

## **Financial Statements**

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

December 31, 2020  
with Independent Auditor's Report

## BANCO DE DESENVOLVIMENTO DE MINAS GERAIS

### 2020 MANAGEMENT REPORT

#### MESSAGE FROM MANAGEMENT

The Management of Banco de Desenvolvimento de Minas Gerais S.A. (BDMG), in compliance with the legal and regulatory requirements, presents the Financial Statements for the year 2020.

At the end of the period, BDMG hit a record disbursement in its 58 years of activities and, of the total amount disbursed, funds were mostly its own. In view of the atypical scenario resulting from the new coronavirus pandemic, the Bank dedicated efforts to adjust its product portfolio to the new reality, providing the market with higher liquidity. Without prejudice to the financial parameters required for the Bank's financial sustainability, the main business portfolios showed significant growth, especially the micro and small business segment, with disbursements 343% higher than in 2019.

With a view to creating opportunities for a faster recovery in economic activities, BDMG reduced rates, extended payment terms, started a debt renegotiation program, introduced or expanded credit programs focused on micro and small businesses and also developed exclusive conditions for companies in the health care industry. The set of these and other countercyclical initiatives, supported by the mandate given by the Bank's main shareholder - the Government of the State of Minas Gerais - led BDMG to significant results, fully performing its role as a development bank committed to the sustainable social and economic development of Minas Gerais.

Achieving these results, with its employees having to quickly adapt complex processes to the remote working regime, was undoubtedly a source of great pride and resilience. BDMG management appreciates the support from its shareholders, employees and all those who contributed to the results achieved in the year and, in particular, from the people of Minas Gerais, which are the reason for all the efforts made by the Bank.

#### MEASURES IN RESPONSE TO COVID-19

BDMG kept three action fronts implemented in response to the crisis caused by the COVID-19 pandemic: the well-being of employees and the continuity of operations, the stimulus to countercyclical business proposals and the simultaneous adoption of measures aimed at preserving the Bank's financial sustainability.

On the employee well-being and continuity of operations front, BDMG adopted several measures in relation to work routines to enable all the necessary technological and operational adjustments in order to ensure its people's quality of life and business continuity.

The Covid-19 Management Committee was established to hold regular meetings that monitor the progress of the activities implemented in connection with the spread of the virus. The measures adopted when the pandemic broke out include cleaning, airing and signaling rooms and areas, allowing employees with some vulnerability and with 60+ years of age to work from home, canceling all international travel indefinitely, allowing national travel only with the special authorization from the director in charge, and suspending events and canceling in-person meetings with visitors.

As an immediately next step, 90% of the employees were allowed to work remotely. In support of the employees, health manuals and videos with instructions to do physical exercises at home were periodically released. Fundação BDMG de Seguridade Social (Desban) developed a service structure and channel for news and guidance on the pandemic for employees that are members of their health care plan. Moreover, flu shots were offered to employees, free of charge.

In addition, the operational risk management area, responsible for coordinating the business continuity plan, monitored the progress of critical processes at the business units, recording and reporting to management any needs and difficulties faced in the period.

BDMG is currently reviewing the conditions to resume in-person activities at the Bank's headquarters, which will be gradual and will comply with a list of strict pre-defined criteria in line with the relevant official agencies, aimed at employees' safety.

The business and new lines of credit front designed new products for different industries and segments impacted by the pandemic. In particular, the National Support Program for Micro and Small Businesses (Pronampe) assisted, between July and December, 9,187 companies in 521 of the 853 municipalities of Minas Gerais State. The companies had quick and easy access to the resources, with special conditions, via the BDMG WEB digital platform.

BDMG was the second financial institution to operate Pronampe and the first one on a digital platform. In the first phase of the Program, in June and July, BDMG released 100% of its limit of R\$215 million. In early September, the Bank and the Federal Government launched the second phase of the Program, in which BDMG offered R\$481 million to micro and small businesses in Minas Gerais State. This new limit warranted the Bank's efficient allocation of its funds and represented another flow of liquidity for small entrepreneurs to restructure their businesses. Disbursements through Pronampe totaled R\$ 650.1 million, representing 23% of the total amount disbursed by the Bank in the year.

"Giro Mais Emergencial" was another product especially designed for small entities with annual revenues between R\$4.8 million and R\$30 million, which were not covered by Pronampe. The program served 55 customers, having disbursed R\$16.4 million. This line is also offered 100% on the digital platform, faster and with less bureaucracy.

BDMG Agro Emergencial was another emergency product developed to support agribusiness operations using funds raised by Agribusiness Credit Bills (LCA), offering a total R\$77.7 million to 23 entities.

To serve the health care industry, four lines have been launched since the beginning of the pandemic. All of them are in line with the Sustainable Development Goal SDG 3 – Good Health and Well-being – and provide working capital and investment support for companies of all sizes in the health industry, from pharmacies, distributors and manufacturers of hygiene products to laboratories, manufacturers and hospitals. The companies used the lines of credit substantially for maintenance of working capital - payment of employees and suppliers; payment of extraordinary expenses - but also for acquisition of medical equipment, supplies for the manufacture of health-related products, and construction or renovation of pharmacies, laboratories, clinics and hospitals.

The lines designed for the Health Care industry - BDMG Geraminas Saúde, Giro Mais Saúde, BDMG Saúde, and BDMG Saúde Emergencial – released R\$185.1 million between March (month in which the WHO and the Minas Gerais State Government declared Covid-19 a pandemic) and December for companies of the entire value chain. Such resources were used, for example, to develop 500,000 COVID-19 rapid tests, distribute 700,000 gloves to 66 state units, such as the Military Police and the Health Department, among others. At least 6,000 jobs have been created with the disbursement of these funds.

In the public health care sector, the Bank supported the construction of 40 health centers of the Primary Health Care Network of the municipality of Belo Horizonte. Some R\$4.6 million were released to 15 cities, 13 of which have a Human Development Index (HDI) below the Brazilian average index.

In addition to the health sector, micro and small businesses in the tourism business or women-led businesses received special attention, with the reduction of rates and the flexibility of financing conditions. The financing conditions of Fungetur Giro, which serves the tourism sector in Minas Gerais, were facilitated with reduction of interest rates and extension of the grace period. Between March 24 and the end of December, 774 companies were served in 162 municipalities with a total disbursement of R\$50.7 million. "Empreendedoras de Minas," a program that encourages entrepreneurship among women by offering accessible working capital to women entrepreneurs to strengthen their small businesses, had another product added to its portfolio, the "Empreendedoras de Minas Emergencial." The lines under the program served 541 companies in 160 municipalities, with R\$21.8 million in disbursements.

Due to the pandemic, the special conditions of the BDMG Solidário program, previously valid only for micro and small businesses (MSB) of municipalities in state of emergency (rains at the beginning of the year), remained valid for MSBs of all municipalities of Minas Gerais. Since its implementation, 1,050 companies have benefited in 221 municipalities, with disbursement of R\$38 million.

As a global result, from the beginning of the pandemic in March to the end of December, 11,317 companies had access to these products, generating a disbursement of R\$1,164.7 million in lines created and/or adapted to the context of COVID-19.

The third front, i.e. risks and financial sustainability, continued to monitor, in the fourth quarter, the criteria for credit risk pricing, prevention of external fraud, credit limit for micro and small businesses, and underlying reporting of this risk. BDMG has also systematically carried out monitoring and simulations, assessing impacts and performing actions in a coordinated manner to minimize the effects of the anticyclic scenario on its operations, liquidity, capital structure, and consequent impacts on the financial statements.

## OPERATING PERFORMANCE

Present in 774 of the 853 municipalities of Minas Gerais (91%), BDMG ended 2020 with a record disbursement for the year: R\$2,850 million were released in financing to companies of all sizes and in all municipalities, i.e. 118% higher than in 2019. The number of customers served also increased in relation to 2019: 13,462 against 5,083 customers (+165%).

Micro and small businesses had a significant weight, as disbursements were made to 12,801 MSBs. The Commerce and Services sector was at the top with 59% of disbursements, followed by Food and Beverage with 10%, and Sanitation and Urban Planning with 7%. Overall, the releases made in 2020 were for companies based in 686 municipalities, 85% of them with a Human Development Index (HDI) below the Brazilian average index.

Total customer portfolio also increased, from 21,440 customers in December 2019 to 29,171 in 2020 (36%). As regards disbursements, at the end of December, 73% of the BDMG portfolio involved own funds, 26% came from transfers and 1% from funds managed by the Bank.

Regarding regional distribution of the volume disbursed, R\$1,874 million (66%) were allocated to the Central, South of Minas Gerais and Triângulo Mineiro macro-regions. The North and Jequitinhonha regions had an increase and disbursed R\$203 million (7%). Other macro-regions received R\$773 million of total disbursements (27%).

When applying the Input-Product Matrix<sup>1</sup>, an econometric methodology that measures the impacts of BDMG's disbursements on the Minas Gerais state economy, an additional value of R\$1,944 million is estimated to have been generated in the Minas Gerais state production, with 28,150 stimulated jobs and R\$77 million in State VAT (ICMS) throughout 2020.

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<sup>1</sup>Amounts at January 2021 prices. Note: Production: sum of all final goods and services produced at the location in question. The production value may be higher than the state GDP, as it considers other intermediate complements and consumption present in the final value, in addition to the value added and indirect taxes. Value Added: in each economic activity this is obtained by the difference between the production value and the intermediate consumption absorbed by the activity. Its sum plus indirect taxes forms GDP. Compensation: compensation for the stimulated work (employment) required

When comparing the 2019-2020 monthly disbursements, a significant increase in operations is observed from March 2020, precisely when the pandemic was announced by the WHO. This shows BDMG's willingness to meet the financial needs of companies, with a view to minimizing the social and economic impacts in Minas Gerais, through countercyclical actions.

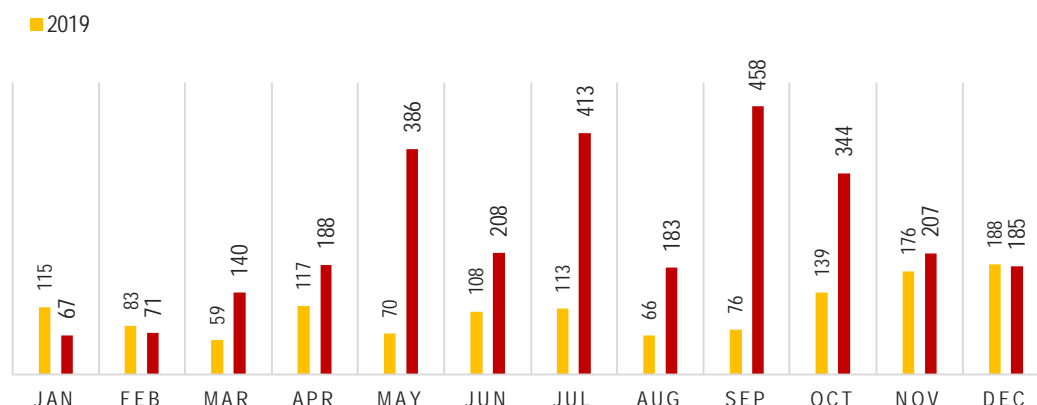


Chart 1 – BDMG's monthly disbursements - 2019-2020 comparison (nominal amounts in millions of reais)

Source: Internal BDMG data.

The Bank's proactivity is also confirmed when comparing the total resources granted in Brazil between March and December. The volume of BDMG's disbursements grew 144% over the same period in 2019, while both the credit for legal entities (PJ) and the total amount granted by the National Financial System (SFN) increased by 15% and 4% respectively, according to data provided by the Central Bank of Brazil<sup>2</sup>. The increase in disbursement had a positive impact on the balance of the Bank's portfolio of operations: R\$6.1 billion as at 12/31/2020.

## PERFORMANCE HIGHLIGHTS

### Sustainability Financing and Issuing Sustainable Bonds

On December 29, 2020, BDMG was the first Brazilian public bank to issue Sustainable Bonds, in line with the Sustainable Development Goals (SDG), a global agenda of the United Nations that guides the Bank's operating strategy. The bonds were issued on the New York Stock Exchange for US\$50 million (equivalent to approximately R\$260 million using the current exchange rate), for the purpose of financing public and private projects involving environmental and social aspects in Minas Gerais. IDB Invest - a multilateral bank belonging to the IDB Group - acquired all the bonds.

The funds obtained from the issued bonds will be allocated to credit lines for projects aligned with the SDG, including, but not limited to, renewable energy and energy efficiency projects, health care, education and waste management.

To leverage the issuance of Sustainable Bonds, BDMG published an unprecedented framework to include the social and environmental projects that can be financed in the context of the SDG. To this end, it had the support of the IDB and the Second-Party Opinion (SPO) issued by the international consulting firm Sustainalytics.

to increase production due to the exogenous shock resulting from the loan granted. Employment: stimulated work required by the additional production required. ICMS: key indirect tax imposed by the state. According to the Constitution, 25% of the amount paid is transferred to the municipalities, while 75% remains with the state of Minas Gerais. All the additional production obtained with the exogenous loan shock helps to leverage the payment of this tax and reinforces the coffers of the federal units of Minas Gerais.

<sup>2</sup> Source: <https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries>

It should be noted that, even before the bonds were issued, BDMG had already been financing projects aligned with the SDG, having allocated 57% of total disbursement to sustainability-related projects in 2020. In this context, it is worth mentioning the emergency lines of credit for micro and small businesses, for companies operating in the health industry, for encouraging women entrepreneurship and, also, for renewable energy projects.

## Public sector

### Financing to Minas Gerais Municipalities

BDMG's work with the cities has the purpose of improving the state people's quality of life by financing urban infrastructure. The purpose of the financing is the construction, renovation and expansion of public buildings, water and sewage supply, solid waste management, mobility and urban drainage, in addition to the possibility of acquiring machinery and equipment.

Currently, BDMG has an active portfolio of credit operations with the public sector worth R\$674.5 million, though contracts with 460 City Administrations of Minas Gerais.

Most of the contracts originated from public notices widely advertised to all 853 municipalities in Minas Gerais. In connection with the last public notice published in 2019, the Bank received "Letters of Interest" from 452 cities, resulting in 282 new financing contracts in 2020. In 2019/2020, BDMG accounted for 62% of all loan operations in Minas Gerais cities that were approved by the National Treasury Office (STN), strengthening its position as the public bank that serves the largest number of Minas Gerais municipalities, especially smaller ones and those in areas with lower HDI. For municipalities with an HDI below the average for the State (about 42% of the total), BDMG granted, in the 2019 Notice, an additional benefit of lower interest rates in all lines.

In 2020, new contracts with the public sector totaled R\$297 million, all without guarantee from the Federal Government. Over the year, R\$198.5 million were disbursed to projects of 279 Minas Gerais cities, and R\$127.5 million (56%) were disbursed in 2019. Of this total, R\$163 million (82%) referred directly to SDG.

In the context of the Covid-19 Pandemic, the Bank granted a standstill period until December 2020 to 63 municipalities accounting for 21% of the portfolio balance, based on Supplementary Law No. 173/2020.

### Projects platform: advisory services for city governments

In August, the Municipality of Poços de Caldas initiated a public consultation on the concession for managing and operating the city Integrated Tourist Circuit, formed by the Cristo Redentor Tourist Complex, with its cable car, Fonte dos Amores, Recanto Japones, and Vêu das Noivas Tourist Complex. The project was structured by BDMG, which was authorized by the city to carry out the studies. A new bidding process is scheduled for the 1st semester of 2021, with adjustments to improve the potential of the project.

### Projects platform: advisory services for the state government

In April, the Bank signed a cooperation agreement with the Inter-American Development Bank (IDB) and a service contract with the Infrastructure and Mobility State Office (SEINFRA), in order to structure the road concession for Lote Ouro Preto, whose studies cover road sections in the municipalities of Brumadinho, Ouro Preto, Mariana, Viçosa and Rio Casca, among others, as part of the State Road Concession Program. It is estimated that the public consultation will take place in the 2nd semester of 2021 and that the contract will be signed in the 1st semester of 2022. The purpose is to make investments and guarantee the maintenance of the sections, strengthening the logistic infrastructure of the State of Minas Gerais.

In December, the State Forestry Institute (IEF) published a bid document for the concession of three conservation units of Rota das Grutas Peter Lund, a project that is part of the State Park Concession Program (Parc). The concession project model was designed by BDMG, consolidating the Bank's operations in the project structuring segment also for the state government. The estimated contract value is approximately R\$347 million, with an initial investment of R\$6.3 million. The first public bidding session is scheduled for the first quarter of 2021.

#### Projects platform: partnerships for the Infrastructure segment

In September, a cooperation agreement was signed with the BNDES and the entities to organize privatization projects and support projects related to green cities and smart cities in Minas Gerais. The agreement establishes a coordinated effort among banks to design a performance model that can foster the development of privatization projects in the municipalities of Minas Gerais and can also be used in other contexts.

Also in September, a cooperation agreement was signed with the State Office for the Environment and Sustainable Development in order to foster the development of public policies on environmental management and basic sanitation, together with programs that favor the State's economic and social development.

In October, a non-refundable technical cooperation agreement was signed with the Inter-American Development Bank (IDB) to engage advisory services necessary to carry out a public infrastructure concession project that aims to improve the provision of basic sanitation and solid waste services in the municipalities of the State of Minas Gerais.

### Sustainability and Clean Energy

#### Renewable energy financing

In line with SDG 7 (Clean Energy), the amount disbursed for renewable energy projects in 2020 was R\$97.8 million, financed through the 'BDMG Sustentabilidade BEI', 'Finame Fundo Clima', 'BDMG Solar Fotovoltaico' lines, among other products. The figure was 67% higher than the one for 2019. Of the total disbursed, R\$87 million (89%) were applied in photovoltaic energy projects, 63% in the north of Minas Gerais macro-region.

An annual production of 85.5 GWh/Year is estimated from the power generation potential of these projects, which is equivalent to the average annual consumption of 28,508 Brazilian households, as well as a reduction of 138 thousand tons of CO<sub>2</sub> emissions during the useful life of the projects.

#### Adherence to the UN Global Compact

In 2020, BDMG increased its efforts focused on sustainability through various initiatives and proposals for improvement associated with global best practices. In March, the bank became a signatory to the UN Global Compact. Through a voluntary initiative, BDMG assumed responsibility for complying with the 10 principles that make up the Compact, including them in the company's culture, operations and strategies.

#### Internal Actions

Still aware of climate issues, BDMG completed the CO<sub>2</sub> calculator in 2020, that was prepared in tandem with the IDB. The tool calculates avoided CO<sub>2</sub> emissions for energy efficiency, renewable energy, agribusiness, sanitation, transportation and other projects. Thus, the Bank has moved forward in the process of measuring the social and environmental impacts of the projects it finances, in order to identify opportunities and challenges in its operations.

Another initiative to be highlighted was the implementation of the first photovoltaic power unit on the Bank's premises. The 96 modules installed in an area expanding over 280 m<sup>2</sup> generate about 2750 KWh/month. The project meets part of the demand from BDMG building and contributes to diversify the energy matrix, leading to savings and representing a more sustainable option.

Also in 2020, the Bank started the process of updating the regulations that comprise its Social and Environmental Responsibility Policy (PRSA), in order to be even more aligned with global best practices. The PRSA allows promoting strategies that integrate sustainability into the financial sector, representing an integrated management tool that deals, among other issues, with the assessment and management of social and environmental risks and governance issues relating to social and environmental issues.

In September, for the fifth year in a row, BDMG won the gold seal for its inventory of greenhouse gas emissions, following the methodology of the Brazilian GHG Protocol.

### Micro and Small Businesses (MSB)

#### BDMG Digital

The important role that Micro and Small Enterprises (SMEs) play in an economy is undeniable, especially in the number of jobs offered. In order to expand and streamline access to credit by micro and small businesses, the Bank evaluates and grants financing through BDMG Digital, an online platform.

Disbursement for applications originated via BDMG Digital was R\$889 million, with 96% of the total released to micro and small businesses in 2020, a 425% increase over 2019. In number of customers, 12,830 were financed through the platform in 13,915 operations, with an 8% repurchases in the year. The number of customers increased by 182% in 2020 over 2019, showing the expressive increase in the average ticket disbursed by the platform in 2020.

Additionally, in 2020, BDMG Digital recorded about 703 thousand accesses, a figure that represented a historical record, with a 17% growth in relation to accesses to the platform in 2019. Considering the monthly average number of accesses, this increased from 49,757 accesses in 2019 to 58,565 in 2020. In 2020, there was a record number of financing simulations on the digital platform: 74,256 companies against 21,494 in 2019. Of total inclusions in 2020, 48% originated from the direct sales channel, which in 2019 accounted for 46% of the total.

Pronampe, a federal government program aimed at developing and strengthening small businesses, was the greatest highlight of BDMG Digital in 2020. Through this product, BDMG Digital released approximately R\$650.1 million (73% of the total released through the platform) to 9,187 customers.

#### Banking Agents Network

In addition to direct access to financing via BDMG Digital, entrepreneurs also have a network of banking agents distributed throughout the state, formed by professional and union federations, credit unions and banks. In 2020, there were 327 agents in almost 200 municipalities, serving SMBs in 711 municipalities, as opposed to the 550 served in 2019.



## Economic Recovery After Disasters

### Partnership with Fundação Renova

Since 2017, BDMG has worked with the Renova Foundation on social and economic programs related to the economic dynamism of the Rio Doce region - Desenvolve Rio Doce, Compete Rio Doce, Diversifica Mariana and the Socio-Environmental Program for the collection and treatment of sewage and disposal of solid waste in the 35 cities in Minas Gerais where the Foundation operates.

Fundo Desenvolve Rio Doce is a working capital financing product with the objective of fostering economic activity in the municipalities of Minas Gerais and Espírito Santo affected by the Fundão dam rupture. It operates in Minas Gerais only, and in 2020, 358 companies were served and R\$12.8 million were disbursed in financing to the industries of Trade and Services (90%), Manufacturing Industry (9%) and other industries (1%).

Launched in 2018, Fundo Compete Rio Doce is a joint operation with Sebrae/MG and aims to facilitate access to credit by companies that, due to financial constraints, were not able to obtain financing through Fundo Desenvolve Rio Doce. These companies receive advice from Sebrae-MG in order to carry out a diagnosis of their operating capacity in the search for business sustainability. The program was completed in November 2020 and served 347 companies through Sebrae/MG, with R\$7 million disbursed to 127 micro and small businesses since the beginning of the program. In 2020 alone, R\$2.8 million were disbursed to 87 customers.

The Collection and Treatment of Sewage and Disposal of Solid Waste program provides financial resources to cities for the preparation of basic sanitation plans, the design of sewage system projects, the implementation of sewage collection and treatment works, the elimination of dumps and implementation of regional landfills. Since the beginning of the program, R\$14.1 million have been disbursed, including R\$11.7 million in 2020. 47 projects have already been analyzed, 14 works are in progress in 8 municipalities and 6 works are in the bidding phase.

## Innovation

BDMG seeks to promote innovation in the Minas Gerais production sector, enable the creation and access to the credit market for technology-based companies and support innovation projects. Aware of the essential role of innovation for the economic and social development of the state, the Bank has implemented several actions to stimulate this ecosystem of Minas Gerais. Through loans, BDMG, in partnership with Fapemig, Finep and BNDES, finances innovative projects developed by companies in the Minas Gerais state. In 2020, even in view of the economic scenario triggered by the pandemic, R\$16.9 million were released in financing for the innovation projects of 23 companies.

In addition to stimulating innovation through financing, BDMG also works with investment instruments to support innovative companies with high growth potential. In 2020, R\$7.2 million were paid into nine Equity Funds (FIPs) and a Venture Debt Fund. Together, these funds have invested R\$71.7 million in 29 companies operating in Minas Gerais, and some R\$1.0 million of which were in the form of venture debt (debt instrument).

The Bank holds equity interest in two companies, with 6.5% of the shares of Unitec Semicondutores S.A. in the semiconductor industry being implemented in Ribeirão das Neves, state of Minas Gerais (MG), of which it has been a shareholder since 2012, and 5.97% of Biom S.A. biopharmaceutical industry located in Nova Lima-MG, of which it has been a shareholder since 2013.

### Hub Hubble

Another major initiative is Hubble, a Bank-based hub for startups that use technology in an intensive and innovative way. In partnership with LM Ventures and Banco Olé Consignado, Hubble is already in the 2nd Batch, beginning at the end of 2019, having selected 13 startups: Asotech, Banco Liberdade, CashtagBlockchain, Crawly, GalaxPay, GoCredit, HTS, Mitosis, Predify, Pris Software, Sobix, TrovatoLending and Tyde.

The companies have several solutions for the financial market, from new products such as microcredit, quantitative investment funds, payroll loans and credit lines for middle-market, to solutions to generate more efficiency, such as payment solutions, blockchain, artificial intelligence and machine learning and management software.

Despite the challenges posed in 2020, the startups of Hubble Hub's 2nd Batch earned more than R\$13 million in the year and grew more than 52% in relation to the previous year, being well positioned for 2021. In order to keep the community engaged, all the events and contents scheduled in Hubble Hub were attended online by entrepreneurs, partners' employees and the community in general.

In 2020, Hubble Hub held 38 events, having an impact on more than 1,500 people through lectures, workshops and meetings, especially the event "*Fintech como alternativa de crédito*" ("Fintech as a credit alternative"), which was attended by the president of BDMG, the CEO of Creditas; the CTIO of Bacen, among other executives. The presentation of the Hekima case, a Minas Gerais startup acquired by iFood, had a very positive impact. Another highlight was the "*Open Banking: A Revolução do Mercado Financeiro*" ("Open Banking: The Financial Market Revolution") webinar, which was attended by the head of Division of the Financial System Regulation Department of the Central Bank and the CEO of Moneycloud Tecnologia.

### Agribusiness

Given the significance of agribusiness in the state economy, BDMG has strengthened its support to Minas Gerais farmers. In 2020, 33% of the Bank's disbursement went to the segment, with R\$953 million released, and a 52% increase compared to 2019. Financing was mainly through lines that use resources from the issuance of Agribusiness Credit Bills (LCA), Funcafé and BNDES. The disbursement under LCA lines totaled R\$471 million, or 49% of the total allocated to agribusiness - an increase of 65% in relation to 2019.

Through Funcafé, R\$453 million (48%) were disbursed to the coffee sector in 2020, an increase of 103% in relation to the previous year. Regarding the 2020/2021 Crop Year, BDMG will operate the largest resource in its history focused on loan to the coffee sector: R\$392 million, a 29% increase over the limit available for the previous crop. Out of this limit, R\$304.5 million had been disbursed by December, representing 78% of the limit for the current crop.

### FUNDING

In 2020, the Bank expanded its strategy to diversify sources of funds, by intensifying funding in the international and domestic markets. In the period, around R\$2.3 billion were raised in the market, aiming to provide financial support for sustaining or structuring new BDMG lines of credit. International borrowings were obtained from different institutions, using different structures, such as new financing contracts, flexibility in the use of funds from an existing contract, and issuance of Sustainable Bonds, the first completed by a public bank in Brazil.

At the beginning of the year, BDMG requested the first tranche of funds, in the amount of USD9.3 million, related to the financing contract signed with the European Investment Bank (EIB) in October 2019, with a credit limit of EUR100 million. The purpose is to finance clean energy generation projects (solar photovoltaic energy, small hydropower plants, bioenergy plants etc.) and energy efficiency projects with competitive costs to the industry.

The Bank attended the 1st Integration and Development Forum held in Montevideo in March 2020 by FONPLATA, a multilateral development bank formed by Argentina, Bolivia, Brazil, Paraguay and Uruguay. On that occasion, BDMG signed a Memorandum of Understanding with the bank. In May, after structuring this funding, a contract was signed between BDMG and FONPLATA, whereby USD36 million were disbursed to replenish BDMG credit lines for the municipalities of the State of Minas Gerais. This was the first contract between a Brazilian public bank and FONPLATA.

In August, BDMG signed a contract with Agence Française de Développement (AFD, the French Development Agency), which provides EUR70 million in bank credit lines for companies and municipalities in Minas Gerais. When released, the funds will be used to minimize the social and economic effects of the pandemic and to strengthen the Bank's strategy, financing projects in line with the SDG.

In September, BDMG completed another fundraising with a new partner, Cargill, a US-based multinational company operating in the food, agricultural, financial and industrial services and products industry. The contract was signed with Cargill Financial Services International, which disbursed USD10 million to BDMG to finance activities in the Minas Gerais agribusiness chain, including the production of agricultural commodities and food products for export. This fundraising operation with Cargill, a broad-based private market player, shows BDMG's commitment to seeking new sources of funds to finance more strategic sectors for Minas Gerais.

In October, as a result of the negotiation that had been discussed since the outbreak of the pandemic in Brazil, BDMG signed a contract addendum with the European Investment Bank (EIB), allowing for a flexibility of up to 30% of the funds under the contract signed in 2019 for the credit of EUR100 million exclusively for climate-related projects. This addendum enabled the allocation of EUR30 million in lines of credit to micro, small and medium-sized entities. Subsequently, BDMG requested the second tranche consisting of USD11.2 million, related to the financing of an additional eight renewable energy projects in Minas Gerais, together with the flexibility arrangement, totaling a disbursement of USD46.9 million from EIB to BDMG, effective in early December.

In December, after negotiating with the Latin American Development Bank (Corporación Andina de Fomento, CAF), BDMG signed a USD100 million credit agreement. The amount was disbursed by CAF, in a lump sum in that month. This fund will be allocated in lines of credit to micro, small and medium-sized entities in the State of Minas Gerais, in order to minimize the social and economic impacts caused by the pandemic and rekindle the economic recovery.

In addition to international funding, we highlight the funds obtained in the domestic market through the issuance of Agribusiness Credit Bills (LCA), Bank Deposit Certificates (CDB), and Time Deposit with Special Guarantee (DPGE) from the Deposit Insurance Fund (DIF). Overall, more than R\$1 billion were raised in 2020. Of this amount, more than 80% refer to investors residing in other States of the Federation.

The Bank's performance through its public securities portfolio is also noteworthy. Overnight investments alone, considered very low risk investments, yielded some R\$5 million in the year. Throughout 2020, the average Treasury turnover was R\$10.88 billion per month, that is, an equivalent 5 times BDMG's Equity in monthly turnover.

## RATING

In December 2020, Moody's risk rating agency kept BDMG's outlook stable, in addition to reaffirming the institution's ratings: 'B' on the global scale and 'Ba1.Br-' (long term) and "BR-4" (short term) on the national scale. According to the agency, this rating reflects the bank's entrenched operations in its regional market, as well as the strong alignment with and importance of its operations to the development policy of the State of Minas Gerais. "The bank's rating assessments reflect its robust capitalization that provides a buffer against asset-risk deterioration, and its successful efforts to diversify funding stream by accessing funding from several multilateral agencies and other domestic instruments."

Standard and Poor's (S&P) risk rating agency, in December 2020, kept BDMG's outlook stable, in addition to reaffirming the institution's ratings: 'B' on the global scale and 'brA-' on the national scale. According to the agency, BDMG's sound capitalization metrics and prudent liquidity management explain its rating. "BDMG's capitalization is stronger than that of peers, and we expect it to keep supporting its creditworthiness. In our opinion, BDMG has well-defined policies to manage liquidity risk. It assesses liquidity daily and considers different time horizons for its cash flow analysis. The bank also applies stress tests that consider, among other assumptions, a default of its largest clients and a limited ability to roll-over its maturing debt in different time horizons, which it uses to establish a minimum level of liquid assets."

Further, the agency states that "the bank is key to the local economy and is important for long-term investments and infrastructure financing" and that BDMG plays "a very important role in the state of Minas Gerais because the bank facilitates access to credit in the state, lending primarily to sectors that the government considers critical for the state's economic development as well as to small to midsize enterprises that don't have access to credit except through BDMG."

## INSTITUTIONAL POSITIONING

### Partnerships

In the context of the new challenges of resuming economic, social and environmental development, banks and financial development institutions need to work in an integrated manner to rethink their models of action and their institutional roles. In this sense, BDMG seeks consolidation as a knowledge platform for discussions and learning in the most pressing matters related to financing for sustainable development, digitization, governance, monitoring and evaluation, among others.

With the strategy of prospecting opportunities and strengthening relationships with institutions that share the same development mission, BDMG entered into various partnerships with multilateral agencies: BNDES, FONPLATA, Development Bank of Southern Africa (DBSA), Inter-American Development Bank (IDB), among others.

In June, the British magazine CFI (Capital Finance International) granted BDMG the Best Socio-Economic Impact Bank - Brazil 2020 award. The magazine highlighted BDMG's strategic alignment with the UN SDGs, support for micro and small businesses with the use of digital technologies, as well as the promotion of cultural and citizenship initiatives. In recent months, several global organizations have been recognized by CFI in their respective areas, such as IBM, Total Eren, DHL, Eletrolux, BNP Paribas, Walmart and J.P.Morgan. Among the Brazilian companies already awarded are Gol Linhas Aéreas, Fibria, Banco do Brasil, Itaú and Petro Rio.

In September, BDMG signed a technical cooperation agreement with BNDES to structure projects focusing on concession studies. It is also worth mentioning a memorandum signed between the Bank and DBSA for technology and knowledge sharing in the digital credit granting process, the first memorandum signed with a bank on the African continent.

BDMG also joined CEBRI - Brazilian Center for International Relations. Connected to the international agenda, CEBRI prioritizes thematic work of greater potential to achieve the international insertion of the country in the global economy, proposing pragmatic solutions in devising public policies.

Through a partnership with BH Airport, the concessionaire of Belo Horizonte International Airport, the Bank will support companies interested in installing facilities at the Industrial Airport, an unprecedented project that provides for tax benefits to export companies that are installed within the airport site.

To support small businesses affected by the pandemic, BDMG and Sebrae Minas have entered into a partnership for the Assisted Credit Program, offered to micro and small businesses free of charge and without any guarantees required by BDMG. This initiative covers the provision of training combos, according to the needs of each business, including courses, management spreadsheets, e-books and personalized financial advisory.

BDMG, the Ministry of Tourism and the Special Culture Department signed a letter of intent for the Bank to operate the Audiovisual Sector Fund (FSA), one of the main tools to promote the film and audiovisual industry in the country.

#### BDMG as a knowledge platform and agent

Despite the limitations imposed by the quarantine, BDMG remained active in discussions of the most pressing financing and sustainable development issues. The Bank's managers and teams organized and participated in various virtual meetings, such as webinars and livestreams, maintaining dialogue with federations and trade associations, cooperatives, customers, press, international partners and other stakeholders.

In February 2020, BDMG's CEO, accompanied by the vice president and the Chief Planning, Risk and Operations Officer, were in Washington DC and New York, where they had important discussions and initiated potential partnerships with IFAD, World Bank, UNDP, DESA, IDB, IFC, GIF, DFC, USTDA, among others. The Bank also participated in the 1st Integration and Development Forum, organized by FONPLATA and LatinFinance magazine in Montevideo (Uruguay), in the panel "Public Financing Institutions, International Agencies and their role in the Development of Latin America."

As of the second half of March, the Bank has been invited to participate in several international virtual events, such as the Wilson Park Virtual Dialogue, PRCA Emerging Markets Group: Engaging with Governments in Crisis: Lessons from Latin America, introducing the economic outlook for Brazil and the State of Minas Gerais and how BDMG adopted countercyclical attitudes in mitigating the impacts of the pandemic.

BDMG also supported the Brazilian chapter of the Negotiation Meeting of the International Negotiation Competition (INC), an event that has been held for more than 20 years with participants from numerous countries to foster the art of negotiating, and to develop and improve skills through training, negotiation practices, sharing of learning, and networking.

At the national level, events and webinars promoted by different institutions such as ABDE, Federaminas, Diário do Comércio, CEBRAP/USP, Conexão Empresarial - VB Comunicação, AMCHAM, CDL, among others, were also attended by BDMG's CEO. The events gathered virtually business leaders and leaders of various sectors and institutions to share initiatives and experiences being conducted in the search to overcome the challenges of the current scenario. In addition, BDMG also participated in the Intergov Consórcios (Intergovernmental Joint Ventures) Project, whose theme was "How development banks could contribute to the financing of joint venture operations."

In a webinar held in July, BDMG and IDB discussed the role of development institutions in encouraging the issuance of green and sustainable bonds in Brazil. An opportunity for society to learn a little more about a type of investment that has been gaining ground due to its capacity to generate a positive social and environmental impact.

Between August and September, the Brazilian Center for International Relations (CEBRI) and BDMG promoted a virtual event to contribute to the public debate on the role of Development Financial Institutions in the process of building sustainable responses to the Covid-19 crisis.

In September, BDMG's CEO participated in the virtual version of TEDxPUCMinas. The event was about how the pandemic can be a trigger for financing a new, more sustainable and inclusive economy, as well as illustrate how BDMG is contributing to this.

Based on a joint initiative by ALIDE, IDB, IDFC and BDMG, several webinars were held in October covering topics such as performance of development banks in response to COVID-19, economic recovery and sustainable development.

It is important to mention the Bank's outstanding performance during the Finance in Common Summit, the largest meeting of public development banks in the world, which took place during the 3rd edition of the Paris Peace Forum. BDMG was responsible for organizing one of the high-level panels of the event, entitled "Financing local action and resilient cities: the role of subnational development banks." On that occasion, the Bank became a signatory to "Paris Development Banks Statement on Gender Equality and Women's Empowerment", which aims to exchange knowledge and experience for the improvement of policies in favor of gender equality.

Also within the scope of the Paris Peace Forum, BDMG participated in the important international seminar The Visible Hand: Development Banks in Transition, organized by AFD and IDDRI, which focused on the development banks' essential contribution to the SDG and on building the way to restore our economic systems in a more responsible and sustainable way. Within the selection of projects promoted by the Forum, the experience of BDMG Digital was one of 100 selected to be presented as good practice, out of a total 850 projects registered by companies, NGOs and governments all over the world.

In November, the Bank also participated in the online event 'The Atlantics Dialogues', on the panel 'L'Etat Providence dans le Grand Sud: Le Retour d'un Grand Absent?'.

## Awards

Created in 1988, the Minas de Economia Award is a benchmark in the industry by awarding the best undergraduate theses in the Economics degree for the period. BDMG introduced it in partnership with the Regional Council of Economics-MG and the Economists Society of Minas Gerais.

The award-winning works in 2020 were *"Desastres Ambientais Justiça e Mercado Acionário: Avaliação do Impacto do Rompimento da Barragem de Mariana"* (Environmental Disasters, Justice and the Stock Market: Assessment of the Impact of the Mariana Dam Collapse), *"Concentração espacial dos Agentes do Sistema Financeiro Nacional em Minas Gerais no Ano de 2017: uma análise exploratória de Dados Espaciais"* (Spatial Distribution of the National Financial System Agents in Minas Gerais in 2017: an Exploratory Spatial Data Analysis) and *"Efeito de Transtorno Depressivo no Consumo de Produtos do Tabaco"* (Effect of Depressive Disorder on Consumption of Tobacco Products).

The 5th edition of the Inova Minas Gerais Award was also held, promoted by the Minas Gerais State Department of Planning and Management (Seplag), in partnership with BDMG. The objective was to stimulate the presentation of innovative projects and to implement successful initiatives, valuing the work of the employees. Accordingly, the award recognized proposals that seek to transform and improve public management and the services provided, always focusing on the needs of users.

## INTEGRATED RISK MANAGEMENT

The Risk management structure is closely in line with BDMG's strategic guidelines for action and with the recommendations of the regulatory agency, committing to the Bank's ethical standards of conduct and reliability, in line with the best market practices.



The Bank manages and monitors credit, market, liquidity, operational and social and environmental risks, with a view to mitigating these risks and optimizing operational effectiveness and results. Thus, the adopted risk management practices are commensurate with the nature and specificities of the operations performed by the Bank, maintaining control standards, with a capital adequacy ratio higher than the minimum requirement adopted in Brazil.

In 2017, CMN Resolution No. 4557 came into effect, which provides for the risk management structure and the capital management structure. BDMG is in line with the requirements of the standard, fulfilling all the requirements of the S3 segment.

The structure responsible for risk management is made up of the Board of Directors, Executive Board, Risk and Capital Committee, Chief Risk Officer (CRO) and unit responsible for risk management.

Credit risk considers the possibility of losses associated with the failure by the borrower to meet their financial obligations under the agreed terms, devaluation or reduction of expected earnings in a financial instrument, recovery costs, and concentration risk. In 2020, the prudential limits of exposure and of concentration of the credit portfolio were revised. In addition, for the micro and small-sized business segment, the criteria for credit limits, external anti-fraud policy and calculation of the expected loss for pricing in operations using new insurance funds (PRONAMPE and PEAC) were revised. In view of the crisis brought by the Covid-19 pandemic, several scenarios were monitored to assess impacts, projections and proposed changes in credit risk policies and methodologies, aiming to balance the high market demand with the need to preserve the Bank's controls, metrics and financial sustainability.

The market risk is represented by the losses resulting from the fluctuation in market prices of positions held by the institution, by mismatches in its asset and liability operations such as amounts, term, currencies and indexes. In 2020, the risk management policy was revised to define limits for appetite for IRRBB (Interest Rate Risk of Banking Book), and a new methodology was adopted to determine the amount of capital to cover the interest rate risk of financial instruments classified in the bank portfolio, in accordance with current regulations.

Liquidity risk refers to the possibility that the institution will not be able to efficiently meet its obligations, whether expected or unexpected, current or future, also those arising from guarantees given, without affecting its daily operations and without incurring significant losses. It also refers to the possibility of the institution not being able to negotiate a position at market price due to the high volume, in relation to that normally traded, or due to some market discontinuity. In 2020, the liquidity risk management was strengthened by means of monitoring potential changes in cash flows, with the creation of a specific committee for cash monitoring, in view of the complex scenario triggered by the pandemic. The management policy was also revised to update the parameters that comprise the indicators and to change the authority limits of the Risks and Capital Committee, in view of the need for faster assessments with deep technical knowledge of the variables involved in the components of reserves.

The social and environmental risk refers to the possibility of losses arising from social and environmental damage. In 2020, BDMG's Social and Environmental Policy, a standard that includes principles and guidelines for the management of social and environmental risks, was thoroughly reviewed to be in line with the best sustainability practices.

Operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or external events. It determines the exposure to operational risks that, if materialized, can negatively impact internal processes, compliance, financial performance and image of the Institution. In 2020, with a view to strengthening corporate governance and spreading the risk culture, BDMG's Projeto Gestão Segura (Safe Management Project) was implemented, including a communication campaign for all employees on the concepts of risk, risk management and processes; awareness-raising lectures for different ranks on the importance of the topic, and training for managers, through theoretical and practical workshops on risk-related process management.

## Risk Appetite Statement

The Risk Appetite Statement was established and approved by the Board of Directors in the scope of the Risk Appetite Policy. Its objective is to attest to the types and amounts of risks that Management is willing to accept, thus defining its desired profile in the pursuit of strategic objectives, in line with the interests of the State of Minas Gerais and guaranteeing the Bank's economic and financial soundness. In 2020, the Risk Appetite Statement was revised in order to adapt to the current scenario and the strategic planning guidelines.

## SOCIAL RESPONSIBILITY

### BDMG Cultural

In 2020, BDMG Cultural carried out a series of actions to promote, recognize and disseminate different artistic languages, contributing to boost cultural productions in Minas Gerais, even in the face of the restrictions imposed by the pandemic.

In the year, the institute's new website was launched, which includes a digital magazine with three issues released, in addition to a special edition, and a virtual visit to the collections and catalogs of the BDMG Cultural 2019/2020 Exhibitions.

As of March, due to Covid-19, the initiatives have been mostly held virtually, with actions also designed to mitigate the effects of the pandemic on the state's cultural sector. The main initiatives organized by BDMG Cultural in 2020 were: LAB Cultural Program, which featured 3 master classes with important names from the Brazilian art scene, with videos available on YouTube; 6th BDMG Cultural/FCS Award for Low-Budget Short Films; Knowledge Networks; BDMG Exhibitions Project - exhibitions at the BDMG Cultural Art Gallery and Photograph Expedition workshop.

BDMG Cultural also sponsored the Piseagrama magazine, the 4th Leda Maria Martins Award for Black Performing Arts in Belo Horizonte, the 15th National Book Fair and Flipoços 2020, the Photograph Marathon FIF BH 2020, BH International Photography Festival, among other.

Through the Cultural Incentive Federal Law, BDMG Cultural sponsored the 'Trilha Cultural' project, the launch of the editions of the Flávio Henrique and Marco Antônio Araújo Awards, the launch of eight videos of the BDMG Choir on YouTube ('Coral em Casa' project), the launch of the 'Jovem Músico BDMG' program, and the 10-episode Mostra BDMG Instrumental on BDMG Cultural's YouTube channel, celebrating 20 years of the project.

In December, the 2019/2020 Report on Actions and Contributions to Society was published, which highlights BDMG Cultural's actions over the past two years.

### Instituto de Cidadania dos Empregados do BDMG - INDEC

Due to the pandemic, it was necessary to adapt the activities of Instituto de Cidadania dos Empregados do BDMG (INDEC) (BDMG Employee Citizenship Institute) with regard to long-term projects, and redirect part of the budget to the new demands that have emerged. The objective was to meet the most basic and urgent needs of vulnerable populations, even in the area of food security.

Some supported projects, such as the Creche Comunitária Dirce Maria das Dores (community nursery), in Rio Manso/MG, managed to maintain part of their educational activities for some age groups, adopting the required safety protocols. Futuro da Comunidade, a social project that teaches soccer to children and teenagers, has adapted to the digital format, offering online classes and games. In many cases, given the vulnerability of the project's audience, resources were directed towards sending basic food baskets and toiletry items to some families most in need.



Overall, in 2020, 36 institutions and social projects were supported, some more than once, which directly benefited almost 7 thousand people in the municipalities of Belo Horizonte, Contagem, Betim, Sabará, Raposos, Brumadinho, Rio Manso, Caeté, São João da Ponte, Conselheiro Lafaiete and Capim Branco.

Support to CUFA (Central Única das Favelas), for example, allocated financial resources for the distribution of vouchers to families in 100 favelas (poor neighborhoods), to be exchanged for food products at local businesses. INDEC also contributed with the donation of PPE and snacks for professionals at Hospital Sofia Feldman and Hospital Eduardo de Menezes. There were various supporting efforts for social projects that served the homeless, indigenous people, quilombolas (afro-descendants), among many others.

The Christmas campaign was also adapted to the virtual format and served not only the children of INDEC projects, but also a special group of children from Espaço Emergencial 13 de Setembro, a shelter for refugees managed by the humanitarian organization Fraternidade sem Fronteiras in partnership with the Refúgio 343 project and with the support of UNHCR, the UN Refugee Agency.

## FINANCIAL STATEMENTS

Despite the challenges faced in fiscal 2020 due to the pandemic, and even in view of the decrease in interest rates, BDMG managed to generate a net profit of R\$25 million.

As at December 31, 2020, the Bank's equity amounts to R\$1,937 million, 6.4% higher than the R\$1,821 million in equity recorded as at December 31, 2019.

The Bank has portfolio securities classified as held to maturity, amounting to R\$147 million, for which management, in compliance with Circular Letter No. 3068/2001 issued by the Central Bank of Brazil (BACEN), states that it has the financial ability to hold them to maturity.

## ACKNOWLEDGMENTS

BDMG management appreciates the support from all those who contributed to the results achieved in 2020, and, in particular, from the people of Minas Gerais, which are the reason for all the efforts made by the Bank toward the sustainable social and economic development of Minas Gerais.

## SUMMARY OF THE AUDIT COMMITTEE REPORT – DECEMBER 31, 2020

### INTRODUCTION

The purpose of the Audit Committee, a statutory body of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG, is to advise the Board of Directors on the performance of its audit and supervisory functions and, among other tasks provided for in the Bylaws, to evaluate and express itself on: (i) the quality of the financial statements; (ii) the effectiveness of the internal control system, and (iii) the effectiveness of internal and independent audits. The Committee's assessments are based on information received from management, external auditors, internal auditors, those responsible for risk management and internal controls, and on own analysis resulting from direct observation.

### STRUCTURE

The structure of the Committee was impacted by the death of the member Júlio Onofre Mendes de Oliveira on 7/11/2020. Carlos Antônio Duarte, elected as a member of the Audit Committee by the Board of Directors in a meeting held on 7/31/2020, as approved by the Central Bank of Brazil on 8/17/2020, under the terms of Official Letter 18029/2020-BCB/Deorf/GTBHO of the aforementioned Supervisory Body, joined this Collegiate together with the Coordinator Pedro Carlos de Mello and the member Carlos Alberto de Carvalho Paiva on 9/1/2020.

### ACTIVITIES CARRIED OUT UNDER ITS RESPONSIBILITIES IN 2020

The Committee met on forty-eight (48) occasions during the year 2020 and another seven (7) times at the beginning of the first half of 2021, including attendance to the Board of Directors' meetings. The Committee maintained permanent contact with the managers of the Bank's control areas, in order to monitor the work carried out and obtain subsidies to support its evaluations. Issues related to financial statements preparation and internal controls were discussed with Supervisors/Managers of the Controllershship, Internal Audit, Risk Management, Internal Controls and Ombudsman areas, in their respective areas of expertise.

Six (6) meetings were held with the independent auditors EY in 2020, and two (2) at the beginning of the first half of 2021, for purposes of awareness of the methodology, planning, and results of the work for the preparation of the Financial Statements of 12/31/2019, 6/30/2020 and 12/31/2020.

The Committee met with the Bank's Executive Board to address issues related to general aspects of the institution's management, particularly those related to accounting, internal controls, internal audit, capital management, financial management and risk management. It presented recommendations for process improvement and followed up on the implementation of improvements recommended thereby and also by internal and independent audits, pointed out in the course of its work. It also held regular meetings with the Bank's Board of Directors, having also issued opinions on aspects related to its statutory responsibilities, and provided information on its activities.

## INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The work carried out by Internal Controls and Operational Risk Management continued to be systematically monitored by the Committee. The Audit Committee considers the performance of the Bank's management to be positive (although some matters require greater attention) as to ensuring the effectiveness of the institution's internal control and risk management systems.

## INTERNAL AUDIT

Various meetings were held with the General Audit Supervisor with a view to monitoring the work carried out by that Unit. The Committee positively assesses the scope and quality of the audits carried out and the level of independence of the area. In the work carried out by the internal audit, no violations of current legislation and internal rules were detected, the severity of which could jeopardize the Bank's solidity and continuity.

## INDEPENDENT AUDIT

The Committee held a meeting with the independent auditors for knowledge of the main occurrences in the work carried out for preparation of the Financial Statements for 12/31/2019, 06/30/2020 and 12/31/2020, and their assessment of the institution's internal controls. The Committee considers the work carried out to be satisfactory, and situations that could impair the objectivity and independence of the external auditors have not been identified.

## FINANCIAL STATEMENTS

The Committee monitored the Financial Statements preparation process for 12/31/2019, 06/30/2020 and 12/31/2020, examining trial balances, statements of financial position and explanatory notes, and provided its assessment of the Financial Statements, Management Report, Independent Auditor's Report, among other documents intended for publication. It was informed of the accounting practices adopted by the institution, atypical occurrences and their impacts on the Bank's financial situation and P&L at meetings held with those responsible for preparing these documents and with the external auditors. The Committee confirmed that the accounting practices adopted for preparation of the financial statements are in line with the fundamental accounting principles, with Brazilian corporation law and with the rules of the National Monetary Council and the Central Bank of Brazil, adequately portraying the institution's financial position.

## CONCLUSION

Until the closing of this report, the Audit Committee was not aware of any reporting of noncompliance with standards, absence of controls, act or omission on the part of the Bank's management indicating the existence of fraud, failures or errors that could impair institution's ability to continue as a going concern or the reliability of the financial statements. Based on the considerations above, the Audit Committee, duly considering its responsibilities and the natural limitations resulting from the scope of its activities, recommends that the Board of Directors approve the Financial Statements of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG as at December 31, 2020.

Belo Horizonte, February 19, 2021.

## AUDIT COMMITTEE

PEDRO CARLOS DE MELLO

Coordinator

CARLOS ALBERTO DE CARVALHO PAIVA

Member

CARLOS ANTÔNIO DUARTE

Member

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

## Financial statements

December 31, 2020

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**A free translation from Portuguese into English of Independent Auditor's Review Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN)**

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## **Independent auditor's report on financial statements**

The Shareholders, Board of Directors and Officers

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

Belo Horizonte - MG

### **Opinion**

We have audited the financial statements of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG ("Bank"), which comprise the statement of financial position as at December 31, 2020, and the related statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG as at December 31, 2020, and its financial performance and 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 (BACEN), including Resolution No. 4818/20 issued by the National Monetary Council (CMN) and Resolution No. 02/20 issued by BACEN.

### **Basis for opinion**

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Provision for expected credit losses

As mentioned in Notes 3.11 and 6.3, the Bank rates the level of risk of loans, taking into account the economic scenario, experience, related guarantees, delays, and the history of renegotiations, according to parameters established by Resolution No. 2682/99 of the National Monetary Council (CMN). This was considered a key audit matter in view of the materiality of the amount recorded for the total allowance for expected credit losses in connection with credit risks as at December 31, 2020, totaling R\$564,836 thousand, and the fact that the classification of the customers' risk level and the assessment of guarantees involve management's judgment. Additionally, in 2020, as a result of the COVID-19 pandemic, management reviewed the judgments and estimates used in determining the provision, such as the weighting of macroeconomic scenarios, in order to adapt the assumptions previously applied to the Bank's current scenario of operations in order to reflect the increase in credit risk.

#### *How our audit addressed this matter*

We understood and evaluated the significant internal controls prepared by Management in connection with credit granting processes and determination/review of the credit risk rating. Moreover, we conducted an analysis of the economic and financial evaluation performed by the Bank for rating of the customers' risk level, through a sample selected for testing, and considered all aspects related to the granting of these loans, such as guarantees, renegotiations, approvals and updating of the credit analysis. We recalculated the expected credit losses based on parameters set by CMN Resolution No. 2682/99, comparing them with all accounting records. Through analytical procedures, we analyzed the main variations of ratings, and the behavior of loans based on previously established expectations, as well the Bank's assessment of the impacts caused by the current social and economic scenario resulting from the Covid-19 pandemic. We also evaluated the sufficiency of disclosures in explanatory notes.

Based on the result of the audit procedures carried out on the provision for expected credit losses, which is consistent with management's assessment, we consider that the criteria and assumptions associated with the provision adopted by management, as well as the respective disclosures in Notes 3.11 and 6.3, are acceptable, in the context of the financial statements taken as a whole.

### Post-employment benefit plans

The Bank records significant liabilities related to post-employment benefit plans, which include retirement, health and life insurance benefits, as mentioned in Notes 3.19 and 17. This was considered a key audit matter given the significance of the provision recorded as at December 31, 2020, totaling R\$427,145 thousand, and the complexity of the actuarial liability assessment models, which include the use of long-term assumptions, such as: general mortality, disability, medical costs, salary growth, family structure, discount rate, and inflation.

#### *How our audit addressed this matter*

With the assistance of our experts, we analyzed the methodology and the key assumptions used by management in the evaluation of actuarial obligations arising from post-employment benefit plans, checking the reasonableness of assumptions and methodologies used, mathematical accuracy of the calculation and analyzing the consistency of the results in relation to the parameters used and the previous assessments, among other procedures. Our audit procedures also included testing of the integrity of master record information used in actuarial projections and the sufficiency of disclosures related to post-employment benefit plans.

Based on the result of the audit procedures carried out on the post-employment benefit plans, which is consistent with management's assessment, we consider that the criteria and assumptions for evaluation of actuarial obligations adopted by management, as well as the respective disclosures in Notes 3.19 and 17, are acceptable, in the context of the financial statements taken as a whole.

### Realization of tax credits

The Bank records deferred tax assets substantially on temporary differences when calculating the income and social contribution tax bases, mainly arising from expenses related to the provision for expected credit losses, post-employment benefits, other provisions for contingencies, and market value adjustments of marketable securities and derivative transactions.

This was considered a key audit matter in view of the materiality of the amount recorded, totaling R\$665,129 thousand as at December 31, 2020, and because the analysis of realization of these assets involves a high degree of judgment to determine the assumptions about the Bank's future performance, as described in Notes 3.18, 4.4 and 14.b.



#### *How our audit addressed this matter*

Our procedures included an analysis of the methodology and assumptions used by management in the study of realization of tax credits, including projections of future P&L, which included the Bank's assessment of the impacts caused by the current social and economic scenario resulting from the Covid-19 pandemic on its projected future results, as well as compliance with the requirements of the Central Bank of Brazil. We checked the mathematical accuracy of the calculation and the consistency between the data used and the accounting balances, as well as previous assessments and the reasonableness of the assumptions used. We also analyzed the sensitivity of these assumptions, to evaluate the behavior of the projections with the fluctuations, and the sufficiency of disclosures in explanatory notes.

Based on the results of audit procedures performed on tax credits, which are consistent with management's assessment, we consider that the criteria and assumptions used in the study of realization of tax credits, including projections of future P&L, prepared by management, as well as the respective disclosures in Notes 3.18, 4.4 and 14, are acceptable in the context of the financial statements taken as a whole.

#### **Other information accompanying the financial statements and the auditor's report**

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, including Resolution No. 4818/20 of the National Monetary Council (CMN) and Resolution No. 02/20 issued by the Central Bank of Brazil (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.



The Bank's management is charged with governance and is responsible for overseeing the Bank's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we may have identified during our audit.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year and are



therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, February 19, 2021.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6

  
Rogério Xavier Magalhães  
Accountant CRC-1MG080613/O-1

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

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

Statement of financial position  
December 31, 2020 and 2019  
(In thousands of reais)

	Note	2020	2019
Assets			
Current assets		<b>3,464,083</b>	1,513,219
Cash and cash equivalents	5	<b>838,925</b>	9,103
Financial instruments	6	<b>2,623,349</b>	1,503,792
Interbank investments		<b>730,704</b>	81,207
Marketable securities	6.1	<b>60,468</b>	123,714
Derivative financial instruments	6.2	<b>92,915</b>	49,280
Loans and similar transactions	6.3	<b>1,879,711</b>	1,368,843
Other financial assets	6.4	<b>21,379</b>	7,250
Allowance for expected credit losses		<b>(161,828)</b>	(126,502)
Marketable securities	6.1	<b>(67)</b>	(83)
Loans and similar transactions	6.3	<b>(161,761)</b>	(126,419)
Other assets	8	<b>1,809</b>	324
Noncurrent assets		<b>5,094,820</b>	4,628,190
Long-term receivables		<b>5,057,074</b>	4,596,121
Financial instruments	6	<b>4,316,554</b>	3,871,643
Marketable securities	6.1	<b>529,912</b>	1,021,805
Loans and similar transactions	6.3	<b>4,167,600</b>	3,135,817
Other financial assets	6.4	<b>131,543</b>	127,927
Allowance for expected credit losses		<b>(512,501)</b>	(413,906)
Marketable securities	6.1	<b>(109,426)</b>	(107,712)
Loans and similar transactions	6.3	<b>(403,075)</b>	(306,194)
Other assets	8	<b>75,391</b>	54,506
Deferred tax assets	14.b	<b>665,129</b>	669,972
Property and equipment in use	7.a	<b>16,735</b>	18,022
Properties and other fixed assets		<b>58,105</b>	58,139
(Accumulated depreciation)		<b>(41,370)</b>	(40,117)
Intangible assets	7.b	<b>21,011</b>	14,047
Intangible assets		<b>43,901</b>	36,389
(Accumulated amortization)		<b>(22,890)</b>	(22,342)
Total assets		<b>8,558,903</b>	6,141,409

	Note	2020	2019
Liabilities and equity			
Current liabilities		<b>1,811,186</b>	1,381,701
Financial liabilities	9	<b>1,737,418</b>	1,317,767
Deposits	9.1	<b>201,430</b>	66,832
Funds from acceptance and issue of securities	9.1	<b>174,634</b>	226,380
Borrowings and onlending	9.2	<b>1,361,354</b>	1,024,555
Domestic onlending	9.2.b	<b>1,229,684</b>	932,710
Foreign borrowings	9.2.a	<b>131,670</b>	91,845
Provisions	10	<b>25,158</b>	23,807
Obligations with defined post-employment benefits	10.a	<b>21,859</b>	18,635
Tax, labor and civil contingencies	10.b	<b>2,567</b>	3,511
Financial guarantees given		-	1,037
Other contingencies	10.c	<b>732</b>	624
Other liabilities	11	<b>48,610</b>	40,127
Noncurrent liabilities		<b>4,810,436</b>	2,938,825
Long-term liabilities		<b>4,810,436</b>	2,938,825
Financial liabilities	9	<b>3,996,807</b>	2,202,900
Deposits	9.1	<b>607,258</b>	72,898
Funds from acceptance and issue of securities	9.1	<b>281,143</b>	76,830
Borrowings and onlending	9.2	<b>3,091,463</b>	2,053,172
Domestic onlending	9.2.b	<b>1,612,186</b>	1,830,410
Foreign borrowings	9.2.a	<b>1,479,277</b>	222,762
Derivative financial instruments		<b>16,943</b>	-
Provisions	10	<b>630,578</b>	611,760
Obligations with defined post-employment benefits	10.a	<b>405,286</b>	363,496
Tax, labor and civil contingencies	10.b	<b>214,620</b>	219,060
Financial guarantees given		-	18,500
Other contingencies	10.c	<b>10,672</b>	10,704
Other liabilities	11	<b>146,823</b>	106,100
Deferred tax obligations	14.c	<b>36,228</b>	18,065
Equity	12	<b>1,937,281</b>	1,820,883
Capital	12.a	<b>2,111,184</b>	2,004,971
Other comprehensive income (loss)	12.b	<b>(158,815)</b>	(149,712)
Accumulated losses	12.c	<b>(15,088)</b>	(34,376)
Total liabilities and equity		<b>8,558,903</b>	6,141,409

See accompanying notes.

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

### Statement of profit or loss

Six-month period and years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

	Note	2020		2019
		2nd half	Year	Year
Trading revenues		361,217	726,857	612,513
Loans	13.a	362,169	626,403	579,365
Gains (losses) on marketable securities	13.b (i)	15,417	30,537	26,719
Gains (losses) on derivative financial instruments	13.b (i)	(27,391)	64,218	6,201
Gains (losses) on exchange transactions		11,022	5,699	228
Trading expenses		(105,726)	(308,906)	(251,618)
Loans and onlending	13.b (ii)	(84,893)	(278,474)	(222,310)
Market funding transactions	(13.b(ii)	(20,833)	(30,432)	(29,308)
Gains (losses) on allowance for loan losses		(182,826)	(205,498)	(103,221)
Allowance for loan losses		(183,074)	(205,618)	(103,461)
Allowance for loan-like transactions		248	120	240
Gross profit from trading transactions		72,665	212,453	257,674
Other operating income/expenses		(56,150)	(124,515)	(152,515)
Service revenues		18,858	34,627	33,584
Personnel expenses		(52,767)	(104,555)	(101,140)
Other administrative expenses	13.b (ii)	(23,580)	(41,717)	(36,555)
Tax expenses	13.b (i)	(10,243)	(19,415)	(18,662)
Other operating income	13.c iii)	45,137	57,173	22,013
Other operating expenses	13.c (iv)	(33,555)	(50,628)	(51,755)
Expenses with provisions	13.c (v)	(16,413)	(38,299)	(57,682)
Tax, labor and civil		(1,568)	(4,165)	(22,576)
Actuarial		(14,753)	(33,336)	(33,840)
Other		(92)	(798)	(1,266)
Operating income (expenses)		102	49,639	47,477
Non-operating income (expenses)		(1,496)	(1,376)	(17,303)
Income before income taxes and profit sharing		(1,394)	48,263	30,174
Income and social contribution taxes	14.a	3,467	(18,974)	59,670
Provision for income tax		-	-	(8,102)
Provision for social contribution tax		-	-	(5,256)
Deferred tax assets		3,467	(18,974)	73,028
Statutory profit sharing		(1,920)	(3,701)	(5,713)
Net income for the period		153	25,588	84,131
Earnings per thousand shares – R\$		0.00000	0.00036	0.00125

See accompanying notes.

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

### Statement of comprehensive income

Six-month period and years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

	<b>2020</b>		<b>2019</b>
	<b>2nd half</b>	<b>Year</b>	<b>Year</b>
Accumulated net income	<b>153</b>	<b>25,588</b>	84,131
Items to be subsequently reclassified to profit or loss	<b>(4,142)</b>	<b>7,086</b>	9,444
Financial assets available for sale	<b>(9,075)</b>	<b>12,374</b>	17,056
Tax effect on financial assets	<b>4,506</b>	<b>(6,144)</b>	(8,468)
Losses transferred to P&L	<b>737</b>	<b>1,477</b>	1,477
Tax effects	<b>(310)</b>	<b>(621)</b>	(621)
Items that will not be subsequently reclassified to P&L	<b>(26,934)</b>	<b>(16,189)</b>	(50,892)
Actuarial assessment	<b>(48,972)</b>	<b>(29,435)</b>	(108,008)
Tax effects	<b>22,038</b>	<b>13,246</b>	57,116
Other comprehensive income (loss)	<b>(31,076)</b>	<b>(9,103)</b>	(41,448)
Comprehensive income (loss) for the period	<b>(30,923)</b>	<b>16,485</b>	42,683
Earnings (loss) per thousand shares – R\$	<b>(0.00043)</b>	<b>0.00023</b>	0.00063

See accompanying notes.

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

### Statement of changes in equity

Years ended December 31, 2020 and 2019

(In thousands of reais, except for interest on equity per share)

	Capital	Equity adjustments	Other equity adjustments	Retained earnings	Total
Balance at January 1, 2019	1,931,111	(6,121)	(102,143)	(93,507)	1,729,340
Capital increase	73,860	-	-	-	73,860
Other comprehensive income (loss)	-	9,444	(50,892)	-	(41,448)
Equity adjustments	-	18,533	(108,008)	-	(89,475)
Tax effect on other comprehensive income (loss)	-	(9,089)	57,116	-	48,027
Net income for the year	-	-	-	84,131	84,131
Allocations:					
Interest on equity	-	-	-	(25,000)	(25,000)
Balance at December 31, 2019	2,004,971	3,323	(153,035)	(34,376)	1,820,883
Capital increase (Note 12.a)	106,213	-	-	-	106,213
Other comprehensive income (loss)	-	7,086	(16,189)	-	(9,103)
Equity adjustments	-	13,851	(29,435)	-	(15,584)
Tax effect on other comprehensive income (loss)	-	(6,765)	13,246	-	6,481
Net income for the year	-	-	-	25,588	25,588
Allocations:					
Interest on equity	-	-	-	(6,300)	(6,300)
Balance at December 31, 2020	2,111,184	10,409	(169,224)	(15,088)	1,937,281
Balance at June 30, 2020	2,104,971	14,551	(142,290)	(8,941)	1,968,291
Capital increase (Note 12.a)	6,213	-	-	-	6,213
Other comprehensive income (loss)	-	(4,142)	(26,934)	-	(31,076)
Equity adjustments	-	(8,338)	(48,972)	-	(57,310)
Tax effect on other comprehensive income (loss)	-	4,196	22,038	-	26,234
Net income for the six-month period	-	-	-	153	153
Allocations:					
Interest on equity	-	-	-	(6,300)	(6,300)
Balance at December 31, 2020	2,111,184	10,409	(169,224)	(15,088)	1,937,281

See accompanying notes.



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

### Statement of cash flows

Six-month period and years ended December 31, 2020 and 2019

(In thousands of reais)

	2020		2019
	2nd half	Year	Year
Cash flow from operating activities			
Income before taxes and profit sharing	(1,394)	48,265	30,174
Adjustments:			
Depreciation and amortization	4,168	7,694	6,594
Set-up of provisions and liabilities, net	(15,385)	7,519	69,798
Set-up of allowance for loan losses	182,825	205,498	103,221
Set-up of provision for losses	6,575	8,159	86,247
Allocation of deferred revenue	(10,451)	(18,194)	(17,863)
Exchange gains (losses), net	(68,074)	42,848	(40,358)
Recovery of loans written off as loss	(37,705)	(40,363)	(19,713)
Gains from monetary restatement of noncurrent loans	(46,776)	(60,961)	11,519
Market value adjustment of derivative instruments and hedged items	5,575	4,742	(486)
Loss on financial assets available for sale	(6,107)	(12,651)	(56,909)
Loss on financial assets held to maturity	(5,896)	(12,119)	(13,197)
Loss on financial assets for trading	-	(889)	(10,332)
Adjusted net income	7,355	179,548	148,695
Changes in working capital	643,347	610,088	(253,300)
Interbank investments	(12,988)	(12,988)	-
Derivative financial instruments	46,443	(31,122)	3,647
Loans	(982,129)	(1,498,968)	520,065
Other receivables	6,984	(11,527)	7,374
Other assets	(11,853)	(22,369)	(11,672)
Deposits	397,691	668,958	(13,960)
Financial bills	90,805	152,567	(109,857)
Foreign borrowings	1,032,625	1,226,881	(88,470)
Onlending obligations	46,350	78,750	(535,024)
Other liabilities	20,040	39,587	(23,852)
Provisions	(8,209)	(6,783)	(17,715)
Deferred income	17,588	27,102	16,164
Cash from operating activities	650,702	789,636	(104,605)
Income and social contribution taxes paid	-	(4,181)	(15,693)
Net cash (used in) operating activities	650,702	785,455	(120,298)
Cash flow from investing activities			
Acquisition of permanent assets	(7,847)	(13,344)	(5,878)
Acquisition of financial assets available for sale	(368,973)	(372,560)	(1,639,455)
Receipt of financial assets available for sale	544,581	888,157	1,788,157
Acquisition of financial assets held to maturity	(6,006)	(21,761)	(144,092)
Receipt of financial assets held to maturity	23,265	32,844	34,904
Acquisition of financial assets for trading	-	-	(2,116,828)
Receipt of financial assets for trading	-	61,928	1,889,558
Net cash (used in) investing activities	185,020	575,264	(193,634)
Cash flow from financing activities			
Capital increase <sup>(1)</sup>	6,213	106,213	73,860
Interest on equity	(6,300)	(6,300)	(25,000)
Net cash used in financing activities	(87)	99,913	48,860
Increase (decrease) in cash and cash equivalents, net	835,635	1,460,632	(265,072)
Cash and cash equivalents at beginning of period	709,984	90,310	355,154
Exchange gains on cash	11,022	5,699	228
Cash and cash equivalents at end of period	1,556,641	1,556,641	90,310

See accompanying notes.

(<sup>1</sup>) As at December 31, 2020, capital was increased by R\$6,213, originating from the return of interest on equity credited to shareholders.

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

Notes to financial statements

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **1. Operations**

Banco de Desenvolvimento de Minas Gerais S.A. ("BDMG" or the "Bank") is a privately-held corporation run by the state of Minas Gerais, which holds 90.86% of its capital, having been established based on article 13 of the Transitory Provisions Act of the State Constitution, enacted on September 21, 1989, and according to Law No. 10092/1989.

BDMG's economic activity is conducted in accordance with Article 173 of the Brazilian Constitution, and also with the provisions of Law No. 13303/2016 and State Decree No. 47154 that regulates it.

Pursuant to current laws and regulations, BDMG's business purpose includes the following:

- Carrying out activities of development banks by granting financing that enables promotion of the economic and social development of Minas Gerais;
- Acting as a financial agent for state funds, managing the resources necessary to finance programs and projects favorable to the development of Minas Gerais;
- Acting as a financial agent and/or manager of other funds that finance projects in the state of Minas Gerais and, therefore, promote its development;
- Providing advisory and technical assistance services to the direct and indirect Administration of the state and municipalities and to private companies.

The bank is headquartered at Rua da Bahia, 1.600, CEP 30160-907, Belo Horizonte, Minas Gerais, and does not have branches.

On February 19, 2021, the Board of Directors approved the financial statements and authorized their disclosure.

### **2. Presentation of the individual financial statements**

The individual financial statements have been prepared in accordance with accounting practices adopted in Brazil, which include the accounting guidelines contained in Law No. 6404/1976 and the changes introduced by Laws No. 11638/2007 and No. 11941/2009, together with the rules of the National Monetary Council (CMN) and of the Central Bank of Brazil (BACEN), particularly the provisions of CMN Resolution No. 4818/2020, effective as of January 1, 2021, with prospective application as of the effective date, since these standards regulate the presentation of financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by CMN/BACEN.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **2. Presentation of the individual financial statements (Continued)**

In compliance with these rules, assets and liabilities are stated in order of liquidity and maturity; asset and liability and profit and loss accounts, as well as the other accounts in the financial statements for the year are presented in comparison with those for the immediately preceding year, and the statement of comprehensive income is presented. The changes introduced by the new standards do not impact Net Income or Equity since they did not bring any changes to the accounting practices adopted by the Bank.

The following accounting pronouncements related to the process of convergence with the international accounting standards, issued by the Brazilian FASB (CPC) and already approved by BACEN, were also considered in the preparation of these financial statements, as applicable:

CMN Resolution No. 3566/2008 - CPC 01 (R1) - Impairment of Assets

CMN Resolution No. 3604/08 - CPC 03 (R2) – Statement of Cash Flows

CMN Resolution No. 3989/2011 - CPC 10 (R1) - Share-based Payment

CMN Resolution No. 4007/11 - CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors

CMN Resolution No. 3973/2011 – CPC 24 – Events after the Reporting Period

CMN Resolution No. 3750/2012 – CPC 05 (R1) – Related Party Disclosures

CMN Resolution No. 3823/2012 - CPC 25 - Provisions, Contingent Liabilities and Contingent Assets

CMN Resolution No. 4144/2012 - CPC 00 (R1) – Conceptual Framework for Financial Reporting

CMN Resolution No. 4424/2015 - CPC 33 (R1) - Employee Benefits

CMN Resolution No. 4534/2016 - CPC 04 (R1) - Intangible Assets

CMN Resolution No. 4524/2016 - CPC 02 (R2) - Effect of Changes in Exchange Rates and Translation of Financial Statements

CMN Resolution No. 4535/2016 – CPC 27 – Property, Plant and Equipment

CMN Resolution No. 4748/2019 – CPC 46 – Fair Value Measurement

Bacen Circular Letter No. 3959/2019 - CPC 41 – Earnings per Share

Management represents that these financial statements, which show all the relevant information used in management of the Bank, are based on accounting practices applied in accordance with current standards, making it possible to evidence that the Bank has the ability to continue as a going concern and that its resources are sufficient for the future continuity of its business.

In addition, management is not aware of any uncertainty that could raise doubts as to the Bank's ability to continue as a going concern in the foreseeable future.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **2. Presentation of the individual financial statements (Continued)**

The Bank adopts information security practices to guarantee the confidentiality, integrity, availability, and authenticity of the information necessary for maintenance of its business. The Bank has an accounting technology structure that uses a number of operating systems that are integrated to the accounting system, and any non-computerized information is entered manually. The major operating systems (that is, those related to the controls over loans, financial management, and equity) were developed internally and are responsible for the majority of the entries. Moreover, there are third-party operating systems that are necessary to perform and control additional activities.

### **3. Summary of significant accounting practices**

#### **3.1. Functional and presentation currency**

##### **a) Functional and presentation currency**

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Brazilian reais (R\$), which is the Bank's functional and presentation currency, expressed in thousands of reais.

##### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured.

Exchange gains and losses arising from the settlement of these transactions and translation at the exchange rate at period end, referring to monetary assets and liabilities denominated in foreign currency, are recognized in the statement of profit or loss.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.1. Functional and presentation currency (Continued)**

##### **b) Transactions and balances (Continued)**

Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss as a subitem of trading, except for the debit balances arising from exchange differences on loans, which are reclassified as other operating expenses, and the credit balances arising from exchange differences on funding expenses and payables due to borrowings and onlending, which are reclassified as other operating income. Reclassification occurs only when the credit or debit balance exceeds the sum of the other remuneration components recorded in the respective expense or income accounts.

Assets and liabilities in foreign currency are translated into local currency (Brazilian reais) at the exchange rate at the reporting date. The exchange rate applicable at December 31, 2020 is: US\$1.00 = R\$5.1967 (2019: US\$1.00 = R\$4.0307) and €1.00 = R\$6.3779 (2019: €1.00 = R\$4.5305).

#### **3.2. Measurement of profit or loss for the year**

Profit or loss for the year is determined on an accrual basis and adjusted by the attributable income and social contribution taxes on taxable profit and, where applicable, by deferred income and social contribution taxes that will be recoverable or payable in subsequent years, except in relation to gains on renegotiated loans, which are allocated to profit or loss on a cash basis, as established by CMN Resolution No. 2682/1999.

#### **3.3. Statement of comprehensive income**

Comprehensive income comprises the amount determined as net income for the year plus future changes in income and expenses that are already recorded in assets or liabilities matched with equity, but which have not yet affected the net income for the year.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.4. Statement of cash flows**

The statement of cash flows uses the indirect method, which adjusts profit or loss for the following effects:

- Non-cash transactions;
- Deferrals or accruals of past or future operating receipts or payments; and
- Income or expense items associated with cash flows from investing or financing activities.

For the purposes of these financial statements, cash and cash equivalents refer to the balances of cash available and interbank investments readily convertible into cash or with original maturity on or before ninety days from the contract date.

#### **3.5. Current and noncurrent assets**

Classification into current and noncurrent observes the distribution of assets according to liquidity. However, marketable securities classified as held for trading are presented as current assets regardless of their maturity dates, while tax credits are presented as noncurrent assets, not considering the expectation of their realization.

#### **3.6. Measurement of assets and liabilities**

Financial assets and liabilities are stated at amortized cost due to the application of the accrual method of accounting for recognition of the related interest income and expenses.

Contingent liabilities and legal obligations of uncertain timing are measured at present value since they are initially recognized at the estimated value of the proceeding and monthly updated.

#### **3.7. Cash and cash equivalents**

Cash and cash equivalents, include cash, bank deposits both in Brazil and abroad, and highly liquid short-term investments, without significant risk of changes in value and limits, falling due within three months, at the acquisition date, which are used by the Bank to manage its short-term commitments (Note 5).

## **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)**

#### **3.8. Interbank investments**

Repurchase agreements are adjusted to market value. Other assets are stated at acquisition cost, plus earnings accrued up to the reporting date, net of valuation allowance, where applicable (Note 5.1).

#### **3.9. Marketable securities**

In accordance with BACEN Circular Letter No. 3068/2001 and supplementary regulations, marketable securities are classified into the following categories, according to management's intentions, taking into consideration the following accounting criteria (Note 6.1):

- (a) Trading securities: securities purchased in order to be frequently and actively traded. They are recorded at market value, and the realized and unrealized gains and losses are recorded directly in the statement of profit or loss for the period (Note 6.1(a)).
- (b) Securities available for sale: marketable securities used as part of the cash flow management strategy. These securities are recorded at market value, with accrued income (yield curve) recognized in the statement of profit or loss for the year, and gains and losses arising from market value variations, not yet been realized, are recorded as Equity adjustments under Equity, net of the related tax effects. Gains and losses, when realized, are recorded in the statement of profit or loss for the year after being specifically identified on the trading date, matched against equity, net of the related tax effects. This category also includes investment fund shares that, because they are not traded in an active market, are recorded at acquisition cost (Note 6.1(b)).
- (c) Securities held to maturity: securities for which management has the intent and financial ability to hold to maturity, recorded at cost of acquisition, plus accrued earnings, recognized in the statement of profit or loss for the year. Financial ability is defined based on cash flow projections, not considering the possibility of early redemption of these securities (Note 6.1(c)).

## **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)**

#### **3.9. Marketable securities (Continued)**

Management establishes guidelines for the classification of marketable securities within the categories defined in BACEN Circular Letter No. 3068/2001. The classifications of the securities in the portfolio, as well as those acquired during the period, are assessed from time to time and on a systematic basis, according to these guidelines. As established in article 5 of this Circular Letter, the marketable security classification reassessment can only be made at the statement of financial position date. In addition, transfers from the "held to maturity" category can only be made due to an isolated, unusual, non-recurring and unpredicted event occurring after the date of classification (Note 6.1).

Income from marketable securities, irrespective of the category into which they are classified, are prorated on a daily basis by reference to the agreed index and interest rate through to the maturity date or final sale of the security, and recorded directly in P&L for the period.

Losses on securities classified as available for sale and held to maturity that are not temporary losses are recognized directly in P&L for the period and become a component of the new cost of the asset.

#### **3.10. Derivative financial instruments**

In accordance with BACEN Circular Letter No. 3082/2002 and subsequent regulations, derivative financial instruments are classified based on management's intent to use them for hedging purposes or not.

The type of derivative financial instrument used by BDMG is swap, for the purpose of mitigating, in full or in part, the risks arising from fluctuations in foreign currencies and interest rates on funds from borrowings contracted abroad.

As informed in Note 6.2, derivatives are measured at fair value and recorded as assets, when positive, and as liabilities, when negative, and changes in fair value are recognized in profit or loss, and, due to their nature, are classified as hedges of market risk. The financial instruments thus classified and the related hedged items have their appreciation or devaluation in relation to the fair value recognized in profit and loss accounts for the period.

Management and monitoring of risks concerning transactions with derivative financial instruments are compliant with the Bank's policies and strategies.



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

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### **3. Summary of significant accounting practices (Continued)**

#### **3.11. Loan portfolio and allowance for expected credit losses**

Loans and similar credit transactions are classified into nine risk levels from AA (lowest risk) to H (highest risk) and stated at realizable values including, when applicable, earnings accrued on a daily pro rata basis, based on the index variation and contractual interest rate. The earnings accrued on overdue loans are recorded as revenues up to the 59th day and, as of the 60th day, they are no longer accrued, with recognition in profit or loss only when the installments are effectively received, as established by article 9 of CMN Resolution No. 2682/1999. This Resolution also allows double counting on the delay intervals established for the nine levels for transactions with terms longer than 36 months.

Renegotiated transactions are maintained, at least, at the same risk level in which they were classified before the renegotiation. However, when there are significant facts that justify a change in the risk level, the renegotiated transaction is reclassified to a lower risk rating.

Transactions overdue for more than 180 days and classified as level H are written off against the existing provision after being classified at this risk level for six months and start to be controlled in memorandum accounts. When renegotiated, these transactions remain classified at risk level "H" and, subsequently, in view of a material fact, they can be reclassified to a lower risk category. Any gains arising from renegotiations are only recognized when actually received.

Allowance for expected credit losses is set up based on the criteria to classify credit risk related to customers and operations as defined by CMN Resolution No. 2682/1999, grounded on analysis of outstanding balances of transactions, the value of guarantees, history of losses, and risks of the portfolio (Note 6.3).

#### **3.12. Credit assignment**

In accordance with accounting practices established by the Central Bank of Brazil up to September 30, 2011, credits assigned, with or without guarantee, to other financial institutions and funds were written off from the portfolio at the time of disposal, and immediately recognized in the statement of profit or loss, and assignments with guarantee were recorded in memorandum accounts. The Bank adopts the procedure of setting up contingent allowance for losses related to portfolio with guarantee.

## **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)**

#### **3.12. Credit assignment (Continued)**

CMN Resolution No. 3533/2008 currently in effect changed, as of January 1, 2009, the form of recognition of credit assignment transactions, carried out from then on, establishing procedures for classification and disclosure of disposals or transfers of financial assets. Based on this Resolution, the maintenance or derecognition of the financial asset is related to the substantial retention of the risks and rewards of the operation.

For balances assigned before January 1, 2009, there were no retroactive changes in the criteria for the recognition of credit assignments.

BDMG did not carry out credit assignments as from 2009, therefore these changes had no impacts on its financial statements (Note 6.3(f)).

#### **3.13. Other financial assets**

These assets are stated at realizable values including, where applicable, earnings accrued on a daily pro rata basis, less the related unearned income and allowances, when necessary (Note 6.4).

#### **3.14. Other assets**

Other assets are recorded as assets not for use, received in accord and satisfaction or arising from the execution of guarantees, which are initially recognized at the lesser of the value of the item received or the measurement value. Subsequently, they are adjusted by the lesser of the value of the measurement carried out annually for each asset or by the value offered at an auction sale.

Other assets also include prepaid expenses arising from commissions and other prepaid fees arising from loans and securities issued abroad recorded at cost and amortized in accordance with the term of the related items (Note 8).

#### Current and deferred tax assets and liabilities

These tax assets and liabilities are recorded in accordance with CMN Resolution No. 4842/2020. The current tax assets are those taxes the Bank is legally entitled to offset or obtain a refund in the future, and the deferred tax assets or tax credits are tax assets arising from temporary tax differences and tax losses. Current tax liabilities refer to taxes payable for the current period and prior periods, and deferred tax liabilities refer to income taxes payable in the future period relating to taxable temporary differences.

## 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)

#### 3.15. Property and equipment in use and intangible assets

Property and equipment in use, except acquisitions prior to 1995, which were restated according to the regulations effective at the time, and intangible assets are recorded at the cost of acquisition, net of the related accumulated depreciation and amortization, and adjusted for impairment if the annual impairment tests indicate that these assets are recognized for an amount above their recoverable amount (Note 7).

Depreciation and amortization of these assets are calculated using the straight-line method considering their costs and residual values over their estimated useful lives, as follows:

	<u>Years</u>
Real estate	20
Facilities, furniture and equipment	10
Data processing system	5
Other	10
Intangible assets (software)	5

When the carrying amount of an asset exceeds its estimated recoverable amount (Note 7-a), an allowance is set up to adjust the carrying amount of this asset to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized under Non-operating income (expenses), in the statement of profit or loss.

#### 3.16. Current and noncurrent liabilities

These are stated at known or estimated amounts including, where applicable, accrued charges calculated on a daily pro rata basis, less expenses to be accrued.

##### Deposits and funding

Deposits, funding, loans abroad and financing in the country are stated at the amounts of the liabilities (amortized cost) and consider, as applicable, the related charges updated through to the reporting date.

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

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### **3. Summary of significant accounting practices (Continued)**

#### **3.16. Current and noncurrent liabilities (Continued)**

##### Deposits and funding (Continued)

Loans abroad with interest rate risk and foreign currency risk supported by the Bank have hedge swaps to exchange foreign currencies for the Brazilian real and agreed floating or fixed rates for CDI-pegged floating rates or fixed rates. The terms and conditions of the loan and the associated derivative qualify as a matched transaction so that, economically, it results in a debt in a percentage of the CDI in Brazilian reais with fixed or future interest rates. In these cases, the debt is measured at fair value through profit or loss to eliminate the accounting mismatch between the loan and the associated derivative instrument.

##### Other liabilities

They are stated at known and estimated amounts plus applicable charges, if any.

#### **3.17. Contingent assets and liabilities and legal obligations - tax and social security**

They are evaluated, recognized and disclosed in accordance with CMN Resolution No. 3823, dated December 16, 2012, and BACEN Circular Letter No. 3429, dated February 11, 2010, taking into account Accounting Pronouncement CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, issued by the CPC.

Contingent assets: these are not recognized, except when management has total control over the situation or when there is security interest or favorable court decisions, in respect of which there can be no further appeals, considering the gain as virtually certain and confirming the capacity of recovery by receipt or offset.

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### **3. Summary of significant accounting practices (Continued)**

#### **3.17. Contingent assets and liabilities and legal obligations - tax and social security**

(Continued)

Contingent liabilities: these are recognized in the financial statements when, based on the opinion of legal advisors and management, the nature of the proceedings, the similarity with previous proceedings, and case laws, the likelihood of an unfavorable outcome of a legal or administrative proceeding is considered probable, requiring a probable cash outflow for settlement of the obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as involving possible losses are not accounted for and are disclosed in the notes to the financial statements when the amounts involved are individually significant. Contingent liabilities classified as remote losses are not provided for nor disclosed (Note 10(b)).

Legal obligations - tax and social security: these derive from legal proceedings related to tax obligations, challenging their constitutionality, and are fully recognized in the financial statements, regardless of the likelihood of a favorable outcome (Note 10).

#### **3.18. Current and deferred income and social contribution taxes**

The provision for income tax is recorded at the base rate of 15% of taxable profit, plus 10% surtax. Provision for social contribution tax on adjusted net income was recorded at the rate of 15% of taxable profit in the period from 01/01/2019 to 02/29/2020, and at 20% as from March 1, 2020, as established by article 32 of Constitutional Amendment No. 103, of November 12, 2019 (Note 14).

BDMG tax credits arise from temporary differences related to expenses added to the tax bases that are temporarily not admitted as deductible. Those credits are set up at the rates that will be applied on their realization, to wit:

- (i) Income tax (IRPJ): base rate of 15% of taxable profit, plus 10% surtax;
- (ii) Social Contribution Tax on Net Profit (CSLL): rate of 20% of taxable profit.

Tax credits on income and social contribution tax losses (25% and 20%, respectively) are also accrued.

## **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)**

#### **3.18. Current and deferred income and social contribution taxes (Continued)**

Income and social contribution tax credits are reviewed at each reporting date and are accrued on temporary additions and exclusions, based on applicable legislation on the date they are accrued. These tax credits will be realized upon the effective use and/or reversal of the amounts on which they have been accrued.

Deferred income and social contribution tax assets are recognized to the extent that future taxable profit is likely to be available against which the temporary differences can be used. Tax credits on income and social contribution tax losses are realized according to the generation of taxable profits, observing the limit of 30% of taxable profit of the base period.

Deferred income and social contribution tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **3.19. Employee benefits**

The Bank offers to its active employees and retirees the following benefits:

- (i) Pension benefits: provides employees with supplementary retirement remuneration to that guaranteed by the General Social Security Regime (RGPS). BDMG sponsors defined benefit pension plans (which were closed to new enrolments on November 10, 2011) and variable contribution pension plans.
- (ii) Healthcare and dental care benefit: this plan provides coverage for medical and dental expenses to its participants. This benefit, made through partial payment of the monthly contribution by the Bank, was, until February 22, 2018, guaranteed to all active employees. Since that date, it has been assured to then participants and active employees and pensioner members. As from referred to date, the benefit was assured to the employees already assisted on such date and active employees who joined the Voluntary Termination Plan, whose term of enrolment ended April 30, 2018. For the other employees, after such date, the benefit was assured by the Bank for the period in which they remain as active participants, and in the form of self-sponsorship after they retire in accordance with the conditions established in the PRÓ-SAÚDE Regulation.

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Notes to financial statements (Continued)

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### **3. Summary of significant accounting practices (Continued)**

#### **3.19. Employee benefits (Continued)**

- (iii) Life insurance: this benefit is sponsored by the Bank, which pays part of the premium of the group life insurance policy and, as from February 22, 2018, is ensured to active employees and pensioner members who had the benefit on that date.

Active employees may remain bound to the plan when they become pensioner members, and are responsible for the total contribution due.

- (iv) Voluntary employment termination program: the objective of this Program, when implemented, is to benefit the employees in condition to retire and who meet the requirements established in its regulation. In this year, the program was opened on May 5, 2020, with a 15-day enrollment period from that date.
- (v) Other benefits: the Bank also offers to its active employees other benefits, such as profit sharing, maternity leave extended for an additional sixty days and paternity leave extended for an additional fifteen days. Furthermore, BDMG grants lifetime pension benefits to a pensioner member and retirement benefits to two retired former employees, for not having been hired under the Consolidation of the Labor Laws (CLT) regime, at the time the Bank was still an autonomous government agency.

All the benefits granted by the Bank, including those granted to active employees that do not represent post-employment benefits, such as profit sharing and extended maternity and paternity leaves, are accounted for in accordance with CPC 33 (R1) - Employee Benefits, as approved by CMN Resolution No. 4424/2015.

The Bank complies with this standard when accounting for the benefits concerning the performance of the actuarial study on which the accounting records are based. The actuarial study used by the Bank is made annually for the reporting date of December 31 and updated on a six-month basis for the reporting date of June 30.

Information on recognition of employee benefits is detailed in Note 17.

#### **3.20. Employee profit sharing**

Profit sharing is defined through a collective agreement and the related provision is recorded based on a percentage of the profit, adjusted at year end after the profit for the year is calculated.

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

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### **3. Summary of significant accounting practices (Continued)**

#### **3.21. Capital**

The capital of BDMG, recorded in equity, comprises registered common shares with no par value (Note 12(a)).

#### **3.22. Capital remuneration**

BDMG's articles of incorporation establish payment of mandatory minimum dividends corresponding to 1% of net income for the year, adjusted pursuant to legislation.

In the years profits are recorded, the Bank credits the amount of interest on equity to its shareholders and it has been a practice for shareholders to reinvest such interest in capital as follows:

- (i) Shareholders who do not have tax immunity - amount credited net of applicable taxes and
- (ii) Shareholder State of Minas Gerais: amount credited net of the rate payable to the Federal Government and that is levied on the revenue credited to the State.

#### **3.23. Revenues and expenses**

They are recognized on an accrual basis in the statement of profit or loss for the periods to which they refer.

#### **3.24. Related parties**

The disclosures on related parties included in the accompanying notes to the financial statements are in accordance with CMN Resolution No. 4636/2018. According to this regulation, the Bank discloses its transactions with related parties, which could affect its financial position and profit or loss. Legal entities and individuals that meet the criteria of BDMG's internal Resolution No. 209-A/2018 are considered related parties. The related parties with which the Bank carried out transactions during the period are disclosed in Note 15.

### **4. Application of accounting judgments and estimates with significant effects**

The preparation of the financial statements requires management to use judgments and estimates that impact the book balances of assets and liabilities published by the Bank. The estimates and judgments adopted by the Bank result from subjectivity and uncertainties involving certain classes of assets and liabilities.



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

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

Notes to financial statements (Continued)  
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### **4. Application of accounting judgments and estimates with significant effects (Continued)**

The Bank, in turn, has internal rules or technical notes that establish criteria for application of accounting policies that may or may not involve the use of judgments and estimates to calculate the amounts to be accounted for.

Judgments and estimates are reviewed on an ongoing basis since it is necessary to take into account, in addition to the established practice, the factors assessed as possible to occur at the time the financial statements are prepared.

The reviews carried out also took into account the expected impact on the economy due to the Covid-19 pandemic.

#### **4.1. Impairment of non-financial assets**

Assets not for use are technically assessed to check evidence of issues as to the recoverability of their value. The valuations consider estimates defined according to the conditions that affect the item at the time they are carried out. The Bank establishes a provision for loss when the valuation of the asset is less than the accounted value, and the recognized loss may be reversed based on future valuations.

In order to present the effective value of these assets, management adopts the procedure of recognizing that the value offered in the auction for the sale of an item, when lower than the amount of the valuation, evidences the effective expected loss.

#### **4.2. Allowance for expected credit losses**

Management exercises judgments and applies certain assumptions to measure the expected credit losses.

The provisions related to losses incurred in the loan portfolio comply with CMN Resolution No. 2682/1999, as stated in Note 6.3.

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

Notes to financial statements (Continued)

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### **4. Application of accounting judgments and estimates with significant effects (Continued)**

#### **4.2. Provision for expected credit losses (Continued)**

The evaluation of expected losses on the portfolio is made by means of a model that involves various estimates and judgments since they consider the characteristics of the customer's credit and quality, the flow of payment history and the existing guarantees, which may lead to a decrease in the estimated amount receivable of future cash flows.

Management's judgments are made mostly in relation to factors considered in the model that, due to internal and external information, evidence the possibility of losses in the following year or during the cycle of the operation.

However, the use of different judgments and assumptions may lead to a provision different from the amount determined by the model.

#### **4.3. Fair value of derivative financial instruments**

The Bank's derivative financial instruments are recorded at fair value, which is established based on quotations from active markets, when available and, in the absence thereof, is calculated using valuation techniques based on assumptions that consider established judgments from information and market conditions existing at the reporting date.

The judgments made arise substantially from the volatility of the foreign exchange markets, which can cause significant changes in the future rates of foreign currencies, in very short periods of time, generating significant variations in the fair value of the swaps.

We can observe that the methodologies adopted are considered appropriate and consistent with the market conditions, but when taking into account assumptions with judgments, the results obtained may vary in relation to those arising from application of other methodologies that use different assumptions to determine the fair value.

#### **4.4. Deferred tax assets**

The Bank has tax credits recognized in assets substantially resulting from temporary differences and for which there is expectation of realization based on future taxable profits projected by the Bank in a technical study of projection of profit or loss.

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

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### **4. Application of accounting judgments and estimates with significant effects (Continued)**

#### **4.4. Deferred tax assets (Continued)**

The expected future generation of taxable profits is based on technical studies of projection of profit or loss that require management's judgment and also involves the use of estimation calculations that take into account current and future expectations as to business growth and performance of the Bank.

#### **4.5. Provision for tax, civil and labor contingencies**

The Bank has contingent liabilities and related provisions arising from lawsuits at legal and administrative courts related to tax, civil and labor contingencies.

Obligations are recognized in accordance with the opinion of legal advisors who classify the proceedings in terms of likelihood of loss.

For obligations legally assessed as "probable loss", provisions are set up, the amounts of which are quantified using criteria that allow their measurement despite the uncertainties inherent in the terms, settlement amounts and likelihood of loss.

A provision for tax and social security proceedings for which the constitutional grounds are discussed, in compliance with Circular Letter Bacen No. 3429/2010, is recognized for the amount in dispute plus charges, while the provision for labor and civil contingencies corresponds to the estimated disbursement plus applicable charges. The provisioned amounts are adjusted whenever there is a decision that impacts the book value.

For judgment purposes, management considers the possibility of changes in the estimates considered for recognizing the provisions, as a result of changes in the timing of conclusion of the proceedings and the possibility of future disbursement due to decisions at higher courts and/or government incentive programs for payment of debts under favorable conditions that may lead to a disbursement below the provision amount.

The Bank's contingencies are described in Note 10-b.

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### 4. Application of accounting judgments and estimates with significant effects (Continued)

#### 4.6. Defined benefit retirement plan obligations

The defined benefit plan sponsored by the Bank generates an obligation, the amount of which is obtained by actuarial calculations that consider various assumptions and are partly based on current market conditions.

In measuring the actuarial liabilities of the post-employment benefit plan, management uses judgment to determine the assumptions.

#### 4.7. Provisions for loan commitments, guarantees and legal claims

To support losses arising from the possible need to honor obligations arising from the provision of guarantees for contracts not recorded in the statement of financial position, the Bank sets up provision for expected losses, and this amount is recognized as a liability against profit or loss for the period.

For calculation of the estimated amount of losses on the provision for guarantees, the same parameters as the expected loss in the customer loan portfolio are used.

### 5. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits both in Brazil and abroad, and highly liquid investments maturing within three months from the contract date and without significant risk of change in value. The breakdown of the group is as follows:

	2020	2019
Cash and cash equivalents	4,765	1,606
Cash and cash equivalents in foreign currency	834,160	7,497
Interbank investments	717,716	81,207
	<b>1,556,641</b>	<b>90,310</b>

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

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### 5. Cash and cash equivalents

#### 5.1. Interbank investments

	2020	2019
Investments in repurchase agreements – own portfolio:		
Financial Treasury Bills (LFT)	717,716	81,207
Interbank deposits	20,330	8,191
Provision for loss on interbank deposits (i)	(7,342)	(8,191)
	<b>730,704</b>	<b>81,207</b>

- (i) The provision for loss on interbank deposits refers to security acquired from a financial institution that is currently undergoing bankruptcy proceedings.

Interbank investments mature as follows:

	Overdue	Up to 30 days	From 31 to 360 days	Total
National Treasury Bills	-	717,716	-	717,716
Interbank deposits	7,342	-	12,988	20,330
Provision for losses	(7,342)	-	-	(7,342)
Balance at 12/31/2020	-	717,716	12,988	730,704
Balance at 12/31/2019	-	81,207	-	81,207

- (i) The Bank has interbank deposits in the amount of R\$12,988 maturing after three months.

### 6. Financial instruments

#### 6.1. Marketable securities

	2020			2019		
	Number	Curve yield	Market value	Number	Curve yield	Market value
<b>Trading securities (a)</b>	-	-	-	-	134,391	134,387
Government bonds – Unrestricted - LFT	-	-	-	12,836	134,391	134,387
<b>Securities available for sale (b)</b>	-	367,311	333,933	-	796,910	751,156
Government bonds – Unrestricted - LFT	20,850	223,868	220,812	53,977	565,124	565,100
Corporate bonds	-	143,443	113,121	-	231,786	186,056
Investment fund shares	17,291,078	47,570	47,570	32,960,589	135,912	135,912
Floating income securities	-	95,873	122,579	-	95,874	107,172
Provision for losses on floating income securities	-	-	(57,028)	-	-	(57,028)
<b>Securities held to maturity (c)</b>	-	202,005	146,954	-	207,010	152,181
Government bonds – National Treasury Notes (NTN-B)	21,000	76,948	74,364	21,000	75,349	71,288
Unrestricted	19,360	70,939	68,355	14,200	50,950	46,889
Linked to capital increase	1,640	6,009	6,009	6,800	24,399	24,399
Corporate bonds	-	125,057	72,590	-	131,661	80,893
Debentures	67,154	82,900	82,900	67,154	82,159	82,159
Provision for debenture credit risk	-	-	(52,432)	-	-	(50,557)
Commodities – Agricultural Commodities Note (CPR)	-	42,157	42,157	-	49,502	49,502
Provision for CPR credit risk	-	-	(35)	-	-	(211)

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	-	569,316	480,887	33,115,556	1,138,311	1,037,724
Current			60,401			123,631
Noncurrent			420,486			914,093

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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

##### a) Securities held for trading

This category includes securities acquired to be actively and frequently traded. These securities are recorded at market value, and gains and losses are recognized directly in profit or loss for the period.

##### b) Securities available for sale

These securities can be sold at any time in response to the need for liquidity or changes in market conditions.

This portfolio includes government bonds that are recognized at market value, and gains and losses arising from adjustments to their values recognized at market value while unrealized are accounted for, net of applicable taxes, in a specific equity account. Upon realization, they are recognized in profit or loss, on the trading date, with a matching entry to such specific account.

These securities are marked to market considering the quotations disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA) for the secondary market of such securities.

#### *Changes in the equity adjustment of securities available for sale*

	<b>Unrealized gains (losses)</b>	<b>Tax effects</b>	<b>Mark to market</b>
Balance in 2019	7,214	(3,891)	3,323
Adjustment in the period	<b>13,851</b>	<b>(6,765)</b>	<b>7,086</b>
Balance in 2020	<b>21,065</b>	<b>(10,656)</b>	<b>10,409</b>

The variable income securities classified in this category refer to the BDMGTEC shareholdings that were added to the portfolio in 2018 upon merger of that company by BDMG. These securities are recorded at fair value and reduced by the corresponding impairment losses, as applicable.



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

Notes to financial statements (Continued)  
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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

##### b) Securities available for sale (Continued)

*Changes in the equity adjustment of securities available for sale (Continued)*

Investments in investment fund shares are considered in this category at acquisition cost as they are not traded in an active market.

*Aging list of securities available for sale*

	2020					2019			
	From 31 to 60 days	From 61 to 90 days	From 181 to 360 days	More than 360 days	Total	Within 30 days	From 181 to 360 days	More than 360 days	Total
<b>Government bonds</b>	-	-	-	220,812	220,812	-	-	565,100	565,100
LFT	-	-	-	220,812	220,812	-	-	565,100	565,100
<b>Corporate bonds</b>	8,786	6,374	1,813	96,148	113,121	96,630	10,625	78,801	186,056
Investment fund shares	8,786	6,374	1,813	30,597	47,570	96,630	10,625	28,657	135,912
Fixed income	-	-	-	-	-	96,630	-	-	96,630
Emerging companies	-	-	1,813	-	1,813	-	2,182	-	2,182
Interest held	8,786	6,374	-	27,610	42,770	-	8,443	26,255	34,698
Investment Guarantee Fund (FGI)	-	-	-	2,987	2,987	-	-	2,402	2,402
Floating income securities	-	-	-	65,551	65,551	-	-	50,144	50,144
<b>Total</b>	<b>8,786</b>	<b>6,374</b>	<b>1,813</b>	<b>316,960</b>	<b>333,933</b>	<b>96,630</b>	<b>10,625</b>	<b>643,901</b>	<b>751,156</b>

##### c) Securities held to maturity

These securities are initially recognized at fair value plus transaction costs, and subsequently measured at amortized cost using the interest rate and other contracted finance charges.

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

Notes to financial statements (Continued)  
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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

##### c) Securities held to maturity (Continued)

*Aging list of securities held to maturity*

	2020						Total
	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	
<b>Government bonds</b>	-	-	-	-	-	74,364	74,364
NTN - Unrestricted	-	-	-	-	-	68,355	68,355
Linked to capital increase	-	-	-	-	-	6,009	6,009
<b>Corporate bonds</b>	4,163	7,380	6,347	19,120	6,418	29,162	72,590
Debentures	-	-	846	1,427	977	27,218	30,468
Investments in Commodities (CPR)	4,163	7,380	5,501	17,693	5,441	1,944	42,122
<b>Total</b>	<b>4,163</b>	<b>7,380</b>	<b>6,347</b>	<b>19,120</b>	<b>6,418</b>	<b>103,526</b>	<b>146,954</b>

	2019						Total
	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	
<b>Government bonds</b>	-	-	-	-	-	71,288	71,288
NTN - Unrestricted	-	-	-	-	-	46,889	46,889
Linked to capital increase	-	-	-	-	-	24,399	24,399
<b>Corporate bonds</b>	3,507	278	876	1,310	10,405	64,517	80,893
Debentures	-	-	598	-	1,731	29,273	31,602
Investments in Commodities (CPR)	3,507	278	278	1,310	8,674	35,244	49,291
<b>Total</b>	<b>3,507</b>	<b>278</b>	<b>876</b>	<b>1,310</b>	<b>10,405</b>	<b>135,805</b>	<b>152,181</b>

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

Notes to financial statements (Continued)  
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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

##### c) Securities held to maturity (Continued)

##### i) *National Treasury Notes (NTN)*

At June 30, 2015, the Bank reclassified the following security from “available for sale” to “held to maturity”:

	<b>Maturity date</b>	<b>2020</b>	<b>2019</b>
NTN-B	15/08/2022	<b>76,948</b>	75,349
Mark to market		<b>(2,584)</b>	(4,061)
Current value		<b>74,364</b>	71,288

At the reclassification date, the balance of R\$15,178 was recorded as a separate component in equity referring to unrealized gains on such security. Due to the reclassification, this amount shall be allocated to profit or loss up to the maturity dates.

In 2020, R\$1,477 (R\$1,477 at 12/31/2019) was allocated to profit or loss, totaling R\$12,594 (R\$11,117 at 12/31/2019) in allocations already made since the reclassification.

##### ii) *Debentures*

Debentures are acquired as financial support rather than for financial investment purposes. A provision is recorded for the credit risk of the issuer, pursuant to CMN Resolution No. 2682/1999.

	<b>Maturity date</b>	<b>2020</b>	<b>2019</b>
<b>Acquisition</b>			
January 2019	1/11/2024	<b>74,787</b>	72,080
November 2019	10/15/2022	<b>8,113</b>	10,079
		<b>82,900</b>	82,159
Provision for credit risk		<b>(52,432)</b>	(50,557)
Current value		<b>30,468</b>	31,602

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

Notes to financial statements (Continued)  
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### **6. Financial instruments (Continued)**

#### **6.2. Derivative financial instruments**

To hedge its assets from own risks arising from exchange differences and interest rate fluctuations of funds raised abroad, for which the risks are kept, the Bank uses swaps.

When contracting derivative instruments, the Bank observes the regulations in force regarding the risk control policy, the hedging strategies established and limits determined, and the ways of monitoring transactions at the Bank.

Derivatives are recorded at fair value and held as assets when positive, and as liabilities, when negative. They are subsequently revalued also at fair value, with the valuations or devaluations recognized directly in profit or loss for the period. These derivatives are intended to offset, in whole or in part, the risks arising from changes in the market value of the hedged financial assets or liabilities. These derivatives, as well as related financial assets and liabilities, are adjusted to market value, and gains and losses are posted directly to profit or loss.

In accordance with BACEN Circular Letter No. 3082/2001, the Bank adopts the hedge accounting methodology for recognition of derivatives, recording external funding operations (hedged items) and derivative financial instruments (hedging instruments) based on their market value. Thus, the variation in the hedged item is offset by the variation in the hedging instrument considering the cumulative effect of the transaction.

The following conditions are applied for use of this accounting procedure:

- Existence of documentary identification of the hedged risk with detailed information about the transaction; and
- Hedge effectiveness is maintained as a percentage within the range established in said Circular Letter.

The market value of swap long and short positions accounted for under the hedge accounting procedure is established through use of weighting factors calculated at the derivative contracting date and that, at that date, are equal to the market value and curve yield of the contracted transaction.

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

Notes to financial statements (Continued)

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### 6. Financial instruments (Continued)

#### 6.2. Derivative financial instruments (Continued)

At the beginning of the transaction, as established in BACEN Circular Letter No. 3082/2001, BDMG conducts the effectiveness test, the initial prospective test of the hedge structure, and periodically assesses the effectiveness through prospective and retrospective tests, upon preparation of the semi-annual and annual financial statements, through calculation of the ratio of the market value variation of the hedging instrument's long position and the market value variation of the hedged item.

##### a) Hedging of amounts receivable or payable

The amounts receivable or payable from swap agreements are guaranteed by deposits and/or interbank funding when the amount exceeds the contractual limit.

	2020	2019
Guarantees in effect:		
Interbank deposits	12,988	-
Funding in interbank deposits	72,673	40,420

##### b) Position of foreign funding hedged by derivatives

	Commencement	End	Index	Funding	2020		2019	
					Balance (foreign currency)	Curve	Balance (foreign currency)	Curve
CAF 1	9/27/2013	9/27/2023	6M Libor + 3.65% p.a.	US\$15,000	5,348	27,791	7,165	28,875
CAF 2	10/21/2013	10/23/2023	6M Libor + 3.65% p.a.	US\$30,000	10,670	55,441	14,274	57,527
CAF 3	12/19/2013	12/19/2023	6M Libor + 3.65% p.a.	US\$30,000	10,600	55,077	14,144	57,001
IDB	8/4/2014	8/16/2021	6M Libor + 2.25% p.a.	US\$50,000	9,180	47,699	18,480	74,478
AFD3	2/2/2017	11/28/2025	Euribor 6M + 2% p.a.	€15,000	6,097	38,871	7,317	33,140
EIB	3/2/2020	2/20/2030	6M Libor + 0.451% p.a.	US\$9,301	9,327	48,464	-	-
FONPLATA	5/21/2020	5/19/2025	6M Libor + 3.02% p.a.	US\$36,000	36,142	187,796	-	-
BEI 2	12/3/2020	12/3/2030	1.032% p.a.	US\$11,241	11,250	58,456	-	-
BEI 3	12/3/2020	12/3/2030	1.032% p.a.	US\$35,703	35,732	185,665	-	-
						705,260		251,021
Mark to market						2,096		1,783
Market value						707,356		252,804

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### 6. Financial instruments (Continued)

#### 6.2. Derivative financial instruments (Continued)

##### c) Swap amounts recorded

	2020		2019
	Notional value (memorandum account)	Amount receivable/ payable (asset/liability account)	Net effect (profit or loss account)
(USD + Libor + Rate) x (BRL + %CDI) (1)	119,533	66,444	60,948
(EUR + Euribor + Rate) x (BRL + %CDI) (1)	30,714	17,284	12,640
(USD + Libor + Rate) x (BRL + Rate) (1)	41,634	6,775	6,115
(USD + Rate) x (BRL + %CDI) (1)	242,592	2,412	2,412
(USD + Libor + Rate) x (BRL + %CDI) (2)	202,284	(16,943)	(17,898)
	<b>636,757</b>	<b>75,972</b>	<b>64,217</b>
			15,190

(1) difference receivable

(2) difference payable

##### d) Swaps by maturity

	Within 30 days	From 31 to 180 days	From 181 to 360 days	More than 360 days	Total
<b>Long position – Difference receivable</b>					
Foreign currency	-	-	18,008	74,907	92,915
Total - 2020	-	-	18,008	74,907	92,915
Total - 2019	-	-	-	49,280	49,280
<b>Short position – Difference payable</b>					
Foreign currency	-	-	-	(16,943)	(16,943)
Total - 2020	-	-	-	(16,943)	(16,943)
Total - 2019	-	-	-	-	-
Net exposure - 2020	-	-	18,008	57,964	75,972
Net exposure - 2019	-	-	-	49,280	49,280

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

Notes to financial statements (Continued)  
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### 6. Financial instruments (Continued)

#### 6.2. Derivative financial instruments (Continued)

##### e) Swaps by index and nominal value

	Nominal value	Curve yield	Mark to market	Market value
<b>Long position – Difference receivable</b>				
(US\$ + Libor + Taxa) x (BRL + %CDI)	119,533	65,908	536	66,444
(EUR + Euribor + Rate) x (BRL + %CDI)	30,714	16,386	898	17,284
(US\$ + Libor + Rate) x (BRL + Rate)	41,634	5,963	812	6,775
(USD + Rate) x (BRL + %CDI)	242,592	1,218	1,194	2,412
Total - 2020	434,473	89,475	3,440	92,915
Total - 2019	215,744	42,604	6,676	49,280
<b>Posição passiva - Diferencial a pagar</b>				
(US\$ + Libor + Rate) x (BRL + %CDI)	202,284	(15,598)	(1,345)	(16,943)
(EUR + Euribor + Rate) x (BRL + %CDI)	-	-	-	-
(US\$ + Libor + Rate) x (BRL + Rate)	-	-	-	-
Total - 2020	202,284	(15,598)	(1,345)	(16,943)
Total - 2019	-	-	-	-
Net exposure - 2020	636,757	73,877	2,095	75,972
Net exposure - 2019	215,744	42,604	6,676	49,280

The effect of exchange differences on hedge accounting transactions is equivalent to that generated in hedged transactions.

#### 6.3. Loan portfolio

	2020	2019
<b>Loan portfolio (loans and credits similar to loans)</b>	<b>6,047,311</b>	4,504,660
<b>Allowance for expected credit losses</b>	<b>(564,836)</b>	(432,613)
<b>Net balance</b>	<b>5,482,475</b>	4,072,047

Of the total loans of R\$6,047,311 (2019 - R\$4,504,660), the amount of R\$3,304,412 (2019 - R\$1,732,426) was granted with own resources and R\$2,742,899 (2019 - R\$2,772,234), originally, with onlending received from other financial institutions.

The balance of the renegotiated loan portfolio totals R\$1,962,855 (2019 - R\$916,257).

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

Notes to financial statements (Continued)

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### 6. Financial instruments (Continued)

#### 6.3. Loan portfolio (Continued)

##### a) Concentration of credit risk exposure (gross value)

	2020		2019	
	Balance	%	Balance	%
Major debtor	199,666	3	195,371	4
10 largest debtors	1,011,193	16	981,793	19
20 largest debtors	1,584,673	24	1,486,862	29
50 largest debtors	2,544,062	39	2,365,992	47
100 largest debtors	3,339,334	52	3,073,494	61

The table considers exposures in the concept of extended portfolio, that is, considers the loan portfolio and other exposures.

##### b) Classification by type and segment of activity

	2020	2019
<b>Loans</b>	<b>1,771,005</b>	<b>761,780</b>
Manufacturing	638,566	397,337
Trade	587,981	181,616
Other services	544,458	182,827
<b>Financing to the private sector</b>	<b>3,613,588</b>	<b>3,128,911</b>
Manufacturing	1,169,067	1,168,546
Trade	265,353	187,713
Other services	1,047,630	787,563
Agricultural and agroindustrial	1,118,362	967,030
Financial intermediaries	-	390
Individuals	1,706	1,232
Other	11,470	16,437
<b>Financing to the public sector (direct and indirect municipal administrations)</b>	<b>662,718</b>	<b>613,969</b>
Subtotal	6,047,311	4,504,660
Allowance for loan losses	(564,691)	(432,349)
Allowance for losses on credits similar to loans	(145)	(264)
	<b>5,482,475</b>	<b>4,072,047</b>
Current	1,717,950	1,242,424
Noncurrent	3,764,525	2,829,623



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

Notes to financial statements (Continued)

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### 6. Financial instruments (Continued)

#### 6.3. Loan portfolio (Continued)

##### c) Classification by maturity and risk levels

	2020								2019	
	Overdue (in days)				Falling due (in days)					
	Total	Above 90	from 15 to 90	Up to 90	from 91 to 360	From 361 to 1080	From 1081 to 1800	From 1800 to 5400	Above 5400	Total
AA	2,087,883	-	557	120,413	363,579	1,067,357	315,327	194,090	26,560	1,822,672
A	1,665,807	-	29,759	131,872	479,490	806,879	153,791	64,017	-	622,230
B	714,596	-	7,835	108,869	209,327	280,302	71,494	36,544	225	730,850
C	586,552	292	9,597	48,730	128,638	237,115	103,644	58,536	-	519,823
D	296,196	435	6,802	22,065	49,410	114,837	64,063	38,584	-	329,439
E	99,746	73	29	4,756	12,078	53,498	28,773	539	-	97,497
F	234,714	7,758	3,096	1,309	3,643	207,954	4,219	6,195	540	35,738
G	27,205	94	-	399	1,000	10,055	9,885	5,772	-	71,519
H	334,612	42,899	62,172	6,328	16,407	37,691	40,921	30,230	97,964	274,892
	<b>6,047,311</b>	<b>51,551</b>	<b>119,847</b>	<b>444,741</b>	<b>1,263,572</b>	<b>2,815,687</b>	<b>792,117</b>	<b>434,507</b>	<b>125,289</b>	<b>4,504,660</b>

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

Notes to financial statements (Continued)

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### 6. Financial instruments (Continued)

#### 6.3. Loan portfolio (Continued)

##### d) Classification by risk level and provision

Risk level	%	2020			2019	
		Portfolio	Allowance for loan losses based on minimum required percentages	Allowance for loan losses	Portfolio	Allowance for loan losses
AA	0	2,087,883	-	-	1,822,672	-
A	0.5	1,665,807	(8,329)	(8,329)	622,230	(3,111)
B	1	714,596	(7,146)	(7,185)	730,850	(7,309)
C	3	586,552	(17,597)	(18,061)	519,823	(16,025)
D	10	296,196	(29,620)	(30,325)	329,439	(34,054)
E	30	99,746	(29,924)	(29,924)	97,497	(29,290)
F	50	234,714	(117,357)	(117,357)	35,738	(17,869)
G	70	27,205	(19,044)	(19,043)	71,519	(50,063)
H	100	334,612	(334,612)	(334,612)	274,892	(274,892)
		<b>6,047,311</b>	<b>(563,629)</b>	<b>(564,836)</b>	4,504,660	(432,613)

##### e) Changes in allowance for loan losses

	2020		2019
	2nd half	Year	Year
Opening balance	425,689	432,613	555,624
(+) Set-up of allowance, net of reversals	182,826	205,498	103,221
(-) Loans written off as losses	(43,679)	(73,275)	(226,232)
Balance of allowance for loan losses	<b>564,836</b>	<b>564,836</b>	432,613

##### f) Credit assignment

The balance of operations assigned with guarantee, recorded in memorandum accounts according to the amounts shown below, refers to transactions assigned up to December 31, 2011 (prior to CMN Resolution No. 3533/2008):

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Notes to financial statements (Continued)  
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### 6. Financial instruments (Continued)

#### 6.3. Loan portfolio (Continued)

##### f) Credit assignment (Continued)

	2020	2019
Assignment prior to CMN Resolution No. 3533/2008:		
Guarantees pending settlement	16,447	18,856
Transactions settled to be transferred	164	40
	<b>16,611</b>	<b>18,896</b>

#### 6.4. Other financial assets

	2020	2019
Debtors for escrow deposits (a)	127,538	124,587
Notes and credits receivable (b)	2,676	2,480
Sundry debtors – domestic (c)	11,269	904
Income receivable (d)	1,813	2,470
Taxes and contributions to be offset (e)	4,510	2,809
Other	5,116	1,927
Total	<b>152,922</b>	<b>135,177</b>
Current	21,379	7,250
Noncurrent	<b>131,543</b>	<b>127,727</b>

##### (a) Debtors for escrow deposits

Breakdown	2020	2019
Deposits for tax suits filed	123,283	121,636
Deposits for labor claims	2,942	2,868
Deposits for civil suits	1,313	83
Total	<b>127,538</b>	<b>124,587</b>
Current	294	287
Noncurrent	<b>127,244</b>	<b>124,300</b>

These deposits result from legal inquiries, particularly of a tax and fiscal nature, as disclosed in Note 10-b(i).

- (b) The notes and credits receivable balance refers to remuneration of R\$2,676 (2019 - R\$2,480) to be refunded by National Treasury Office (STN), arising from rural loans financed with resources of the STN and renegotiated as determined by applicable legislation.
- (c) The balance of sundry debtors substantially comprises the amount of R\$10,730 (2019 - R\$634) relating to the non-default bonus granted to customers of agricultural transactions renegotiated in accordance with the provisions of Law No. 9138/1995, as amended, to be returned by the STN, and R\$539 (2019 - R\$270) referring to other receivables.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

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### 6. Financial instruments (Continued)

#### 6.4. Other financial assets (Continued)

(d) Income receivable, net of the respective provisions, amounts to R\$1,486 (2019 – R\$1,799) and mainly arises from commissions for services provided, referring to loans granted with resources of the development funds administered by BDMG. The remuneration is payable upon maturity of the contracted installments, and an allowance is recorded based on the percentage of the risk level under which the transaction generating the remuneration is classified. This risk classification is in line with the Bank policy, which extended to the transactions funded by resources from the managed funds the same criteria established in CMN Resolution No. 2682/1999 for loans of BDMG's own portfolio, and R\$327 (2019 - R\$671) refers to other income.

(e) The balance of R\$4,510 (2019 - R\$2,809) refers to prepaid taxes that may not be offset in the current year.

### 7. Property and equipment in use and intangible assets

#### a) Property and equipment in use

	2020		2019	
	Cost	Accumulated depreciation	Net amount	Net amount
Real estate	43,881	(28,585)	15,296	15,893
Facilities, furniture and equipment	6,298	(5,797)	501	608
Data processing equipment	7,202	(6,508)	694	708
Other	515	(480)	35	45
Construction in progress	209	-	209	768
	<b>58,105</b>	<b>(41,370)</b>	<b>16,735</b>	<b>18,022</b>

*Insurance coverage* - In order to cover possible damages to its property and equipment, the Bank has insurance coverage amounting to R\$51,700 (2019 - R\$51,700).

#### b) Intangible assets

	2020		2019	
	Cost	Accumulated amortization	Net amount	Net amount
Data processing system (software)	43,901	(22,890)	21,011	14,047

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

Notes to financial statements (Continued)

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### 8. Other assets

	2020	2019
Assets not for own use held for sale	81,849	70,327
Provision for impairment of assets not for own use	(17,541)	(17,541)
Prepaid expenses (i)	12,313	1,595
Other (i)	579	449
	<b>77,200</b>	<b>54,830</b>
Current	1,809	324
Noncurrent	<b>75,391</b>	<b>54,506</b>

(i) This refers to amounts paid as fees and commissions on loans and issuance of securities abroad, recorded at the amount disbursed and amortized according to the maturity of the related transactions.

### 9. Financial liabilities

#### 9.1. Deposits and funding

	2020	2019
<b>Deposits</b>		
Interbank deposits (a)	601,071	40,420
Time deposits (b)	207,617	99,310
<b>Funding</b>		
Financial bills	-	89,902
Agribusiness Credit Bills (LCA)	455,777	213,308
	<b>1,264,465</b>	<b>442,940</b>
Current	376,064	293,212
Noncurrent	<b>888,401</b>	<b>149,728</b>

#### Deposits

##### (a) Interbank deposits:

- R\$72,673 – to cover a clause in derivative contracts that requires that the party with a difference payable in excess of a given amount hold interbank deposits in the institution that is the counterparty to the transaction. These deposits are subject to contractual charges equal to the CDI rate and maturities varying in accordance with the amount adjusted for coverage of the difference receivable or payable of each one of the swaps entered into;
- R\$528,398 - funding from financial institutions for time deposits with special guarantee (DPGE).

(b) Time deposits – the balance comprises securities directly issued for funding or securities issued as guarantees to loan transactions.

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

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

### 9. Financial liabilities (Continued)

#### 9.1. Deposits and funding (Continued)

##### Deposits (Continued)

##### *Deposit maturities*

	2020						2019
	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	Total
<b>Interbank deposits</b>	-	-	-	23,628	151,065	426,378	601,071
Guarantee margin	-	-	-	23,628	49,046	-	72,674
DPGE	-	-	-	-	102,019	426,378	528,397
<b>Time deposits</b>	1,292	250	1,725	13,207	10,263	180,880	207,617
With certificate	1,292	250	1,725	13,207	10,263	100,070	126,807
DPGE	-	-	-	-	-	80,810	80,810
	<b>1,292</b>	<b>250</b>	<b>1,725</b>	<b>36,835</b>	<b>161,328</b>	<b>607,258</b>	<b>808,688</b>
Current							201,430
Noncurrent							66,832
							<b>607,258</b>

##### Funding

*Financial bills* – securities issued under CMN Resolution No. 4143/2012.

*Agribusiness Credit Bills (LCA)* - are backed by agribusiness loan transactions covered by the Deposit Insurance Fund (FGC), limited to R\$250 thousand per customer.

##### *Funding maturities*

	2020						2019
	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	Total
<b>Private financial bills</b>	-	-	-	-	-	-	89,902
<b>Agribusiness Credit Bills (LCA)</b>	7,621	622	3,041	24,812	138,538	281,143	455,777
	<b>7,621</b>	<b>622</b>	<b>3,041</b>	<b>24,812</b>	<b>138,538</b>	<b>281,143</b>	<b>455,777</b>
Current							174,634
Noncurrent							226,380
							<b>281,143</b>

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

Notes to financial statements (Continued)  
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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending

##### a) Foreign borrowings

	2020		2019	
	Curve	Market	Curve	Market
Institution:				
CAF	658,436	659,146	144,613	145,756
IDB	47,699	47,526	74,478	74,272
AFD	109,943	110,842	93,733	94,579
EIB	292,585	294,591	-	-
FONPLATA	187,796	186,451	-	-
CARGILL	52,521	52,521	-	-
IDB INVEST	259,870	259,870	-	-
		<b>1,610,947</b>		<b>314,607</b>
Current		<b>131,670</b>		<b>91,845</b>
Noncurrent		<b>1,479,277</b>		<b>222,762</b>

All contracts related to foreign funding and to the derivative instruments used to hedge this funding provide for covenants. The Bank monitors and complies with these covenants, which can also be backed by additional agreements (waivers) entered into by the parties.

Covenants require compliance with certain financial ratios and these obligations, when applicable, are standardized for loan and financing contracts abroad.

The Bank represents that all conditions contained in these contracts have been met.

##### *Funds by institution of origin*

##### i) CAF - Latin American Development Bank<sup>(\*)</sup>

The financing of U\$100 million obtained from CAF in August 2014, with interest by reference to 6-month libor plus fixed rate of up to 3.65% p.a. and maturity within years, was released in tranches in different amounts.

(\*) Former Corporación Andina de Fomento - CAF

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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending (Continued)

##### a) Foreign borrowings (Continued)

*Funds by institution of origin (Continued)*

##### i) CAF - Latin American Development Bank (Continued)

Tranches released

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
CAF 1	9/27/2013	9/27/2023	15,000	27,791	27,902	28,875	29,075
CAF 2	10/21/2013	10/23/2023	30,000	55,441	55,610	57,527	57,846
CAF 3	12/19/2013	12/19/2023	30,000	55,077	55,507	57,001	57,625
CAF 5	12/21/2015	12/21/2020	1,500	-	-	1,210	1,210
CAF 6	12/18/2020	12/18/2026	100,000	520,127	520,127	-	-
				176,500	658,436	659,146	144,613
						145,756	

##### ii) Inter-American Development Bank (IDB)

In June 2014, BDMG took out a loan with the IDB, which may be used up to the limit of US\$150 million, through releases to be made in three tranches. This loan bears a floating interest rate, payable semi-annually, at 2.25% plus semi-annual Libor rate, which may vary depending on the criteria established in the agreement for each tranche.

Position of the tranche released

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
1	8/4/2014	8/16/2021	50,000	47,699	47,526	74,478	74,272



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

Notes to financial statements (Continued)  
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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending (Continued)

##### a) Foreign borrowings (Continued)

*Funds by institution of origin (Continued)*

##### iii) Agence Française de Développement (AFD - French Development Agency)

In June 2013, the Bank entered into an agreement with the AFD amounting to €50 million, bearing interest at the six-month Euro Interbank Offered Rate (Euribor), plus 2% p.a. and with maturity of 12 years, to be released in tranches in different amounts. The purpose of this transaction was the financing of municipal climate-related infrastructure projects and the expansion of basic services.

Tranches released

Tranche	Date of release	Maturity	Release €	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
AFD 1(*)	7/22/2014	11/28/2025	9,000	31,919	31,919	27,213	27,213
AFD 2(*)	10/13/2014	11/28/2025	7,000	24,826	24,826	21,165	21,165
AFD 3(**)	2/2/2017	11/28/2025	15,000	53,198	54,097	45,355	46,201
				31,000	109,943	110,842	93,733
						94,579	

(\*) No hedges were contracted for funding of the AFD1 and AFD2 tranches, since the conditions for such funding were transferred to the borrowers, plus the Bank's remuneration only.

(\*\*) Part of the funding was transferred to a customer under the same financial conditions as contracted with AFD plus the Bank's remuneration. The remaining balance is hedged by swap.

##### iv) European Investment Bank (EIB)

In October 2019, BDMG entered into a €100 million agreement with EIB to finance Renewable Energy and Energy Efficiency Projects, which will be released in tranches of different amounts, maturing within 13 years. In March 2020, the Bank received the funds from the 1st tranche, totaling US\$9.3 million, bearing interest at the six-month Libor rate, plus 0.451% p.a. and with maturity of 10 years. In December 2020, the Bank received tranches 2 and 3, totaling US\$11.2 million and US\$35.7 million, respectively, subject to interest at a fixed rate of 1.032% p.a. and a 10-year payment term.

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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending (Continued)

##### a) Foreign borrowings (Continued)

*Funds by institution of origin (Continued)*

##### iv) European Investment Bank (EIB) (Continued)

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
EIB	3/2/2020	2/20/2030	9,301	48,464	49,277	-	-
EIB 2	12/3/2020	12/3/2030	11,241	58,456	58,741	-	-
EIB 3	12/3/2020	12/3/2030	35,703	185,665	186,573	-	-
				56,245	292,585	294,591	-

##### v) Plata Basin Financial Development Fund (FONPLATA)

In May 2020, BDMG entered into an international funding agreement with FONPLATA, a multilateral development bank formed by Argentina, Bolivia, Brazil, Paraguay and Uruguay, for the purpose of structuring credit lines for the municipalities of the state of Minas Gerais.

FONPLATA released, in the same month, a tranche of US\$36 million, corresponding to the total amount contracted, subject to six-month Libor rate plus 3.02% and a five-year term, including a grace period of two years. Since the agreement has a term of 8 years, the use of the resources will be revolving in this period.

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
FONPLATA	5/21/2020	5/17/2025	36,000	187,796	186,451	-	-

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

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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending (Continued)

##### a) Foreign borrowings (Continued)

*Funds by institution of origin* (Continued)

##### vi) Cargill Financial Services International

In September 2020, BDMG entered into a US\$10 million loan agreement with Cargill, and that amount was immediately released in a single tranche, to be paid within 4 years. That amount will bear a variable interest rate to be paid annually, consisting of 3.85% plus the annual Libor rate, plus 0.75% per annum on the principal outstanding. This fund will be used to finance production activities in the Minas Gerais agribusiness chain, including the production of agricultural commodities and food products for export.

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
CARGILL	2020	4/6/2024	10,000	52,521	52,521	-	-

##### vii) Inter-American Investment Corporation - BID Invest

On December 18, 2020, BDMG issued sustainable bonds in the amount of US\$50 million, with registration on the New York Stock Exchange, which were fully acquired by IDB Invest. These bonds subject BDMG to interest at the 3-month USD Libor rate plus 4.25% per annum every quarter. They mature within 7 years, with redemption in six (6) annual installments, and the first installment due on December 29, 2022.

Tranche	Date of release	Maturity	Release (US\$)	2020		2019	
				Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
1	12/29/2020	12/29/2027	50,000	259,870	259,870	-	-

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

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### 9. Financial liabilities (Continued)

#### 9.2. Borrowings and onlending (Continued)

##### b) Domestic onlending

The onlending refers to obligations arising from resources obtained from funds and official programs to be onlent to finance projects in the state of Minas Gerais. The principal and related charges mature by 2029, and financial charges are defined in the operating policies of each agency or fund that is transferring the resources funds. The BNDES/FINAME system is the main source of onlending from BDMG to its customers.

The balances of such obligations are as follows:

	2020	2019
BNDES (i)	984,740	1,200,738
FINAME	877,952	1,001,278
Funcafé (ii)	496,037	315,750
Fungetur (iii)	339,345	78,615
FINEP	110,774	129,896
CEF	14,565	15,143
BNB	10,310	12,784
National treasury	8,147	8,916
	<b>2,841,870</b>	<b>2,763,120</b>
Current	1,229,684	932,710
Noncurrent	1,612,186	1,830,410

(i) Brazilian Development Bank (BNDES) funds are mainly to finance long-term investment projects and originate from the following credit lines:

	2020	2019
BNDES Automático	245,911	237,582
BNDES FINEM	235,584	241,358
BNDES Automático GIRO	81,136	112,923
BNDES Automático PCA	72,923	82,356
BNDES Automático PRODECOOP	50,832	56,704
BNDES Automático TJLP	48,419	61,640
BNDES Automático PROGEREN	35,578	122,931
PESA/BNDES	29,246	30,399
BNDES MPME INOVADORA	29,144	35,382
BNDES FINEM PSI	27,865	34,828
BNDES Automático MODERAGRO	16,292	10,351
BNDES Automático ABC	16,000	10,769
BNDES Automático Inovagro	13,316	13,280
BNDES SAUDE	10,693	28,614
Other	71,801	121,621
	<b>984,740</b>	<b>1,200,738</b>

(ii) Resources from the Fund for the Defense of the Coffee Economy (Funcafé) are used for financing working capital, storage and acquisition of coffee.

(iii) Resources from the General Tourism Fund (Fungetur) are used to finance tourism businesses and service providers related to this sector production chain registered with the Register of Tourism Service Providers (Cadastur).

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Notes to financial statements (Continued)  
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### 10. Provisions

	2020	2019
Actuarial obligations (a)	427,145	382,131
Contingent liabilities: tax, labor and civil (b)	217,187	222,571
Sundry provisions (c)	11,404	30,865
Obligations from financial guarantees given	-	19,537
Provision for other contingencies	11,404	11,328
	<b>655,736</b>	<b>635,567</b>
Current	25,158	23,807
Noncurrent	630,578	611,760

#### a) Actuarial obligations

This provision, referring to the benefits sponsored by the Bank to its active and assisted employees, as detailed in Note 17, is broken down as follows:

	2020	2019
Actuarial liability related to the Pension Plan – defined benefit	262,622	235,851
Actuarial liability related to the Health Promotion Program (PRO-SAÚDE), and healthcare and dental care plan	145,566	126,841
Actuarial liability related to life insurance	18,957	19,439
Total	<b>427,145</b>	<b>382,131</b>

#### b) Contingent tax, labor and civil liabilities

The Bank is a party to tax, labor and civil proceedings arising in the normal course of its activities. These lawsuits may result in recognition of provisions, based on the legal advisors' assessment of the likelihood of loss on the cases.

The number and balances of ongoing lawsuits assessed as a possible loss and without provisions are as follows:

	2020		2019	
	Number	Balance	Number	Balance
Tax	8	87,263	8	66,827
Labor (1)	1	50	1	218
Civil	22	2,066	10	850
	<b>31</b>	<b>89,379</b>	<b>19</b>	<b>67,895</b>

(1) The balance of the labor claim for which a provision was not recorded refers to the amount assigned to the case. Since this is a class action filed by the Union of Bank Employees of Belo Horizonte against BDMG and DESBAN with the Labor Court on August 19, 2020 requesting, as a post-employment benefit, health and dental care assistance for BDMG's employees who had been or have retired on or after May 1, 2018, an increase in actuarial liabilities by R\$48,376 was estimated in the event of loss in the suit.

BDMG obtained a favorable decision from the lower court on October 13, 2020.

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Notes to financial statements (Continued)  
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### 10. Provisions (Continued)

#### b) Contingent tax, labor and civil liabilities (Continued)

Proceedings assessed as probable loss and for which provisions were set up are presented by nature, with the respective changes in the period, as follows:

	2019	Provision recorded	Updates	(Write-offs)	2020
Tax (i)	187,983	-	2,820	-	190,803
Civil (ii)	18,406	2,717	-	(12,418)	8,705
Labor (ii)	16,182	1,497	-	-	17,679
Total	222,571	4,214	2,820	(12,418)	217,187

#### i) *Provisions for legal obligations and tax contingencies*

Provisions for tax contingencies refer to liabilities related to taxes for which lawsuits and administrative proceedings are in progress with the Brazilian IRS. These provisions are set up regardless of their risk assessments whenever the constitutionality of the obligation's triggering event is under discussion.

These provisions are updated on a monthly basis at the SELIC rate and, in the projection of the Bank's P&L, the expected realization of the related tax credits considers the distribution over a 10-year period (Note 14-c).

The table below shows the changes in the provisions for the period:

	2019	Update	2020
Change in COFINS tax base - Law No. 9718/1998	123,524	1,978	125,502
Change in PIS/PASEP tax base – Law No. 9718/1998	64,407	841	65,248
Other contingencies and legal obligations	52	1	53
	187,983	2,820	190,803

To guarantee the aforementioned tax contingencies, judicial deposits were recorded under Other receivables - Debtors for escrow deposits:

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### 10. Provisions (Continued)

#### b) Contingent tax, labor and civil liabilities (Continued)

##### i) *Provisions for legal obligations and tax contingencies* (Continued)

	2020		2019	
	Provision	Deposits	Provision	Deposits
Change in COFINS tax base - Law No. 9718/1998	125,502	56,456	123,524	55,668
Change in PIS/PASEP tax base established by Law No. 9718/1998	65,248	65,248	64,407	64,407
Other contingencies and legal obligations	53	1,609	52	1,590
	190,803	123,313	187,983	121,665

BDMG is a party to a legal proceeding in connection with COFINS and PIS/PASEP contribution taxes where it seeks to stop paying such taxes, under the terms of Law No. 9718/1998 which, in addition to imposing COFINS on financial institutions, increased the PIS/PASEP tax base by establishing that revenue should encompass gross operating income and non-operating income. In view of decisions handed down in the course of the proceeding, the Bank made judicial deposits until December 2014 to cover COFINS contributions on service revenue. From January 2015 onwards, when changes introduced by Law No. 12973/2014 became effective, PIS/PASEP and COFINS on all revenues are paid regularly.

Although the risk of this proceeding is classified as a possible loss, the Bank set up a provision for tax contingencies, in line with BACEN Circular Letter No. 3429/2010, which requires the recognition as liabilities of all tax obligations of financial institutions that discuss the constitutionality of the laws that established such obligations, up to the effective extinction of the corresponding tax credits.

Among the tax proceedings assessed as possible loss and for which no provision was set up, the following are considered significant:

- Fine not included in the amount deposited in court to cover COFINS contributions related to the abovementioned proceeding. The updated amount of the fine totals

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R\$2,871 (R\$2,846 in 2019).



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Notes to financial statements (Continued)

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### 10. Provisions (Continued)

#### b) Contingent tax, labor and civil liabilities (Continued)

##### i) *Provisions for legal obligations and tax contingencies* (Continued)

- COFINS related to the accrual period of 2010-2011 resulting from notice drawn up by the Brazilian IRS, in the updated amount of R\$59,522 (2019 - R\$48,751), which discusses the understanding in the notice of adopting a billing concept that is more comprehensive than that provided for in the governing legislation - and consolidated in the Federal Supreme Court (STF) - at the time of the notice.

Of the total updated amount of this tax notice, a provision for the updated principal amount is recorded in the amount of R\$30,943 (R\$30,457 in 2019) as it is a tax obligation under the terms of BACEN Circular Letter No. 3429/2010. The remaining debt, in the total updated amount of R\$28,579 (R\$18,294 in 2019), referring to automatic fine and charges of the Office of the Attorney General of the National Treasury (PGFN) does not have a provision.

- COFINS related to the accrual period of 2014 resulting from notice drawn up by the Brazilian IRS, in the updated amount of R\$37,992 (R\$31,023 in 2019), which discusses the understanding in the notice of adopting a billing concept that is more comprehensive than that provided for in the governing legislation - and consolidated in the Federal Supreme Court (STF) - at the time of the notice.

Of the total updated amount of this tax notice, a provision for the updated principal amount is recorded in the amount of R\$20,577 (R\$20,186 in 2019) as it is a tax obligation under the terms of BACEN Circular Letter No. 3429/2010. The remaining debt, in the total updated amount of R\$17,415 (R\$10,837 in 2019), referring to automatic fine and charges of the Office of the Attorney General of the National Treasury (PGFN) does not have a provision.

- Automatic fine arising from notices served by the Brazilian IRS for collection of COFINS in the accrual period of 2013 related to the proceedings above and not considered in the amount of the provision set up. The updated amount of the automatic fine totals R\$9,233 (R\$9,008 in 2019).
- Notice served by the Brazilian IRS in July 2010 referring to differences in the income and social contribution tax calculation in the period from 2005 to 2007. The updated amount of the notice totals R\$10,602 (R\$10,456 in 2019).
- Notice served by the Brazilian IRS referring to exclusions carried out by the Bank from the IRPJ tax base related to tax triggering events in 1997 and 1998. The portion of the notice referring to 1997 is assessed as possible loss, in the updated amount of

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R\$18,268 (R\$15,115 in 2019).

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### 10. Provisions (Continued)

#### b) Contingent tax, labor and civil liabilities (Continued)

##### i) *Provisions for legal obligations and tax contingencies* (Continued)

The tax proceedings for which the Bank offered guarantees are shown below:

- Proceeding related to IRPJ for 1997, in the updated amount of R\$18,292 (R\$15,115 in 2019) for which no provision was set up given that the likelihood of loss is assessed as possible. As a result of this proceeding, the head office of the Bank, located at Rua da Bahia nº 1600, and the attached building located at Rua Bernardo Guimarães nº 1592 have been pledged and accepted by the Finance Authorities.
- Proceeding related to IRPJ for 1998, in the restated amount of R\$53,698 (R\$53,209 in 2019) for which no provision was set up given that the likelihood of loss is assessed as remote. As a result of this proceeding, the head office of the Bank, located at Rua da Bahia nº 1600, and the attached building located at Rua Bernardo Guimarães nº 1592 have been pledged and accepted by the Finance Authorities.
- Municipal tax enforcement proceeding related to Service Tax (ISS) for the accrual period from 05/2009 to 12/2012, for which the Bank pledged a real property (land) from assets not for own use. The case totals R\$981 (R\$895 in 2019) and no provision has been recorded given that the likelihood is assessed as remote.
- Administrative tax proceeding involving COFINS for the accrual period of 2010-2011. In view of the unfavorable decision handed down in December 2019 for the administrative tax proceeding involving COFINS for the accrual period of 2010-2011, and as a result of the tax enforcement proceeding estimated to be filed by the Federal Government (PGFN) for discussion of the COFINS tax credit for the accrual period of 2010-2011, BDMG took out a surety bond of R\$59,163 in guarantee of the proceeding, which has been accepted by the PGFN on June 22, 2020.
- Administrative tax proceeding involving COFINS for the accrual period of 2014. In view of the unfavorable decision handed down in December 2020 for the administrative tax proceeding involving COFINS for the accrual period of 2014, and as a result of the tax enforcement proceeding estimated to be filed by the Federal Government (PGFN) for discussion of the COFINS tax credit for the accrual period of 2014, BDMG took out a surety bond of R\$37,992 in guarantee of the proceeding, which has been accepted by the PGFN on June 22, 2020.

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### 10. Provisions (Continued)

#### b) Contingent tax, labor and civil liabilities (Continued)

##### ii) *Civil and labor contingencies*

Civil contingencies refer mostly to lawsuits that question debt amounts, contractual provisions and interim statute of limitations. The most significant contingencies, however, refer to two specific suits for collection due to financing not released after being contracted. The provisions are monetarily restated by reference to INPC/IBGE plus, in the case of proceedings for which a sentence has already been handed down, 1% arrears interest per month.

Provisions for civil and labor suits are set up when the likelihood of loss is assessed as probable loss in the opinion of legal advisors.

Labor contingencies refer substantially to claims related to the 7th and 8th hours and the mischaracterization of positions of trust; the validity of the collective bargaining agreement signed with the Union in 1996; the intra-day break of article 384 of the CLT, and the applicable bank divider for calculation of overtime. There are also cases involving subsidiary liability brought against service providers of the Bank. Provisions are updated with the inclusion of the TR index (referential rate) and legal interest of 1% per month.

To cover the risks associated with these proceedings, the Bank made judicial deposits recorded in the subaccount "Debtors for escrow deposits", including R\$1,284 (R\$55 in 2019) referring to civil suits and R\$2,941 (R\$2,868 in 2019) to appeals associated with labor claims.

#### c) Provisions for sundry contingencies

Changes in these provisions at 2020 are as follows:

	2019	Provision recorded	Updates	(Write-offs)	2020
Collateral for guarantees given	19,537	40,144	-	(59,681)	-
Attorney's fees <sup>(1)</sup>	8,056	52	220	(1)	8,327
Guarantee assumed in loans assigned to STN <sup>(1)</sup>	3,272	599	-	(794)	3,077
	30,865	40,795	220	(60,476)	11,404

(1) The Bank also sets up provisions for the risk of loss with co-obligations of agribusiness transactions assumed with the STN and with payments of attorney fees resulting from lawsuits for which the likelihood of loss is assessed as probable.

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

Notes to financial statements (Continued)  
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### 11. Other liabilities

#### Balance breakdown

	2020	2019
Financial and development funds (a)	125,250	87,542
Sundry creditors – domestic (b)	27,939	21,556
Provision for payments to be made (c)	15,960	19,661
Current tax liabilities (d)	6,865	6,327
Deferred income (e)	19,060	10,147
Other	359	994
Total	195,433	146,227
Current	48,610	40,127
Noncurrent	146,823	106,100

- (a) Financial and development funds - the statement of financial position balance of R\$125,249 (R\$87,542 in 2019) refers to resources from state funds, funds linked to official agencies and private funds that are made available to the Bank so that it may carry out its activities as a financial agent of these funds.

These funds are controlled by means of individualized accounting groups held in clearing accounts (unaudited), whose balances are as follows:

	2020	2019
State funds	3,822,194	3,814,098
Private funds	38,866	34,778
Other funds	81,863	79,663
	3,942,923	3,928,539

- (b) Sundry creditors – balance breakdown

	2020	2019
BACEN Compulsory – Installment payment from enrollment with the Non-Tax Debt Settlement program (PRD) in August 2017	7,280	10,804
Receivables from customers to be offset	13,649	5,872
Attorney's fees payable	1,893	1,102
Sundry	5,117	3,778
	27,939	21,556

- (c) Provision for payments to be made – balance breakdown

	2020	2019
Vacation pay, 13th monthly salary and charges	13,497	14,056
Employee profit sharing	910	4,612
Other	1,553	993
	15,960	19,661

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

Notes to financial statements (Continued)  
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### 11. Other liabilities (Continued)

#### Balance breakdown (Continued)

(d) Current tax liabilities – balance breakdown

	2020	2019
Taxes and social contributions on salaries	4,223	4,225
Other taxes and social contributions payable	2,642	2,040
Provision for taxes and contributions	-	62
	<b>6,865</b>	<b>6,327</b>

(e) Deferred income - refers to commissions on loans, net of taxes, received in advance and allocated according to the flow of the terms set in the agreements.

### 12. Equity

#### a) Capital

The subscribed capital of BDMG comprises 71,093,757,547 (67,536,820,844 in 2019) registered common shares with no par value, totaling R\$2,111,184 (R\$2,004,971 in 2019).

In 2020, the Bank's capital increased by R\$106,213, as follows:

- R\$100,000 - approved at the Special General Meeting held on May 11, 2020, this increase was fully subscribed and paid in by the shareholder Minas Gerais state on the same date. The Central Bank approved the capital increase on May 26, 2020;
- R\$6,213 - approved at the Special General Meetings held on December 28 and 30, 2020, this increase was made using interest on equity, and was completed in accordance with CMN Resolution No. 4885/2020. The increase is being considered by Bacen for approval.

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

Notes to financial statements (Continued)  
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### 12. Equity (Continued)

#### a) Capital (Continued)

Shareholding interest:

Shareholder	Capital breakdown		Equity interest - %
	Amount	Number of shares	
Minas Gerais State	1,908,303	64,600,467,793	90.86
Companhia de Desenvolvimento de Minas Gerais CODEMGE	184,061	5,890,944,550	8.29
MGI - Minas Gerais Participações	18,820	602,345,163	0.85
Departamento de Edificações e Estradas de Rodagem do Estado de Minas Gerais - DEER-MG	-	41	-
<b>Total</b>	<b>2.111,184</b>	<b>71,093,757,547</b>	<b>100.00</b>

#### b) Equity adjustments

	2020	2019
Mark to market (i)	<b>10,409</b>	3,323
Other equity adjustments (ii)	<b>(169,224)</b>	(153,035)
<b>Total</b>	<b>(158,815)</b>	(149,712)

(i) Mark to market, net of tax effects, refers to adjustments of securities classified as available for sale.

(ii) Other adjustments refer to recognition of costs inherent in the Bank's obligations with employee benefits, which, as established by CPC 33 (R1) Employee Benefits, effective as from January 2013, should be adjusted in equity, net of tax effects.

#### c) Retained earnings (accumulated losses)

Net income totals R\$153 for the second half of 2020 (R\$76,526 for the second half of 2019), R\$25,588 for the year ended December 31, 2020 (R\$84,131 in 2019), and the balance of accumulated losses in equity is R\$15,088 (R\$34,376 in 2019).

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

Notes to financial statements (Continued)  
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### 12. Equity (Continued)

#### c) Retained earnings (accumulated losses) (Continued)

In accordance with BCB Resolution No. 2/2020, and with the criteria defined in BDMG's internal policy, the following is the breakdown of net income with recurring and non-recurring results:

	2020		2019
	2nd half	Year	Year
<b>Recurring result</b>	<b>44,698</b>	<b>70,838</b>	55,543
<b>Non-recurring result <sup>(1)</sup></b>	<b>(44,545)</b>	<b>(45,250)</b>	28,588
. Allowance for expected credit losses	<b>(44,163)</b>	<b>(44,163)</b>	(23,291)
. Tax credits <sup>(2)</sup>	-	-	60,325
. Tax contingencies <sup>(3)</sup>	<b>(382)</b>	<b>(1,087)</b>	(2,194)
. Civil contingencies <sup>(4)</sup>	-	-	(6,252)
<b>Accounting profit</b>	<b>153</b>	<b>25,588</b>	84,131

<sup>(1)</sup> Net of tax effects, as applicable.

<sup>(2)</sup> Adjustment of tax credits for December 2019, following approval of Constitutional Amendment No. 103, of November 12, 2019, which changed the CSLL rate from 15% to 20% as of March 1, 2020.

<sup>(3)</sup> Updated tax contingencies.

<sup>(4)</sup> Provision for civil contingencies.

### 13. Statement of profit or loss accounts

#### a) Income from lending operations

	2020		2019
	2nd half	Year	Year
Interest on loans and financing	<b>273,829</b>	<b>511,955</b>	466,579
Credits recovered	<b>88,340</b>	<b>114,448</b>	112,786
	<b>362,169</b>	<b>626,403</b>	579,365



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

Notes to financial statements (Continued)

December 31, 2020 and 2019

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### 13. Statement of profit or loss accounts (Continued)

#### b) Gains (losses) on marketable securities and derivative financial instruments, and trading expenses

##### i) Gains (losses) on marketable securities and derivative financial instruments

	2020		2019
	2nd half	Year	Year
Gains (losses) on derivative transactions – swap (1)	(27,391)	64,218	6,201
Gains on fixed income securities	9,953	24,337	8,851
Gains on repurchase agreements	3,150	5,598	6,303
Gains on investment funds	2,284	568	9,283
Other	29	33	2,282
	<b>(11,975)</b>	<b>94,754</b>	<b>32,920</b>

(1) Gains (losses) on derivative transactions - swap - The derivative instruments were contracted by the Bank for the purpose of hedging against currency fluctuations and other financial charges contracted in foreign loan transactions. With the devaluation of the Brazilian currency (Real) against the euro and the dollar in the year 2020, a positive adjustment was made in derivatives used by the Bank to hedge its liabilities.

##### ii) Trading expenses

	2020		2019
	2nd half	Year	Year
Foreign borrowing expenses <sup>(1)</sup>	(10,835)	(131,058)	(38,286)
BNDES and FINAME onlending expenses <sup>(2)</sup>	(58,508)	(118,565)	(155,119)
Onlending expenses – other institutions	(14,411)	(25,673)	(26,190)
Agribusiness credit bill expenses	(9,120)	(13,826)	(15,000)
Interbank deposit and repurchase agreement expenses	(11,325)	(14,559)	(7,760)
Financial and development fund expenses	(1,139)	(3,178)	(2,715)
Financial bill expenses	(388)	(2,047)	(6,548)
	<b>(105,726)</b>	<b>(308,906)</b>	<b>(251,618)</b>

(1) Foreign borrowing expenses – Increase due to devaluation of the real against the euro and the dollar, in addition to new transactions contracted with the European Investment Bank (EIB), Fonplata and Cargill. For foreign borrowings at its own risk, the Bank has derivative instruments in the form of swaps to hedge against variations arising from fluctuations in the euro and dollar price and other finance charges.

(2) BNDES and FINAME onlending expenses - The reduction in BNDES and FINAME onlending expenses is a consequence of the decrease in onlending obligations with BNDES/FINAME (2020 - R\$1,862,692 and 2019 - R\$2,202,016).

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### 13. Statement of profit or loss accounts (Continued)

#### c) Tax and administrative expenses, other operating income (expenses), and provisions

##### i) *Tax expenses*

	2020		2019
	2nd half	Year	Year
PIS and COFINS	(9,298)	(16,966)	(16,297)
Service Tax (ISSQN)	(943)	(1,732)	(1,681)
Other	(2)	(717)	(684)
	<b>(10,243)</b>	<b>(19,415)</b>	<b>(18,662)</b>

##### ii) *Administrative expenses*

	2020		2019
	2nd half	Year	Year
Outsourced services and expert technicians	(7,803)	(12,744)	(9,864)
Advertising and communication	(3,442)	(5,614)	(4,266)
Data processing	(2,443)	(4,200)	(4,343)
Depreciation and amortization	(4,167)	(7,693)	(6,595)
Registration	(2,508)	(4,503)	(2,628)
Maintenance and materials	(1,642)	(2,957)	(2,919)
Rent and infrastructure	(339)	(891)	(1,386)
Travel and transportation	(209)	(703)	(1,952)
Other	(1,027)	(2,412)	(2,602)
	<b>(23,580)</b>	<b>(41,717)</b>	<b>(36,555)</b>

##### iii) *Other operating income*

	2020		2019
	2nd half	Year	Year
Foreign exchange gains	513	513	-
Reversal of sundry provisions <sup>(1)</sup>	32,802	34,425	4,306
Income from hedged items marked to market	9,504	17,803	11,461
Income from equalization - STN	790	796	949
Other	1,528	3,636	5,297
	<b>45,137</b>	<b>57,173</b>	<b>22,013</b>

<sup>(1)</sup> The total provisions reversed in 2020 include:

- R\$19,430 - provision originally recorded to cover the likelihood of loss on non-recovered sureties provided by the Bank. In October 2020, when the agreement was signed to turn the secured amount into a loan transaction, the provision was reversed;
- R\$12,373 - provision recorded as a result of a legal appraisal of equity loss in a civil suit executed by withdrawing the judicial deposit to cover the probable loss. The provision was reversed as a result of the loss on the civil suit, after the recognition in expenses of the withdrawal of the judicial deposit authorized by the court.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### 13. Statement of profit or loss accounts (Continued)

#### c) Tax and administrative expenses, other operating income (expenses), and provisions (Continued)

##### iv) *Other operating expenses*

	2020		2019
	2nd half	Year	Year
Expenses with discounts granted on renegotiations	(13,569)	(21,533)	(17,510)
Damages <sup>(1)</sup>	(11,755)	(11,835)	(411)
Expenses with INDI agreement	(2,827)	(4,992)	(6,052)
Expenses with BDMG Cultural agreement	(1,665)	(4,117)	(4,060)
Expenses with bonus and discount on loans	(1,734)	(2,777)	(3,347)
Expenses with guarantees given <sup>(2)</sup>	-	(259)	(13,533)
Fees/commissions on foreign borrowings	(776)	(815)	(18)
Other	(1,229)	(4,300)	(6,824)
	<b>(33,555)</b>	<b>(50,628)</b>	<b>(51,755)</b>

<sup>(1)</sup> Damages include the amount of R\$11,468 recognized as an expense due to the withdrawal, in August 2020, of the judicial deposit in guarantee of the civil suit, whose provision was reversed as mentioned in item (iii) above;

<sup>(2)</sup> In 2019, a provision was recorded for the surety provided, since during that year, it was considered probable that the Bank would have to honor this guarantee, which materialized in 2020.

##### v) *Expenses with provisions*

	2020		2019
	2nd half	Year	Year
Post-employment benefit – DB and VC pension plan	(10,232)	(23,249)	(22,520)
Post-employment benefits – health and life insurance	(4,521)	(10,052)	(10,893)
Other long-term benefits	-	(35)	(427)
Provision for tax contingencies	(418)	(1,190)	(2,401)
Provision for labor contingencies	(805)	(1,497)	(3,257)
Provision for civil contingencies <sup>(1)</sup>	(345)	(1,478)	(16,919)
Provision for rural transactions with guarantee	(21)	(525)	(442)
Other	(71)	(272)	(823)
	<b>(16,413)</b>	<b>(38,298)</b>	<b>(57,682)</b>

<sup>(1)</sup> Total expenses recorded for the provision for civil liabilities in 2019 include the amount of R\$12,131 referring to the provision recorded as a result of the change in the likelihood of loss in the civil suit to a probable loss in August 2019, as discussed in item (iii) above.

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

Notes to financial statements (Continued)

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### 14. Income and social contribution taxes

#### a) Reconciliation of income and social contribution taxes posted to profit or loss

	2020		2019
	2nd half	Year	Year
<b>Income before IR, CSLL and profit sharing</b>	<b>(1,394)</b>	<b>48,263</b>	30,174
Profit sharing	(1,920)	(3,701)	(5,713)
<b>Income before income and social contribution taxes</b>	<b>(3,314)</b>	<b>44,562</b>	24,461
Current rates	45%	45%	40%
Income and social contribution taxes at current rates	1,492	(20,053)	(9,784)
Effects on tax calculation:			
Interest on equity	2,835	2,835	10,000
Non-deductible expenses and non-taxable income	(860)	(1,756)	(1,619)
Tax incentives	-	-	724
Other (i)	-	-	60,349
<b>Income and social contribution tax expenses</b>	<b>3,467</b>	<b>(18,974)</b>	59,670
Deferred tax assets	3,467	(18,974)	73,028
Current income and social contribution taxes payable	-	-	(13,358)

(i) Effect of the increase in the social contribution tax rate for banks from 15% to 20% on temporary differences, as established in Constitutional Amendment No. 103, enacted in November 2019.

#### b) Tax credits

BDMG tax credits recorded on temporary differences and on income and social contribution tax losses, made in accordance with CMN Resolution No. 3059/2002, as amended by Resolution No. 3355/2006, considers expectation of realization within 10 years, due to the positive tax results in the projection of P&L. These tax results may change, since they are estimated based on internal assumptions and future economic scenarios, and are therefore not directly related to expectation of accounting profits.

In 2019, with the approval of Constitutional Amendment No. 103, of November 12, 2019, which changed CSLL rate from 15% to 20% as of March 1, 2020, tax credits, whose expected realization date is thereafter, were adjusted against profit or loss.

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

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### 14. Income and social contributions taxes (Continued)

#### b) Tax credits (Continued)

##### *Origin of tax credits*

	2019	Accrual	Realization	2020
Doubtful receivables	358,144	189,192	(264,894)	282,442
Post-employment benefit	171,959	14,718	5,539	192,216
COFINS (change in tax base established by Law No. 9718/1998)	42,309	535	-	42,844
Devaluation of marketable securities	48,508	914	(150)	49,272
Change in PIS/PASEP tax base established by Law No. 9718/1998	11,465	-	-	11,465
Civil, labor and tax contingencies	18,704	1,423	(5,588)	14,539
Guarantee with STN	1,455	236	(324)	1,367
Other	15,710	18,560	(26,462)	7,808
<b>Total temporary differences</b>	<b>668,254</b>	<b>225,578</b>	<b>(291,879)</b>	<b>601,953</b>
IRPJ tax loss - 25%	-	33,597	-	33,597
CSLL tax loss - 20%	-	26,975	-	26,975
<b>Subtotal</b>	<b>668,254</b>	<b>286,150</b>	<b>(291,879)</b>	<b>662,525</b>
Mark to market of marketable securities available for sale	1,718	886	-	2,604
<b>Total tax credits</b>	<b>669,972</b>	<b>287,036</b>	<b>(291,879)</b>	<b>665,129</b>

Estimated realization of tax credits on temporary differences and on income and social contribution tax losses

	Nominal value	Present value
Year		
2021	66,861	65,409
2022	90,211	84,737
2023	112,169	101,166
2024	83,969	72,715
2025	80,513	66,945
2026	51,695	41,271
2027	40,874	31,333
2028	33,231	24,459
2029	74,945	52,964
2030	30,661	20,805
<b>Total</b>	<b>665,129</b>	<b>561,804</b>

The present value of tax credits was obtained by discounting the future flow of recovery at the average rate of the funding for onlending contracted by BDMG of 4.15% p.a. (6.26% p.a. in 2019).

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Notes to financial statements (Continued)  
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### 14. Income and social contributions taxes (Continued)

#### c) Deferred tax obligations

	2020	2019
Mark to market of marketable securities available for sale	13,259	5,610
Deferred income	22,969	12,227
Other	-	228
<b>Total</b>	<b>36,228</b>	<b>18,065</b>

### 15. Related parties

Transactions with related parties are carried out in accordance with CMN Resolution No. 4693/2018 and with the Bank's internal regulations, as well as with Law No. 13303/2016 and State Decree No. 47154/2017 regarding this matter. BDMG carried out the following transactions with related parties in the year:

#### Legal entities

##### *State of Minas Gerais, state departments and Fundação João Pinheiro*

- State of Minas Gerais - rendering of services acting as a financial agent of the state funds, receiving commissions that are part of the finance charges on the financing agreements granted with the fund resources;
- State Department of Economic Development (SEDE):
  - in the year, BDMG ceased the assignment of two employees that were assigned at a cost for the Bank in 2019. The expense with these assignments amounts to R\$192 in 2020 (R\$300 in 2019).
  - BDMG entered into a contract with the State of Minas Gerais, through SEDE, to provide advisory and technical assistance services, for diagnosis, economic and financial assessment, legal analysis and modeling of MGS, in the total amount of R\$1,904, including specialized and accessory services, valid for 24 months.
- State Agriculture, Livestock and Supply Department (SEAPA): assignment of one employee at no cost for the Bank;
- Minas Gerais Infrastructure and Mobility State Office (SEINFRA): in 2020, BDMG signed a technical assistance and advisory service agreement with the State of Minas Gerais through SEINFRA to structure the road concession for Ouro Preto – Brumadinho in the amount of R\$5,665 if successful and R\$3,600 if unsuccessful, effective for 36 months;

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

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### 15. Related parties (Continued)

#### Legal entities (Continued)

##### *State of Minas Gerais, state departments and Fundação João Pinheiro* (Continued)

- State Department of Planning and Management (SEPLAG): SEPLAG assigned two employees (at cost), and one of whom remained with the Bank until June 2020. The Bank's expenses with these assignments totaled R\$556 (R\$509 in 2019).
- Fundação João Pinheiro, public institution linked to the State Planning and Management Department: In compliance with State Law No. 11050/1993, the Bank's Bylaws authorize it to donate 5% of the net profit for the year to the Foundation, except if the accounting records show accumulated losses. In the years 2020 and 2019, there were no donations based on the net income for the year due to the accumulated losses recorded in both years.

BDMG has, at no cost, an employee assigned to the Foundation.

#### *Direct related parties*

- Institute of Integrated Development of Minas Gerais (INDI), a non-profit private legal entity linked to the State Economic Development Department. As established by state Law No. 22287, of September 14, 2016, INDI is an associate of the Bank, which holds 50% of INDI's units of interest, answering for contribution of financial resources corresponding to 50% of the entity's expenses. Expenses with INDI totaled R\$4,993 (R\$6,052 in 2019) for the year.
- DESBAN – BDMG Social Security Foundation, a non-profit privately-held supplementary pension plan entity, sponsored by BDMG, which, as detailed in Note 17, make contributions to the Foundation in order to provide social security and healthcare benefits for its employees. BDMG assigns one employee to DESBAN, which bears the employee-related costs;
- AFBDMG – BDMG Employee's Association, a non-profit association that manages the Group Life Insurance described in Note 17.a)(iii).

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### **15. Related parties (Continued)**

#### Legal entities (Continued)

##### *Direct related parties (Continued)*

- Cultural Institute of Banco de Desenvolvimento de Minas Gerais - BDMG Cultural, a non-profit civil association, organized by BDMG in conjunction with BDMG Employee's Association (AFBDMG) to create a space for fostering culture in Minas Gerais. The Bank maintains BDMG Cultural by assigning employees without charge, in addition to making contributions to the Institute. Expenses arising from the Bank's agreement with BDMG Cultural totaled R\$4,118 in 2020 (R\$4,060 in 2019).

BIOMM S.A. - Publicly-traded company, incorporated in the city of Nova Lima, Minas Gerais (MG), on March 10, 2001. The Bank holds 5.7% of the Company's capital, given that it absorbed, in September 2018, the shares its subsidiary BDMGTEC, then extinguished, held in the Company. As of that date, pursuant to CMN Resolution No. 4636/2018, the Company became a related party given that the Bank and BIOMM have a member of the Board of Directors in common. The Bank had granted loans to the Company before becoming its shareholder, and the discussions held led to the temporary suspension of payment of principal and interest ("standstill") for a period of six (6) months, without changing the end of the amortization period and the interest rate of the referred loans.

In compliance with the provisions of CVM Instruction No. 358, of January 3, 2002, this was communicated by the Company to the shareholders and the market in general, on August 5, 2020, due to its materiality.

#### Individuals

The members of the Board of Directors, the Supervisory Board, the Audit Committee and the Executive Board are related parties of the Bank and receive fees comprising salaries, social charges and benefits. In 2020, these expenses total R\$5,774 (2019 - R\$4,621).



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

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### **16. Risk and capital management**

BDMG's risk and capital management seeks to ensure adequate control of its activities in order to obtain the best possible return on the level of risk that the Bank is willing to assume.

#### **1. Capital management**

##### **a) Capital management**

In compliance with CMN Resolution No. 4557/2017, the objective of management of BDMG capital is to ensure the maintenance of adequate capital to carry out the Bank's strategic planning, while observing the risks inherent in the business and mechanisms for triggering measures to cope with stress situations.

The Bank has institutional structures and policies for management of operational risk, market risk, credit risk, liquidity risk and capital management approved by the Board of Directors. The basic principles observed in the management and control of risks and capital were established in accordance with current regulations and market practices.

BDMG's capital management structure is as follows:

- Board of Directors;
- Risk and Capital Committee;
- Executive Board;
- Officer in charge of capital management;
- Officer in charge of risk management (CRO);
- Unit in charge of capital management;
- Unit in charge of integrated risk management;
- Other units that may be involved in the capital management process.

The responsibilities of the capital management structure are described below:

- Continuous monitoring in order to maintain the Regulatory Capital, Tier I Capital and Principal Capital at levels compatible with the risks incurred;
- Capital management systems, routines and procedures;

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

Notes to financial statements (Continued)  
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### 16. Risk and capital management (Continued)

#### 1. Capital management (Continued)

##### a) Capital management (Continued)

- Assessment of impacts of P&L arising from scenario projection;
- Capital Plan;
- Capital Contingency Plan;
- Timely management reports to the executive board, Risk and Capital Committee and the Board of Directors.

The capital management structure, as well as the information on risk and capital management in the Basel III Monitoring Report, is described at <https://www.bdmg.mg.gov.br/transparencia-documentos/>

To assess the sufficiency of capital to face possible risks in carrying out its activities and to comply with regulatory operating limits, an annual capital plan is prepared, consistent with the Bank's strategic planning.

The preparation of the capital plan considers the following:

##### i) Within the strategic planning scope

- Threats and opportunities regarding the economic and business environment;
- Projections of the amounts of assets and liabilities, as well as of income and expenses;
- Growth or market share goals;
- Profit distribution policy.

##### ii) Conditions specifically related to capital

- Capital goals and projections;
- Key sources of capital;
- Capital contingency plan.

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

Notes to financial statements (Continued)  
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### 16. Risk and capital management (Continued)

#### 1. Capital management (Continued)

##### a) Capital management (Continued)

The objective of the Capital Contingency Plan is the immediate availability of measures to be taken in an action plan when the capital indicators are below the minimum parameters established by management.

The Basel Index is among the indicators used in the capital management process, allowing measurement of capital sufficiency in relation to exposure to risks incurred.

##### b) Regulatory capital

BDMG monitors the minimum capital requirements, the solvency ratios and the operational limits in accordance with the determinations and set of regulations established by the Central Bank, in line with the recommendations of the Basel Committee on Banking Supervision. The key figures that determine the calculation and determination of the capital ratios are as follows:

	2020	2019
Equity	<b>1,937,281</b>	1,820,883
Tier 1 Capital or Core Capital - (a)	<b>1,746,079</b>	1,693,756
Capital for operations with the public sector (b)	<b>542,000</b>	542,000
Regulatory capital (RC) (a-b)	<b>1,204,079</b>	1,151,756
Total risk weighted assets (RWA)	<b>6,442,207</b>	5,611,612
Credit risk	<b>5,559,588</b>	4,828,005
Market risk	<b>213,848</b>	64,363
Operational risk	<b>668,771</b>	719,244
Portion of capital for coverage of interest rate risk of non-negotiable portfolio (RWA RBAN)	<b>75,730</b>	8,410
Minimum regulatory capital	<b>671,634</b>	737,920
Basel ratio (RC/RWA)	<b>18.69%</b>	20.52%
Extended Basel ratio (RC/(RWA + RBAN))	<b>18.47%</b>	20.49%

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

Notes to financial statements (Continued)  
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### 16. Risk and capital management (Continued)

#### 1. Capital management (Continued)

##### c) *Sensitivity analysis*

In compliance with article 35 of BCB Resolution No. 2/2020, BDMG performed a sensitivity analysis to recognize the book values that may change as a result of changes in the methods, assumptions and estimates considered for the next fiscal year. Regarding the economic aspects, the Bank believes that the economy will recover in 2021, although at a slower pace, and inflation will be under control, with a small drop in CDI to 2.3% in 2021 (accumulated CDI in 2020: 2.79%) and an upward trend for the next few years. In this context, the variables whose fluctuations have a more immediate impact on the result for the next year, i.e. allowance for loan losses, credit recovery and service revenue, were stressed:

Sensitized variable	Impact on net income (net of taxes)			
	10% worse	20% worse	30% worse	40% worse
ECL	(44,682)	(48,940)	(53,019)	(57,097)
Credit recovery	(24,923)	(27,189)	(29,455)	(31,721)
Services	(8,895)	(9,703)	(10,512)	(11,320)

The sensitivity analysis for the actuarial liability is shown in Note 17c.iv.

#### 2. Risk management

Risk management aligned with strategic guidelines is committed to the ethical standards of conduct and reliability of the Bank, always seeking convergence of methodologies and internal models to the Basel agreements and Compliance with the recommendations from the regulatory agencies, with observance of CMN Resolutions No. 4557/2017 and No. 4595/2017, aligned with the best risk management practices.

The Risk Management mission at BDMG is to manage credit, market, liquidity, operational, and social and environmental risks so as to mitigate them and optimize the operating effectiveness and profit or loss. Accordingly, the Bank adopts practices in line with the nature and specific characteristics of its operations.

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

Notes to financial statements (Continued)

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### **16. Risk and capital management (Continued)**

#### **2. Risk management (Continued)**

The governance structure consists of the Board of Directors, Audit Committee, Internal Audit, Independent Audit, Risk and Capital Committee, Executive Board, Planning, Operations and Risk Board, Internal Control and Risk Supervisory Board and other units in charge of managing risks in the first line of defense.

##### *Credit risk*

The Credit Risk Management Policy establishes limits for credit risk exposure by customer, economic group, economic dependence, and monitoring of the receivables portfolio quality; decision-making levels and criteria to analyze and monitor receivables, seeking to align decision with the Bank's risk appetite.

##### *Operational risk*

The Operational Risk Management Policy establishes roles, responsibilities and own methodology for management of such risks for the Bank, in order to identify, assess and adequately respond to risks.

##### *Compliance risk*

The Compliance Risk Management Policy establishes roles and responsibilities in the Bank's compliance risk management process to ensure that its activities are in compliance with the internal and external regulations.

##### *Liquidity risk*

The Liquidity Risk Management Policy establishes roles and responsibilities, exposure limits, and reporting levels, for the purpose of preparing the Bank to support adverse scenarios, considering different time frames. It addresses situations in which the contingency plan is triggered, which includes the set of strategies and measures to be taken, seeking adjustment of the limits established. This policy also provides for monitoring of action plans defined and reporting of the results to Senior Management.

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

Notes to financial statements (Continued)  
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### 16. Risk and capital management (Continued)

#### 2. Risk management (Continued)

##### *Market risk*

The Market Risk Management Policy establishes roles and responsibilities, operating limits, reporting levels and the means that must be worked on to minimize the adverse effects of this risk on the Bank's economic and financial results, respecting the adequacy to the defined risk appetite.

##### *Social and environmental risk*

The Social and Environmental Responsibility Policy establishes roles, responsibilities, its own methodology for identifying and assessing social and environmental risk and criteria for analyzing and monitoring operations.

The description of these risk management structures, as well as other information on risk management, is available on BDMG website (<http://www.bdmg.mg.gov.br>).

##### *Sensitivity analysis for market risks*

Financial instruments are classified in the banking portfolio, following a conservative strategy for allocation of resources established by management, observing the best market practices and classification criteria established by regulatory agencies. BDMG's exposure in the banking portfolio consists essentially of loans and funding, possibly hedged, as well as marketable securities transactions.

The Economic Value of Equity (EVE) approach was considered for the sensitivity analysis, which assesses the impact of changes in interest rates on the present value of the cash flows of instruments classified in the Institution's banking portfolio.

Delta EVE measures the difference between the present value of the sum of the repricing flows of instruments subject to interest rate risk in a base scenario and in a shock scenario on interest rates.

The table below summarizes the sensitivity values for the parallel scenario of increase and the parallel scenario of decrease, calculated by Delta EVE, referring to the banking portfolio position at December 31, 2020.

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### 16. Risk and capital management (Continued)

#### 2. Risk management (Continued)

December/20	$\Delta$ EVE Parallel shock increase	$\Delta$ EVE Parallel shock decrease
Coupon rate		
DOLLAR	(65,505)	71,683
Coupon rate EURO	(3,778)	4,047
Fixed rate	(7,624)	9,457
Coupon rate IPCA	8,556	(9,362)
Coupon rate IGPM	21,348	(23,570)
Coupon rate TJLP	8,676	(11,018)
Coupon rate TLP	3,179	(3,774)
Coupon rate TRD	11,362	(32,252)
TOTAL BRL	45,497	(70,517)
$\Delta$ EVE	45,497	75,730

The standardized scenarios of interest rate shocks (increase and decrease) were used, according to BACEN regulations for financial institutions scoped under size S3, as is the case of BDMG, where the shocks of 400bps were applied to instruments linked to risk factors in local currency, and of 200bp for Dollar and Euro Coupon rates.

### 17. Employee benefits

BDMG, as mentioned in Note 3.15, grants its employees the following post-employment benefits: private pension plan benefits, health and dental care, life insurance and benefits related to the Voluntary resignation program.

The benefits granted are recognized in accordance with CPC 33 (R1) - Employee Benefits, which requires that actuarial studies be carried out regularly to substantiate the benefits accounted for. As such, the Bank defined that two actuarial studies would be conducted in the year to support the Bank's financial statements: actuarial calculation for the statements of financial position in December and actuarial restatement in the statements of financial position in June, considering the statement of financial position of December of the prior year.

Based on the actuarial study prepared for the December 2019 statement of financial position, when preparing the actuarial calculations, changes resulting from the new retirement rules approved on enactment of the Social Security Reform in November 2019 are considered.

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

Notes to financial statements (Continued)  
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### **17. Employee benefits (Continued)**

#### **a) Characteristics of the benefit plans**

##### **i) *Pension plan***

BDMG sponsors defined benefit and variable contribution pension plans, administered by DESBAN – BDMG Social Security Foundation, a non-profit privately-held supplementary pension plan entity. The objective of both plans is to ensure that participating employees and their beneficiaries are granted portions supplementing the General Social Security Regime (RGPS).

##### **Defined benefit pension plan**

The defined benefit pension plan, which has been closed to new participants since November 10, 2011, is based on a capitalization financial regime for calculation and accrual of its reserves, which result from the participant's and sponsor's contributions. The sponsor's contributions are limited to the total of regular participants' contributions, taking into account their specific characteristics, in conformity with the matching contribution determined in Constitutional Amendment No. 20/1998.

BDMG's defined benefit plan in 2015 had the following technical deficit to be restructured. Regarding this plan, it is also necessary to comply with article 29 of the Board for Management of Supplementary Pension Plans (CGPC) No. 26, of September 29, 2008, in force at the time, which establishes the mandatory restructuring of the plan's deficit between the participants (active employees, pensioner members, and surviving spouse) and sponsors, taking into account the proportion of the regular contributions made in the year when the deficit occurs.



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

Notes to financial statements (Continued)  
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### 17. Employee benefits (Continued)

#### a) Characteristics of the benefit plans (Continued)

##### i) *Pension plan* (Continued)

##### Defined benefit pension plan (Continued)

The data on the amount of the deficit and deadlines for restructuring, as well as the respective updates are presented in the table below:

	<b>Restructuring - Desban - in 2015</b>	<b>Restructuring- Sponsor - 12/31/2019 (*)</b>	<b>Restructuring- Sponsor - 12/31/2020 (**)</b>
Amount of the restructuring	28,135.40	34,488.00	<b>33,870.00</b>
Sponsor's share	14,067.70	17,244.00	<b>16,935.00</b>
Participant's share	14,067.70	17,244.00	<b>16,935.00</b>
Deadline for restructuring	20 years	2020 to 2036	<b>2021 to 2036</b>

(\*) The restructuring amount defined according to the flow of liability discounted to present value, in accordance with the assumptions defined in BDMG's actuarial assessment in December 2019.

(\*\*) The restructuring amount defined according to the flow of liability discounted to present value, in accordance with the assumptions defined in BDMG's actuarial assessment in December 2020.

When considering the best estimate to be adopted for recognition of the deficit restructuring amount, the Bank considered the legal and regulatory framework that is necessary for calculation of the actuarial liability of public entities that sponsor supplementary pension plans.

Accordingly, an equal apportionment between the participants (50%) and the sponsors (50%) was established. The actuarial deficit portion for which the Bank, as a sponsor, is responsible, is recorded as liabilities.

This condition was accepted by DESBAN's Decision Making Committee, as registered in the minutes of the 282nd meeting, held on December 27, 2016: "equitable apportionment between the participants (50%) and the sponsors (50%) will be considered not only for the current Restructuring Plan, but also for any other deficit restructuring plans that may be required in the future, provided the same legal and regulatory basis remains effective".

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

Notes to financial statements (Continued)  
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### 17. Employee benefits (Continued)

#### a) Characteristics of the benefit plans (Continued)

##### i) *Pension plan* (Continued)

###### Defined benefit pension plan (Continued)

The lifetime pension benefits granted to a pensioner member and retirement benefits granted to three retired former employees, for not having been hired under the Consolidation of the Labor Laws (CLT) regime at the time the Bank was still an autonomous government agency, are recorded together with the actuarial liabilities of the Defined Benefit Pension Plan (DB) as from June 2020. The total actuarial obligation for December 2020 calculated in the actuarial valuation of the DB Pension Plan of R\$1,456,645 includes the amount of R\$5,428 of the post-employment obligation for these pensioner members.

In August 2020, one of those retired former employees passed away.

###### Variable contribution plan

The variable contribution pension plan, created on January 13, 2011, consists of a defined contribution plan in the savings structuring stage, becoming a defined benefit structure through the guarantee of a lifetime monthly annuity after it is granted.

BDMG's contribution to this plan is also limited to the total regular participant contributions, in conformity with the matching contribution set forth in Constitutional Amendment No. 20/1998.

##### ii) *Healthcare and dental care benefit*

PRO-SAÚDE is a Private Healthcare Plan that provides coverage for medical and dental expenses to active participating employees and their dependents, as described in Note 3.15, managed by DESBAN and operating under the capitalization regime. This benefit is guaranteed to active participants and pensioner members who are already retired until February 22, 2018, as well as those who have retired under the conditions established by the Voluntary Resignation Program, whose membership period ended on April 30, 2018.

##### iii) *Life insurance*

The Bank sponsors post-employment group life insurance exclusively to the pensioner members who, on February 22, 2018, already had this benefit. This benefit is ensured to active employees only for the period in which they remain as such. The Bank contributes with 50% of the premium paid.

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
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### 17. Employee benefits (Continued)

#### a) Characteristics of the benefit plans (Continued)

##### iv) *Voluntary resignation program*

In order to benefit employees in conditions to retire, the Bank offers this Program available to employees who meet the requirements established therein. In 2020, the program was opened on 05/05/2020, with a 15-day enrollment period from that date.

#### b) BDMG participants in the pension plans

The number of participants is distributed as follows:

	12/31/2020	12/31/2019
Plans:		
Defined benefit (DB) – active participants	219	224
Defined benefit (DB) – pensioner members	538	539
Defined benefit (DB) – self-sponsored participants	11	9
Benefits paid directly by the Entity (1)	3	-
Variable contribution (VC) – active participants	69	68
Variable contribution (VC) – pensioner members	1	1
Variable contribution (VC) – self-sponsored participants	-	1
Total	841	842

(1) In June 2020, 4 participants with benefits paid directly by the entity were included in the base for the actuarial valuation of the DB pension plan; in September 2020, there were 3 participants, as per Note 3.15 (v).

#### c) Bank commitments on benefit plans

In compliance with its benefit plan obligations for the years 2020 and 2019, BDMG made the following contributions for both active employees and pensioner members:

	12/31/2020	12/31/2019
Pension plan - DB	12,048	11,938
Pension plan - VC	57	582
Health Promotion Program PRÓ-SAÚDE	7,728	6,863
Group life insurance	1,182	1,200
Voluntary resignation program	537	10
Total	21,552	20,593

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### c) Bank commitments on benefit plans (Continued)

##### i) *Changes in net actuarial liabilities*

The net amounts of obligations with defined benefit plans, pursuant to CPC 33 (R1) arise from the following changes in the period:

	Pension plan - DB		Pension plan - VC		Health Promotion Program PRÓ-SAÚDE		Group life insurance	
	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019
<b>Reconciliation (liabilities)/assets recognized</b>								
Opening (liabilities), net	<b>(332,852)</b>	(185,244)	-	-	<b>(126,841)</b>	(98,018)	<b>(19,439)</b>	(13,239)
Participant's portion in surplus (-)/deficit (+)	<b>97,001</b>	37,184	-	-	-	-	-	-
Opening (liabilities), net (1)	<b>(235,851)</b>	(148,060)	-	-	<b>(126,841)</b>	(98,018)	<b>(19,439)</b>	(13,239)
(Expenses)/income recognized in profit or loss for the period	<b>(22,627)</b>	(21,984)	<b>(37)</b>	(55)	<b>(8,878)</b>	(9,740)	<b>(1,174)</b>	(1,152)
Gains/(losses) recognized in equity (2)	<b>(14,485)</b>	(77,745)	<b>(20)</b>	5	<b>(15,480)</b>	(24,099)	<b>550</b>	(6,169)
Employer's contributions	<b>12,048</b>	11,938	<b>57</b>	50	<b>5,633</b>	5,016	<b>1,106</b>	1,121
Benefits paid directly by the entity	<b>374</b>	-	-	-	-	-	-	-
Transfer from lifetime pension (Other obligations) (3)	<b>(2,081)</b>	-	-	-	-	-	-	-
Closing (liabilities), net (1)	<b>(262,622)</b>	(235,851)	-	-	<b>(145,566)</b>	(126,841)	<b>(18,957)</b>	(19,439)

(1) Refers to the portion of actuarial responsibility of the sponsor, after calculating the risk sharing effect with the active participants and pensioner members.

(2) Actuarial gains/(losses) are recorded in "Other equity adjustments" in equity, as mentioned in Note 12.b.ii.

(3) Portion of the deficit of the Defined Benefit Pension Plan before the inclusion of the actuarial obligation with the statutory retirees and lifetime pension, which totaled R\$5,428 at 12/31/2020.

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

Notes to financial statements (Continued)

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### 17. Employee benefits (Continued)

#### c) Bank commitments on benefit plans (Continued)

##### i) *Changes in net actuarial liabilities* (Continued)

##### Amounts recognized in profit or loss

Expenses with defined benefit plans are detailed below:

	Year 2020				Total
	Pension plan - DB	Pension plan - VC	Health Promotion Program PRÓ-SAÚDE	Group life insurance	
Current service cost	(7,974)	(39)	-		(8,013)
Cost of interest, net	(14,653)	2	(7,797)	(1,174)	(23,622)
Expected contributions for administrative expenses	-	-	(1,081)		(1,081)
(Expenses) income recognized in profit or loss (1)	(22,627)	(37)	(8,878)	(1,174)	(32,716)
	2H20				Total
	Pension plan - DB	Pension plan - VC	Health Promotion Program PRÓ-SAÚDE	Group life insurance	
Current service cost	(3,348)	(13)	-		(3,361)
Cost of interest, net	(6,549)	1	(3,425)	(501)	(10,474)
Expected contributions for administrative expenses	-	-	(595)		(595)
(Expenses) income recognized in profit or loss (2)	(9,897)	(12)	(4,020)	(501)	(14,430)

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

Notes to financial statements (Continued)  
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### 17. Employee benefits (Continued)

#### c) Bank commitments on benefit plans (Continued)

##### i) *Changes in net actuarial liabilities* (Continued)

##### Amounts recognized in P&L (Continued)

	Year 2019				Total
	Pension plan - DB	Pension plan - VC	Health Promotion Program PRÓ-SAÚDE	Group life insurance	
Current service cost	(8,298)	(57)	-	-	(8,355)
Cost of interest, net	(13,686)	2	(8,712)	(1,152)	(23,548)
Expected contributions for administrative expenses	-	-	(1,028)	-	(1,028)
(Expenses) income recognized in profit or loss (1)	(21,984)	(55)	(9,740)	(1,152)	(32,931)

(1) Expenses referring to year 2020 were accounted for as follows: R\$10,900 (2019 - R\$10,904) referring to benefits to be granted (active employees) and R\$21,016 (2019 - R\$22,027) referring to benefits granted (pensioner members). For the VC Pension Plan, the contributions related to the defined contribution portion (DC), recorded in expenses, amounted to R\$615 (R\$522 for 2019).

(2) Expenses referring to the second half of 2020 were accounted for as follows: R\$4,638 referring to benefits to be granted (active employees) and 9,792 referring to benefits granted (pensioner members). For the VC Pension Plan, the contributions related to the defined contribution portion (DC), recorded in expenses, amounted to R\$339.

#### d) Actuarial studies

The actuarial liabilities were calculated by an independent actuary using the Projected Unit Credit method, and the studies prepared as at December 31, 2020 are in effect.

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

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### i) *Statement of calculation and changes in net actuarial liabilities*

	Pension plan - DB		Pension plan - VC		Health Promotion Program PRO-SAÚDE		Group life insurance	
	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019
<b>(Deficit)/surplus calculated</b>								
Actuarial obligations determined on actuarial assessment	(1,456,645)	(1,429,560)	(1,112)	(1,049)	(172,570)	(152,012)	(18,957)	(19,439)
Fair value of plan assets	1,075,852	1,096,708	2,119	1,906	27,004	25,171	-	-
(Deficit)/surplus calculated	(380,793)	(332,852)	1,007	857	(145,566)	(126,841)	(18,957)	(19,439)
	-	-	-	-	-	-	-	-
<b>Asset ceiling effect, additional liabilities and risk sharing</b>	-							
Asset ceiling effect	-		(1,007)	(857)				
Risk sharing (Deficit to be shared x 50%)	118,171	97,001	-					
Closing asset ceiling effect, additional liabilities and risk sharing	118,171	97,001	(1,007)	(857)	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Net (liabilities)/assets determined</b>								
((deficit)/surplus determined less asset ceiling effect and additional liabilities) (1)	(262,622)	(235,851)	-	-	(145,566)	(126,841)	(18,957)	(19,439)
	-							
Opening fair value of assets	1,096,708	961,695	1,906	1,484	25,171	23,576	-	-
Benefits paid in the period using plan assets	(77,090)	(74,704)	(20)	(16)	(6,927)	(6,778)	-	-
Participant's contributions in the period	5,794	5,696	57	50	-	-	-	-
Employer's contributions in the period	12,048	11,938	57	50	5,633	5,016	-	-
Earnings expected from assets	66,220	79,962	123	132	1,578	1,944	-	-
Gains/(losses) on fair value of plan assets (2)	(27,828)	112,121	(4)	206	1,549	1,413	-	-
<b>Closing fair value of assets</b>	<b>1,075,852</b>	<b>1,096,708</b>	<b>2,119</b>	<b>1,906</b>	<b>27,004</b>	<b>25,171</b>	<b>-</b>	<b>-</b>

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

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### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### i) *Statement of calculation and changes in net actuarial liabilities* (Continued)

	Pension plan - DB		Pension plan - VC		Health Promotion Program PRO-SAÚDE		Group life insurance	
	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019
Opening actuarial obligations	<b>(1,429,560)</b>	(1,146,939)	<b>(1,049)</b>	(630)	<b>(152,012)</b>	(121,594)	<b>(19,439)</b>	(13,239)
Cost of current service, net	<b>(7,974)</b>	(8,298)	<b>(39)</b>	(57)	-	-	-	-
Participant's contributions in the period	<b>(5,794)</b>	(5,696)	<b>(57)</b>	(50)	-	-	-	-
Interest on actuarial obligations	<b>(87,017)</b>	(97,719)	<b>(64)</b>	(55)	<b>(9,375)</b>	(10,656)	<b>(1,174)</b>	(1,152)
Benefits paid in the period	<b>77,464</b>	74,704	<b>20</b>	16	<b>5,846</b>	5,750	<b>1,106</b>	1,121
Gains/(losses) on actuarial obligations (2)	-	-	-	-	-	-	-	-
Actuarial gain/(loss) – changes in assumptions (discount rate)	<b>20,900</b>	(232,330)	<b>122</b>	(327)	<b>7,794</b>	(25,100)	<b>520</b>	(3,030)
Actuarial gain/(loss) – changes in assumptions (mortality table)	-	(15,847)	-	34	-	(7,256)	-	544
Actuarial gain/(loss) – changes in assumptions (turnover)	-	(14)	-	(4)	-	-	-	-
Actuarial gain/(loss) – changes in assumptions (salary growth)	-	(3,301)	-	(17)	-	-	-	-
Actuarial gain/(loss) – changes in assumptions (family structure)	-	2,624	-	61	-	-	-	-
Actuarial gain/(loss) – change in HCCTR assumption from 3% to 3.75%					<b>(15,520)</b>			
Actuarial Gain / (Loss) - Change in assistance costs different from expected	-	-	-	-	<b>(8,785)</b>	-	-	-
Actuarial gain/(loss) – experience adjustments	<b>(22,583)</b>	3,256	<b>(45)</b>	(20)	<b>(518)</b>	6,844	<b>30</b>	(3,683)
Transfer from lifetime pension (other obligations)	<b>(2,081)</b>	-	-	-	-	-	-	-
<b>Closing actuarial obligations</b>	<b>(1,456,645)</b>	<b>(1,429,560)</b>	<b>(1,112)</b>	<b>(1,049)</b>	<b>(172,570)</b>	<b>(152,012)</b>	<b>(18,957)</b>	<b>(19,439)</b>



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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### i) *Statement of calculation and changes in net actuarial liabilities* (Continued)

	Pension plan - DB		Pension plan - VC		Health Promotion Program PRÓ-SAÚDE		Group life insurance	
	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019
<b>Determination of deficit to be shared</b>								
(Deficit)/surplus determined eligible for sharing (2)	(375,365)	(332,852)	-	-	-	-	-	-
Employer's obligation with future contributions (Regular contributions)	122,088	121,606	-	-	-	-	-	-
Employer's obligation with future contributions (ad hoc contributions – deficit restructuring 2015)	16,935	17,244	-	-	-	-	-	-
<b>(Deficit) to be shared</b>	<b>(236,342)</b>	<b>(194,002)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Asset ceiling, minimum funding requirements and risk sharing</b>								
Opening asset ceiling effect, additional liabilities and risk sharing	97,001	37,184	(857)	(854)	-	-	-	-
Interest expected on asset ceiling effect, additional liabilities and risk sharing	6,144	4,071	(57)	(75)	-	-	-	-
Gains/(losses) on asset ceiling effect, additional liabilities and risk sharing (1)	15,026	55,746	(93)	72	-	-	-	-
<b>Closing asset ceiling effect and additional liabilities</b>	<b>118,171</b>	<b>97,001</b>	<b>(1,007)</b>	<b>(857)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) Actuarial gains/(losses) are recorded in "Other equity adjustments" in equity, as mentioned in Note 12.bii.

(2) Portion of the deficit of the Defined Benefit Pension Plan before the inclusion of the actuarial obligation with the statutory retirees and lifetime pension, which totaled R\$5,428 at 12/31/2020.

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### ii) *Allocation of the fair value of plan assets*

The plan assets at December 31, 2020 and December 31, 2019 are allocated by category of assets, as follows:

<b>Pension plan - DB</b>	<b>2020</b>	<b>2019</b>
Available	0.00%	0.01%
Realizable – Pension plan management	0.49%	0.74%
Realizable – Administrative management	0.68%	0.66%
Government bonds	37.71%	37.26%
Investment funds	52.34%	50.79%
Private credits	0.43%	0.24%
Real estate investments	2.07%	3.97%
Loans and financing	0.77%	0.97%
Judicial deposits	5.51%	5.36%
Total	100.00%	100.00%

<b>Pension plan - VC</b>	<b>2020</b>	<b>2019</b>
Available		0.09%
Realizable – Pension plan management		0.05%
Realizable – Administrative management	1.12%	0.85%
Investment funds	97.57%	97.46%
Loans and financing	1.31%	1.55%
Total	100.00%	100.00%

<b>Health Promotion Program PRÓ-SAÚDE</b>	<b>2020</b>	<b>2019</b>
Available	0.07%	0.20%
Investments linked to technical reserves	6.66%	7.13%
Unrestricted investments	35.31%	32.84%
Credits from health plan operation	0.52%	0.39%
Credits from operation not related to health plan of the operator	0.21%	0.22%
Government bonds	46.02%	47.42%
Long-term receivables	11.21%	11.80%
Total	100.00%	100.00%

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
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### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### iii) *Key assumptions used in the actuarial valuation*

The actuarial studies that report BDMG's obligations at December 31, 2020 and December 31, 2019 are based on the following assumptions:

	2020	2019
Statutory discount rate for the actuarial liability		
Pension plan - DB	6.9148%	7.1020%
Pension plan - VC	7.2442%	7.1949%
Health Promotion Program PRÓ-SAÚDE	7.0035%	7.0697%
Group life insurance	7.0528%	7.1535%
Expected annual nominal rate of return on investments		
Pension plan - DB	6.9148%	7.1020%
Pension plan - VC	7.2442%	7.1949%
Health Promotion Program PRÓ-SAÚDE	7.0035%	7.0697%
Estimated future annual inflation rate	3.32%	3.61%
Nominal rate of future salary growth:		
BDMG (PCS)	6.03%	6.32%
BDMG (CC)	4.02%	4.31%
Health Care Cost Trend Rate - HCCTR (1)	3.75%	3.00%
Turnover:		
Up to 39 years of age	4.00%	4.00%
More than 39 years of age	0.30%	0.30%
General mortality table	<b>AT-2012 Basic IAM downrated by 10%, segregated by gender.</b> <b>Adjusted Álvaro Vindas downrated by 70%.</b> <b>Winklevoss downrated by 50%.</b> <b>Benefits to be granted: average family structure assumption:</b> <ul style="list-style-type: none"> <li>percentage of married individuals (dependents): 86.30%;</li> <li>woman spouse five years younger than the policy holder;</li> <li>age of youngest child (Z): <math>Z = 24 - \text{MAX}[(63-X)/2; 0]</math>, where "x" is the policy holder's age</li> </ul> <b>Benefits granted: Actual family.</b>	
Disability table	<b>AT-2012 Basic IAM downrated by 10%, segregated by gender.</b> <b>Adjusted Álvaro Vindas downrated by 70%.</b> <b>Winklevoss downrated by 50%.</b> <b>Benefits to be granted: average family structure assumption:</b> <ul style="list-style-type: none"> <li>percentage of married individuals (dependents): 86.30%;</li> <li>woman spouse five years younger than the policy holder;</li> <li>age of youngest child (Z): <math>Z = 24 - \text{MAX}[(63-X)/2; 0]</math>, where "x" is the policy holder's age</li> </ul> <b>Benefits granted: Actual family.</b>	
Disability mortality table		
Structure of surviving families		

(1) Applicable solely to the Health Plan.

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### iv) *Sensitivity of the defined benefit obligation*

Changes in assumptions underlying actuarial studies may have effects on the value of the defined benefit obligation.

The table below shows, in percentages, how the defined benefit obligation is affected if changes occur in the following actuarial assumptions:

	Altered assumption						Increase of 0.5% in medical cost trend rate	Decrease of 0.5% in medical cost trend rate
	Increase of 0.5% p.a. in discount rate	Decrease of 0.5% p.a. in discount rate	Increase of 1 year in life expectancy	Decrease of 1 year in life expectancy	Increase of 0.5% in salary growth rate	Decrease of 0.5% in salary growth rate		
Pension plan - DB	-5.86%	6.53%	2.39%	-2.42%	1.18%	-1.10%	N/A	N/A
Pension plan - VC	-14.18%	17.40%	-0.83%	0.96%	10.08%	-8.57%	N/A	N/A
Health Promotion Program PRÓ-SAÚDE	-6.00%	6.64%	4.79%	-4.70%	-	-	6.72%	-6.13%
Group life insurance	-6.17%	6.80%	-2.42%	2.44%	-	-	N/A	N/A

##### v) *Projected cash flow*

The actuarial studies made for the December 31, 2020 reporting date included the following estimates for payment of benefits and contributions of the sponsor for 2021:

Estimated cash flow	Pension plan - DB	Pension plan - VC (1)	Health Promotion Program PRÓ-SAÚDE	Group life insurance	Total
Expected benefit payments using plan assets	87,024	72	6,257	1,133	94,486
Expected benefit payments directly by the company	652	-	-	-	652
Expected employer contributions	12,174	58	6,122	1,133	19,487

(1) The expected sponsor contribution presented refers to contributions to benefits or risk of Pension Benefits, of the Variable Contribution (VC) type.

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### v) *Projected cash flow* (Continued)

The weighted average duration of actuarial obligations is as follows:

	Pension plan - DB	Pension plan - VC	Health Promotion Program PRÓ- SAÚDE	Group life insurance
12/31/2020	12.10	31.29	12.64	13.02
12/31/2019	12.93	29.14	12.45	13.92

### 18. Other information

#### Actions to mitigate the effects of COVID-19

The severity of the COVID-19 pandemic has generated uncertainties and consequent insecurity for the economy, but at the same time, has created challenges for economic agents to face the expected difficulties.

Projections point out that Brazil, following the expectations of other countries, may still be in recession in 2021 with effects, not yet fully evaluated, on all economic activities.

As a response to face the expected difficulties, in addition to laws and other measures proposed by the Executive and Legislative Branches, the National Monetary Council and the Central Bank have approved rules seeking liquidity of the financial system and enabling the granting and renegotiation of loans under special conditions to support companies in this period of immense adversity.

To enable BDMG to operate in its development function under such difficult circumstances, the controlling shareholder State of Minas Gerais issued Decree No. 47939 on April 30, 2020, ensuring to the Bank, through MG Investe Garantidor, the functions of guaranteeing loans granted and covering losses incurred thereby in the transactions carried out with limited guarantee of other insurance funds.

In this regard, in addition to the resources provided for in the Annual Budget Law, in the amount of R\$26.6 million, a supplementation of R\$58.8 million was made by the State (Decree No. 216, of May 8, 2020), allocated for this guarantee measure. Also in May, the State increased the Bank's capital by R\$100 million, providing greater liquidity to face the impacts of the crisis.

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

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

### **18. Other information (Continued)**

#### Actions to mitigate the effects of COVID-19 (Continued)

The Bank adopted the following measures, among others, to enable State companies to continue operating under such adverse conditions, through new transactions or renegotiation of loans already granted:

- Record loan transaction amounts released in a total R\$2,849,500 (2019: R\$2,414,830), and the figure originally expected in the 2020 Strategic Planning was R\$1,804;
- Change in and inclusion of products to meet demands for resources released by the Support Program for Micro and Small Entities (PRONAMPE) and, in compliance with Supplementary Law No. 173, extension of payment deadlines related to financing granted to municipalities;
- Renegotiation of loans by granting grace periods (standstill) in transactions or other possible forms of renegotiation according to the conditions of the original transaction.

Management believes that, as a result of the measures adopted to face the pandemic, the Bank's assets and liabilities may be affected mostly in relation to the following items:

- Loans - an increase in the level of late payments for loans taken out is expected as the economic situation worsens, with a consequent increase in defaults;
- Civil provisions - a greater volume of lawsuits may occur as a result of contracts and renegotiations carried out in the context of the urgent measures adopted;
- Assets not for own use - in the event of an increase in default, the growth of assets received under agreements guaranteed by chattel mortgage is expected.
- The Bank's operating activities continue normally, with employees working from home. In addition to being attentive to the items listed above due to the possibility of their effects on future results, management monitors, on a daily basis, the impacts of operations carried out in the allocation of capital and liquidity, with the objective of maintaining risk levels within the established limits.

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

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
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### **Board of Directors**

Fernando Lage de Melo - Chairman  
Carlos de Camargo Penteado Braga - Vice-Chairman  
Ivone Hiromi Takahashi Saraiva - Member  
Leonardo Guimarães Parma - Member  
Luiz Antônio do Souto Gonçalves - Member  
Sergio Eduardo Weguelin Vieira - Member  
Sergio Gusmão Suchodolski - Member  
Sergio Murilo Bahdur Vieira - Member

### **Executive Board**

Sergio Gusmão Suchodolski	CEO
Henrique Amarante Costa Pinto	Deputy CEO
Marcela Amorim Brant	Officer
Otávio Lobão de Mendonça Vianna	Officer
Vinício José Stort	Officer

### **Controllership Supervisory Board**

Giovani Rosemberg Ferreira Gomes	Accountant CRC-MG-075701/O-5
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## **Banco de Desenvolvimento de Minas Gerais S.A. - BDMG**

Notes to financial statements (Continued)  
December 31, 2020 and 2019  
(In thousands of reais, unless otherwise stated)

### **Report of the Supervisory Board**

The Supervisory Board of Banco de Desenvolvimento de Minas Gerais S.A. – BDMG, in exercising its legal and statutory duties, examined the Management Report and the Financial Statements for the year of 2020 at the meeting held on 2/19/2021, considering the Audit Committee's request and the terms of the unqualified opinion issued by Ernst & Young Auditores Independentes S.S. on 2/19/2020, and understands that such reports are presented in accordance with accounting practices adopted in Brazil and adequately reflect the Bank's financial position, thus approving them.x.x.x.x.x.x.x.

Belo Horizonte, February 19, 2021.

Rodrigo Fontenelle de Araújo Miranda

CEO

Supervisory Board of BDMG