expenses

	2010		2009
	2 nd half-year	year	year
Third party services	(5,300)	(9,627)	(8,712)
Depreciation and amortization	(1,364)	(2,715)	(2,529)
Advertising and communication	(4,125)	(7,771)	(6,793)
Data processing	(1,498)	(2,899)	(3,287)
Maintenance and supplies	(816)	(1,564)	(1,453)
Travel and transportation	(600)	(1,194)	(1,283)
Rental and infrastructure	(382)	(797)	(939)
Other	(1,184)	(2,104)	(1,991)
Total	(15,269)	(28,671)	(26,987)

(b) Tax expenses

These refer primarily to PIS and COFINS expenses, as shown below:

	2010		2009
	2 nd half-year	year	year
PIS and COFINS	(7,228)	(12,482)	(9,668)
Service Tax (ISSQN)	(1,593)	(2,993)	(2,859)
Other	(277)	(581)	(314)
Total	(9,098)	(16,056)	(12,841)

Pursuant to Brazil's IRS (RFB), which requires taxation of interest income on court deposits only after the suit has been concluded in favor of the taxpayer, the adjustment of tax contingencies and court deposits (Note 10 (b)) is recorded directly in balance sheet accounts.

(c) Other operating income

This refers substantially to gains on foreign exchange fluctuations, derecognition of provisions for contingencies and earnings from FGPC honored collateral:

	2010		2009
	2 nd half-year	year	year
Foreign exchange gains	2,418	2,524	8,521
Derecognition of sundry provisions	8,609	11,247	25,111
Other	3,922	5,483	2,845
Total	14,949	19,254	36,477

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Notes to financial statements (Continued)
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14. Administrative expenses, tax expenses and other operating income (expenses)

(c) Other operating income (Continued)

In September 2009, DESBAN's Advisory Board approved a change in the Health Plan (PRO-SAÚDE) from "defined contribution plan with actuarial risks" to a plan following the principles applicable defined benefit plans. As a result of this change, the amount of R\$ 22,177 was derecognized from the provision that month, referring to the Bank's commitment to PRO-SAÚDE. At December 31, 2010, the balance of the provision for the Bank's commitment was R\$ 15,249 (2009 - R\$ 11,963).

(d) Other operating expenses

	2010		2009
	2 nd half-year	year	year
Provisions for contingencies	(5,821)	(15,628)	(8,349)
Foreign exchange fluctuation	(4,552)	(4,881)	(21,385)
Post-employment benefits - health care and life insurance	(1,412)	(3,101)	(4,174)
Post-employment benefits - pension plan	(1,405)	(2,512)	(2,172)
Reimbursement to FGPC for amounts honored	(478)	(576)	(373)
INDI agreement expenses	(2,666)	(4,141)	(3,315)
BDMG Cultural agreement expenses	(488)	(1,303)	(1,632)
Other	(4,228)	(8,214)	(6,773)
Total	(21,050)	(40,356)	(48,173)

15. Related parties

CMN/BACEN Resolution No. 3750/2009 requires financial institutions to disclose in a footnote to the financial statements, as of December 2009, information addressed in Technical Pronouncement CPC 05 - Related Party Disclosures. In accordance with this Pronouncement, the transactions carried out between the entity and its related parties that may affect its financial position and results of operations must be disclosed.

The following legal entities are BDMG's related parties:

(I) The State of Minas Gerais, the Bank's controlling shareholder, and its direct and indirect subsidiaries, with which the transactions detailed below were carried out:

- State of Minas Gerais
 - provision of services as a financial agent for state funds - accounting units with no legal capacity created by state laws to attain certain goals or accomplish services in the public interest. For these services, BDMG receives commission payments considered to be part of financial interest on financing granted with the funds' resources;

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
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15. Related parties (Continued)

The following legal entities are BDMG's related parties:

- State of Minas Gerais (Continued)
 - provision of services involving the management of remaining assets from the privatization of Banco do Estado de Minas Gerais S.A. – BEMGE and of Banco de Crédito Real de Minas Gerais S.A. – Credireal, especially the credits from the rural portfolio;
 - *Fundação João Pinheiro* (João Pinheiro Foundation), a public institution reporting to the State Planning and Management Department: as established in its bylaws and in compliance with State Law No. 11050/1993, BDMG donates 5% of its annual net income to the Foundation. At December 31, 2010, the provision for this donation was R\$ 4,206, and the amount of R\$ 3,276 was allocated in 2009;
 - State Departments: Science and Technology, Economic Development, Planning and Management. BDMG outsources employees to these State agencies at no cost;
- (II) *Instituto de Desenvolvimento Integrado de Minas Gerais* (Minas Gerais Integrated Development Institute - INDI), a non-profit business entity reporting to the State Department of Economic Development, is an associated company of BDMG, which holds 25% of its interest units, as its sustaining partner. The transactions between the two entities result from BDMG's assignment of personnel required for INDI's operation. In 2010, the Bank's expenses totaled R\$ 4,141 (2009 – R\$ 3,315);
- (III) *Fundação BDMG de Seguridade Social* (BDMG Social Security Foundation - DESBAN), a non-profit closed supplementary pension entity, is sponsored by BDMG, which contributed to the Foundation in 2009 to cover the social security and health care benefits of its employees, as detailed in Note 21;
- (IV) *Instituto Cultural Banco de Desenvolvimento de Minas Gerais* (BDMG Cultural Institute - BDMG Cultural), a non-profit civil association formed by BDMG together with BDMG's Employees Association (AFBDMG) to create a stimulating cultural environment in Minas Gerais. In order to support BDMG Cultural in the year, the Bank's expenses amounted to R\$ 1,302 (2009 – R\$ 1,632).

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Notes to financial statements (Continued)
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15. Related parties (Continued)

The individual related parties comprising BDMG's key management personnel are part of the Board of Directors, the Supervisory Board, the Executive Board and the Superintendent Board, having received compensation as detailed below:

	<u>2010</u>	<u>2009</u>
Compensation (including social charges)	3,276	3,679
Profit sharing (*)	45	47
Contributions to pension plans	136	139
Termination of employment agreement (*)	220	192
Total	3,677	4,057

(*) Only employed officers are entitled to receive profit sharing, under the collective labor agreement, and employment termination amounts.

16. Insurance coverage

The insurance policy in the amount of R\$ 16,178 taken out in 2009 to cover possible losses on fixed assets was renewed for the same amount in 2010.

17. Financial instruments

(a) Identification and valuation of financial instruments

BDMG primarily operates the following financial instruments: interbank investments and marketable securities, credit operations and local onlending obligations.

(i) Interbank investments and marketable securities.

As described in Note 4, BDMG prioritizes its investments in federal government securities, CDIs and purchase and sale commitments entered into with financial institutions previously reviewed by the Bank's financial committee, seeking higher yield rates and credit risks considered adequate by the committee. The amounts recorded approximate the related realization values.

(ii) Credit operations and local onlendings.

Considering the nature and timing of the operations, the amounts recorded approximate the related realization values.

(b) Derivative financial instruments

The Bank did not enter into operations involving derivative financial instruments in 2010 and 2009.

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Notes to financial statements (Continued)
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18. Risk Management

(a) Financial risk management policy

The risk management policy was established by the Board of Directors with a view to identifying and mitigating the risks to which BDMG is exposed, and is designed to combine the internal models and methods with the Basel Accord and to comply with the guidelines of regulatory agencies, in line with risk management best practices. This policy defines limits and guidelines for monitoring and mitigating risk exposure.

The purpose of BDMG's risk management policy is to mitigate credit, market, liquidity and operational risks, thus optimizing operational effectiveness and results. Pursuant to this purpose, risk management practices are adopted consistently with the nature and specific features of the operations conducted by the Bank.

BDMG adopted credit, operational and market risk management frameworks in compliance with CMN Resolutions No. 3721, of April 30, 2009, No. 3380, of June 29, 2006, and No. 3464, of June 26, 2007, respectively.

These risk management frameworks, as well as additional information on risk management issues, are detailed on BDMG's website (<http://www.bdmg.mg.gov.br>) on the link: *QuemSomos/governancacorporativa/gestaoderiscos*.

(b) Credit risk

The credit risk management policy, as approved by senior management, establishes limits for credit risk concentration and exposure per client, economic group and risk levels; authority levels and credit monitoring and review criteria, seeking select operations in order to minimize default levels and related impacts.

(c) Liquidity risk

BDMG operates its cash with sufficient headroom to meet the minimum liquidity level defined in the Bank's internal policy. In order to manage liquidity, the treasury department daily monitors cash inflows and outflows, meeting the Bank's financial obligations on maturity and following the policy defined for investment of available funds.

The Bank has a Liquidity Contingency Plan establishing the measures to be taken when cash flow levels are below the defined minimum liquidity levels.

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
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18. Risk Management (Continued)

(d) Market risk

BDMG's market risk arises from possible losses due to fluctuations in interest and currency rates that may impact the market value of its asset and liability operations.

The management of market risks is based on the Market Risk Management Policy (GRM), as reviewed by senior management, and establishes roles and responsibilities, operating limits and reporting levels. The market risk management tools include: GAP analysis, VaR (Value at Risk), Back Test and Stress Testing.

The Bank has no hedge instruments to reduce the exposure of its portfolio to fluctuations in interest rates, and onlending operations are "naturally hedged" by cash flows.

The GRM policy does not allow derivatives, except for the purpose of hedging its own positions. Currently, there are no investments involving derivatives.

(e) Operational risk

In compliance with CMN Resolution No. 3380/2006, BDMG prepared an operational risk management policy, later approved by the Board of Directors.

The defined policy essentially aims at ensuring that the operational risks underlying BDMG's activities are identified, assessed and minimized at a reasonable level, by adopting adequate measures.

An operational risk represents a situation that results in possible losses due to failed, weak or inadequate internal processes, personnel and systems, or to external events and legal risks.

In order to comply with the allocation of capital required for operational risks established in BACEN Circular Letter No. 3383/2008, BDMG has adopted the "Basic Indicator" method, organized by BACEN.

19. Management of development funds (Unaudited)

The Bank has a dedicated structure to the management of development funds. These funds' net equities at December 31, 2010 and 2009 are shown below:

Balance	2010	2009
State government funds	3,216,261	2,765,761
Private funds	651	1,145
Other funds	12,602	15,109
Total	3,229,514	2,782,015

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Notes to financial statements (Continued)
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20. Commitments and responsibilities

Sureties, collaterals and credit assignment

BDMG granted sureties and collaterals to customers and assigned credits with joint obligations, subject to counter guarantees provided and financial charges paid by beneficiaries. At December 31, 2010, the balance of these commitments is R\$ 32,434 (2009 - R\$ 57,439), with R\$ 5,479 (2009 - R\$ 13,926) referring to collaterals granted to financial institutions, R\$ 18,633 (2009 - R\$ 34,603) to collaterals granted to nonfinancial legal entities and R\$ 8,322 (2009 - R\$ 8,910) to securitized rural credit operations, pursuant to Law No. 9138/1995, assigned to the National Treasury Secretariat (STN) with joint obligations for which provisions have been recognized in the amount of R\$ 5,334 (2009 - R\$ 5,922).

21. Employee benefits

BDMG sponsors the Pension Plan managed by DESBAN (BDMG Social Security Foundation), a non-profit closed supplementary pension entity. The purpose of the plan is to supplement pension amounts provided by the government's social security (RGPS) to the participating employees and their beneficiaries, under the defined-benefit method, based on the financial capitalization system for calculating and accruing reserves.

The Bank's regular contribution is limited to the sum of regular contributions by active and assisted participants, defined in the annual costing plan, supported by an actuarial evaluation, in conformity with the contribution parity established in Constitutional Amendment No. 20, of December 16, 1998. Thus, any insufficient mathematical reserves are the joint responsibility of the Bank and of participants. At December 31, 2010, the pension plan comprises 389 (2009 - 438) active participants, 367 of which are directly related to BDMG (2009 - 405) and 447 (2009 - 424) assisted participants, 434 (2009 - 410) of which are directly related to BDMG.

DESBAN also operates the Health Promotion Program (PRO-SAÚDE), a plan under the capitalization system designed to cover health and dental care expenses of active and assisted participants and their beneficiaries. PRO-SAÚDE is funded by contributions made by active and assisted participants, by DESBAN and by BDMG. In September 2009, as approved by DESBAN's Advisory Board, the Plan changed from a defined contribution plan with actuarial risks to a defined benefit plan, and BDMG's contribution, which was equivalent to a monthly fixed amount regardless of the number of plan participants, has been, since 2010, defined on an annual basis, based on the annual costing plan.

BDMG also sponsors a life insurance policy for the plans' participants, with contributions equivalent to 50% of the premium amount paid.

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Notes to financial statements (Continued)
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21. Employee benefits (Continued)

In fulfilling its obligations to these benefit plans, BDMG contributed as follows:

	2010		2009
	2 nd half-year	year	year
Pension benefit plan	2,615	4,834	4,679
Health and dental care plan	1,355	2,629	3,384
Insurance policy	406	735	595
Total	4,376	8,198	8,658

Until 2009, accounting for the pension plan, for the health and dental care plan and for the life insurance policy sponsored by BDMG was based on Accounting Standard and Procedure (NPC) No. 26, issued by IBRACON (Institute of Independent Auditors of Brazil). When NBC T 19.31 - Employee benefits was approved by CFC Resolution No. 1193/2009, BDMG started to fully adopt this Resolution, in accounting for benefit plans. As a result of the first-time adoption of the Resolution, an actuarial liability was recognized in the amount of R\$ 1,881, recorded under shareholders' equity as a prior years' adjustment. In order to meet the accounting requirements established by those standards, the Bank has obtained, on an annual basis, as part of the financial year closing process, actuarial studies for the Pension Benefit Plan for the Health Promotion Program and for the life insurance benefits.

The outcome of actuarial studies as of October 31, 2010 and December 31, 2009 is summarized below:

	Pension plan		Health care plan		Life insurance	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Benefit expense (income)						
- Current service cost	5,494	5,250	629	186	108	114
- Interest cost	50,605	56,494	4,253	4,207	828	990
- Expected return on plan assets	(58,034)	(64,344)	(1,669)	(405)	-	-
- Amortization of unrecognized past service cost	-	-	-	-	-	-
Unvested benefits	-	-	666	200	-	-
- Amortization of unrecognized actuarial (gains) losses	-	-	-	-	-	-
Financial	-	-	(7)	24	-	-
Non-financial	-	-	140	24	-	-
- Adjustment of the limit of net assets - NBC T 19.31 item 58(b)	-	36,729	-	-	-	-
Cost of post-employment benefits for the period	(1,935)	34,129	4,012	4,236	936	1,104
- Contributions by participants	(4,104)	(4,205)	-	-	-	-
- Expected contributions for administrative expenses	-	-	337	109	-	-
Net cost for the period	(6,039)	29,924	4,349	4,345	936	1,104
Actual return on plan assets	55,087	92,945	1,314	749	-	-

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
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21. Employee benefits (Continued)

Projection	Pension plan		Health care plan		Life insurance	
	11/1/2010 to 10/31/2011		11/1/2010 to 10/31/2011		11/1/2010 to 10/31/2011	
Benefit expense (income)						
- Current service cost		8,392		655		132
- Interest cost		65,578		4,519		1,075
- Expected return on plan assets		(74,148)		(1,834)		
- Amortization of unrecognized past service cost						
Unvested benefits		-		799		-
- Amortization of unrecognized actuarial (gains) losses						
Financial		(684)		-		
Non-financial		3,603		-		40
- Adjustment of the limit of net assets NBC T 19.31 item 58(b)		-		-		-
Cost of post-employment benefits for the period		2,741		4,139		1,247
- Contributions by participants		(5,514)		-		-
- Expected contributions for administrative expenses		-		435		-
Net cost for the period		(2,773)		4,574		1,247

	Pension plan		Health care plan		Life insurance	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Defined benefit obligation	(645,866)	(559,507)	(43,691)	(47,106)	(10,556)	(9,119)
Fair value of plan assets	630,927	596,236	18,234	16,477	-	-
Unrecognized past service cost - Change in plan	-	-	10,959	11,625	-	-
Unrecognized actuarial (gains) losses	109,478	47,798	(308)	7,030	1,565	615
Net actuarial (liabilities) / assets	94,539	84,527	(14,806)	(11,974)	(8,991)	(8,504)
- Adjustment of the limit of net assets NBC T 19.31 item 58(b)	-	(36,729)	-	-	-	-
Adjustment or irrecoverable amounts	(94,539)	(47,798)	-	-	-	-
Net actuarial (liabilities) / assets recognized on the balance sheet	-	-	(14,806)	(11,974)	(8,991)	(8,504)

Changes in the present value of defined benefit obligations are as follows:

	Pension plan		Health care plan		Life insurance	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Defined benefit obligation at the beginning of the period	559,507	453,771	47,106	32,195	9,119	7,888
- Current service cost	5,494	5,250	629	186	108	114
- Interest cost	50,605	56,494	4,253	4,207	828	989
- Benefits paid	(28,472)	(32,407)	(737)	(2,034)	(450)	(487)
- Actuarial (gains) losses	58,732	76,399	(7,560)	7,422	951	615
- Recognition of past services (*)						
Active participants	-	-	-	11,824	-	-
Assisted participants	-	-	-	(6,694)	-	-
Defined benefit obligation at the end of the period	645,866	559,507	43,691	47,106	10,556	9,119

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Notes to financial statements (Continued)
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21. Employee benefits (Continued)

(*) The cost of past services arising from the change in the health care plan is recognized as follows:

- the amount of R\$ 11,824 relating to active participants is recorded as expense on the straight-line basis for the vesting period.
- the amount of R\$ 6,694 relating to assisted participants was immediately recorded as income as "Other operating income".

Changes in the fair value of plan assets are as follows:

	Pension plan		Health care plan	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Fair value of plan assets at the beginning of the period	596,236	526,435	16,477	-
Expected return on plan assets	58,034	64,344	1,669	405
Contributions by employer	3,972	5,058	1,517	2,389
Contributions by participants	4,104	4,205	1,083	443
Benefits and/or expenses paid	(28,472)	(32,407)	(2,157)	(2,587)
Actuarial (gains) losses	(2,947)	28,601	(355)	344
Adjustment for Recognition of Assistance Fund (*)	-	-	-	15,483
Fair value of plan assets at the end of the period	630,927	596,236	18,234	16,477

(*) Income of R\$ 15,483 results from recognizing the Assistance Fund allocated to PRO-SAÚDE Plan, which was accounted for as "Other operating income".

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

Categories	Pension plan		Health care plan	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Government securities	44.22%	47.51%	52.71%	54.44%
Private credits and deposits	23.13%	26.26%	40.32%	45.50%
Shares and share funds	24.30%	16.30%	-	-
Real estate investments	3.06%	3.29%	-	-
Loans and financing	1.69%	1.68%	-	-
Other	3.60%	4.96%	6.97%	0.06%

The total expected rate of return on assets is determined considering market expectations as of 10/31/2010, applicable to the period over which the obligation should be settled.

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Notes to financial statements (Continued)
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21. Employee benefits (Continued)

The following assumptions supported the actuarial studies conducted for October 31, 2010 and December 31, 2009:

Type of plan Actuarial valuation method	Pension plan	Health care plan	Life insurance
	Defined benefit Projected credit unit	Defined benefit Projected credit unit	Defined benefit Projected credit unit
Nominal discount rate for the actuarial liability			
2009	11.25%	11.03%	11.25%
2010	10.46%	10.46%	10.46%
Expected nominal yield on plan assets			
2009	11.89%	11.89%	N/A
2010	12.00%	9.90%	N/A
Nominal rate of future salary increase			
2009	5.55%	5.55%	5.55%
2010			
Technician	Min 4.95% Max	Min 4.95% Max	Min 4.95% Max
Analyst	8.82%	8.82%	8.82%
Position of trust	Min 4.95% Max 6.53%	Min 4.95% Max	Min 4.95% Max
	8.82%	6.53%	6.53%
		Min 4.95% Max	Min 4.95% Max
		8.82%	8.82%
Benefit index (inflation only)			
2009	4.50%	4.50%	4.50%
2010	4.50%	4.50%	4.50%
Average retirement age			
2009	N/A	N/A	N/A
2010	58.84	58.14	59.41
Expected average remaining service lifetime			
2009	15.00	14.55	13.10
2010	15.38	13.50	12.89
Duration of obligation (used to determine the discount rate)			
2009	N/A	N/A	N/A
2010	12.76	12.76	12.76
Health care cost trend rate for next year (if applicable) (%)			
2009	N/A	3.0%	N/A
2010	N/A	3.0%	N/A
Health care cost trend rate in the long term (if applicable) (%)			
2009	N/A	3.0%	N/A
2010	N/A	3.0%	N/A
Turnover:			
2009			
- less than three years of service			
- from three to five years	9.21%	9.21%	9.21%
- more than five years	2.70%	2.70%	2.70%
	0.31%	0.31%	0.31%
2010			
- less than three years of service	8.63%	8.63%	8.63%
- from three to five years	1.74%	1.74%	1.74%
- more than five years	0.32%	0.32%	0.32%
Mortality table	AT-2000	AT-2000	AT-2000
Disability table	Álvaro Vindas	Álvaro Vindas	Álvaro Vindas

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21. Employee benefits (Continued)

For the health care plan, a one percentage point change in the assumed rate of increase in health care costs would have the following effects:

	Increase		Decrease	
	10/31/2010	12/31/2009	10/31/2010	12/31/2009
Health care plan				
Effect on the aggregate service cost and interest cost, comprising the net cost for the period of post-employment health care benefit	829	786	(667)	(632)
Effect on the defined benefit actuarial obligation	-	6,564	-	(5,783)

Amounts for the current and previous period are as follows:

	Pension plan		
	10/31/2010	12/31/2009	12/31/2008
Defined benefit obligation	(645,866)	(559,507)	(453,771)
Plan assets	630,927	596,236	526,435
(Deficit) surplus	(14,939)	36,729	72,664
Experience adjustments on plan liabilities	(34,371)	(13,530)	-
Experience adjustments on plan assets	(2,947)	28,601	-

	Health care plan		
	10/31/2010	12/31/2009	12/31/2008
Defined benefit obligation	(43,691)	(47,106)	(32,195)
Plan assets	18,234	16,477	-
(Deficit) surplus	(25,457)	(30,629)	(32,195)
Experience adjustments on plan liabilities	10,536	1,851	-
Experience adjustments on plan assets	(355)	344	-

	Life insurance		
	10/31/2010	12/31/2009	12/31/2008
Defined benefit obligation	(10,556)	(9,119)	(7,888)
Experience adjustments on plan liabilities	(183)	348	-

The amount of R\$ 94,539 (2009 - R\$ 47,798) of actuarial assets relating to the Pension Benefit Plan, as of October 31, 2010 and December 31, 2009, was not recorded by the Bank since the Plan did not meet either of the possible conditions required for accounting: (i) decrease in future contributions by the sponsor and, (ii) return of computed asset value.

The provision of R\$ 24,348 for net actuarial liabilities, as mentioned in Note 10 (d), comprises R\$ 15,249 (2009 - R\$ 11,963) for the health care plan, and R\$ 9,099 (2009 - R\$ 6,635) for life insurance benefits.

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Notes to financial statements (Continued)
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21. Employee benefits (Continued)

Changes in health and dental care plans and life insurance benefits are as follows:

	Health care plan		Life insurance	
	2010	2009	2010	2009
Net liabilities at the beginning of the period	11,963	32,184	6,635	5,926
Net expense posted to the income statement	5,080	4,291	1,142	1,196
Gains and losses for 2008 recognized under shareholders' equity	11	-	1,870	-
Immediate recognition of Past Services (*)	-	(6,694)	-	-
Adjustment for Recognition of Assistance Fund (*)	-	(15,483)	-	-
Contributions paid	(1,805)	(2,335)	(548)	(487)
Net liabilities at the end of the period	15,249	11,963	9,099	6,635

(*) Income, in a total R\$ 22,177 (R\$ 6,694 plus R\$ 15,483) results from the change in the health care plan and was accounted for as "Other operating income".

Expenses on both plans that impact the result of operations are detailed below:

	Health care plan		Life insurance	
	2010	2009	2010	2009
Current service cost	(738)	(186)	(130)	(114)
Interest cost	(4,974)	(4,153)	(1,005)	(990)
Expected return on plan assets	1,974	405	-	-
Amortization cost - Unrecognized actuarial (gains) losses, net	(133)	(48)	(7)	(92)
Amortization cost - Unrecognized past service cost	(799)	(200)	-	-
Expected contributions for administrative expenses	(410)	(109)	-	-
Expense recognized in the income statement (**)	(5,080)	(4,291)	(1,142)	(1,196)

(**) Expenses were accounted for as follows: R\$ 3,102 (2009 – R\$ 4,175) as "Other operating expenses" and R\$ 3,120 (2009 – R\$ 1,312) as "Payroll expenses".

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

Notes to financial statements (Continued)
December 31, 2010 and 2009
(In thousands of reais)

BOARD OF DIRECTORS

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CONTROLLERSHIP

GIOVANI ROSEMBERG FERREIRA GOMES – Accountant CRC-MG – 075701/O-5