Interim Financial Statements

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

Nine-month period ended September 30, 2021
with Independent Auditor's Report

BANCO DE DESENVOLVIMENTO DE MINAS GERAIS - BDMG

Management Report

3rd Quarter of 2021

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 Interim Financial Statements for the nine-month period ended September 30th, 2021.

On September 22nd, BDMG started the 60th year of operation. In addition to supporting investment in important economic segments for the development of the Minas Gerais State for six decades, the relevance of BDMG in mobilizing international resources with multilateral organizations stands out, expanding the sources of investments for the sustainable development of the State. In view of the health crisis, considered the biggest pandemic ever faced, BDMG promptly mobilized itself with various lines for countercyclical action.

Aware of the global development challenges, BDMG continues to work hard on its purpose of turning investments into reality, in line with the UN's Sustainable Development Goals (SDGs). In this regard, BDMG remains firmly committed to contributing to an economic recovery on more sustainable and inclusive bases in its area of operation.

In a contemporary world, which demands more flexibility, agility and innovation, BDMG continues in line with the society's dynamics and with the value creation strategies of the Minas Gerais State Government.

1 | OPERATING PERFORMANCE

The total disbursement in the third half of 2021 was R$1,360 million for 3,958 customers. Compared to disbursements for the same period in 2020, there is a 64% decrease, which reflects the recovery of the demand for emergency credit, after a record volume disbursed by the Bank last year, and the gradual return of the economy in the face of the health crisis. Considering the entire pandemic period, from March 2020 to September 2021, the Bank accumulates R$4.1 billion injected into the economy of Minas Gerais State, a record level of disbursement, contributing to the strengthening, recovery and overcoming of this adverse scenario, with 15,762 customers served.

Analyzing disbursements by segment[1], R$238.2 million were allocated to 3,622 micro and small enterprises, which represent 92% of the number of customers served by BDMG in the period. For medium and large companies, R$378.3 million were disbursed to 108 medium-sized companies and R$669.8 million to 41 large companies. For the public sector, R$69.8 million were disbursed for projects in 190 municipalities.

As for the origin of resources disbursed, 62% were own resources and/or arising from domestic and international funding; 37% derived from onlending and 1.5% from funds. Regarding onlending, 70% came from the Fund for the Defense of the Coffee Economy (FUNCAFÉ) and 27% came from the National Development Bank (BNDES).

The sectors that stood out in terms of disbursement volume were Commerce and Services, with R$729.1 million, or 54%. The Processing Industry appears in second place, with 25% of disbursements or R$344.9 million, followed by the Agriculture, Livestock and Forestry sector, which represented 9%, with R$128.7 million.

Regarding distribution by macroregion, R$834.6 million were drawn down to companies located in the Central, Southern and Alto Paranaíba regions (MG), or 61% of the total. Other macroregions in the state received 39% (R$525.6 million).

The companies served in 2021 are located in 490 municipalities, of which 398 (81%) have a Human Development Index (HDI) lower than the Brazilian average[2]. It is noteworthy that in the North region of Minas Gerais state, 45% of total disbursements was directed to photovoltaic solar energy projects, contributing to the growth of renewable energy projects in the region.

Present in 765 of the 853 municipalities in Minas Gerais (90%), BDMG has worked with capillarity in the allocation of resources to benefit all regions of the State, generating a significant social and economic impact.

2 | PERFORMANCE HIGHLIGHTS

Clean Energy

Projects related to Sustainable Development Goal (SDG) 7 - Affordable and clean energy received R$124.6 million, distributed among 27 customers and in 27 municipalities. Photovoltaic solar energy projects should be highlighted, they represented 37% of the disbursement for energy efficiency and renewable energy.

In relation to projects financed by BDMG with funds from the European Investment Bank (EIB), R$93.5 million were disbursed for projects involving photovoltaic plants, hydroelectric power

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[1] Classification of the companies' size in BDMG: Micro and Small companies: annual gross revenue of up to R$4.8 million; Medium-sized companies: from R$4.8 to R$300 million; and Large-sized companies: above R$300 million.

[2] The Human Development Index (HDI) measures a nation's progress from three dimensions: income, health and education. Brazil's HDI is 0.765 (2020).

plants (HPP) and public lighting. Since 2019, when the contract with the EIB was entered into, over R$198 million have already been taken out, with R$178.7 million in disbursements.

Agribusiness

Until the third quarter, 49% of the Bank's total disbursements were earmarked for the agribusiness sector: R$670.3 million were drawn down to 55 customers.

The financing was made substantially through lines that use resources from Funcafé, Agribusiness Credit Bills (LCA) and BNDES. The disbursement tied to LCA lines was R$282.7 million, or 42% of the total allocated to agribusiness – a decrease of 15% in relation to 3Q20.

Regarding the new 2021/2022 crop of Funcafé resources, a limit of R$355.5 million to be used was allocated to BDMG. This value is the largest budget related to banking institutions with regional operation, and the sixth place among all financial institutions in Brazil. Since Funcafé finances inputs, machinery and implements, storage, harvesting and formation of crops, financing becomes essential for strengthening the Minas Gerais coffee economy, encouraging job creation, productivity and income in the countryside.

BDMG finances three credit facilities: Funcafé Comercialização: earmarked for production cooperatives; Financing for the Acquisition of Coffee ("FAC"): earmarked for traders and exporters, instant and roasting coffee industries, in addition to cooperatives; and Working Capital: earmarked for production cooperatives and instant and roasting coffee industries.

Regarding financing to rural producers, the partnership agreement entered into in June with Cresol Minas started to show positive results. At the end of August, the onlending model operation was completed, and in September the first loan transaction was carried out. The cooperative will act as a financial agent, onlending funds from BDMG and allowing the Bank to increase its capillarity in reaching rural producers of different sizes.

Municipalities

In its contribution to reducing regional and social inequalities, actively finances infrastructure projects in the municipalities of Minas Gerais State, seeking to provide the investments necessary for sustainable economic and social development. Financing is intended to enable the construction, renovation and expansion of public buildings, energy efficiency, cogeneration of energy, water and sewage supply, solid waste management, mobility and urban drainage, in addition to the possibility of acquiring machinery and equipment. It should be stressed that many of these projects are aligned with Sustainable Development Goals (SDG) 6 - Drinking Water and Sanitation or SDG 11 - Sustainable Cities and Communities.

By September 2021, R$58.5 million were disbursed for projects in 170 municipalities in Minas Gerais. Another R$11.3 million were disbursed in operations involving non-reimbursable funds from third parties (partnership with Fundação Renova) for 25 municipalities affected by the collapse of the mining tailings dam named “Fundão”, owned by Samarco, a mining company, in the city of Mariana. Currently, BDMG has an active loan portfolio with the public sector of R$590 million, though active contracts with 443 City Administrations of Minas Gerais.

2021 Municipal Notice

The budget of the 2021 Municipal Notice, launched in April, was increased in October from R$300 million to R$411 million. These resources are earmarked to contracting new transactions through four lines of financing: Sustainable Cities (clean energy, energy efficiency, modernization of public buildings and smart cities); Urbaniza (urban mobility and drainage); Sanitation (water supply systems, sewage systems and urban solid waste); and Maq (machinery, equipment and vehicles). Greater emphasis was placed on supporting sustainable projects, in addition to special conditions for cities with MHDI below the state average.

With the implementation of the BDMG Digital Municipalities Platform, the Bank achieved a significant reduction in the term for taking out financing transactions. The qualification analysis, for instance, which previously took up to four months to be completed, was completed in just three weeks. Another improvement implemented was the digital signature of the financing contract, eliminating the need to travel to the Bank’s headquarters, located in the city of Belo Horizonte, bringing more speed and less bureaucracy to the entire process.

In the current stage, 358 financing proposals from 280 municipalities in Minas Gerais had authorizing laws approved by the Municipal Councils, totaling R$411 million. By the end of the quarter, 76 contracts from 67 municipalities had been entered into, totaling R$83 million. Another 43 contracts from 36 municipalities were in the contracting phase, for a total of R$44 million.

Concession project structuring: advisory services for the State Government

Regarding the concession project structuring, the cooperation agreement entered into in April 2020 with Inter-American Development Bank (IDB) and the service agreement with the Minas Gerais Infrastructure and Mobility State Office (SEINFRA) - whose purpose is to enable investments, guarantee the maintenance of the road stretches and strengthening the State’s logistical infrastructure - also showed results. Throughout 2021, various products from the structuring of the Lote Ouro Preto highway concession were completed, such as traffic study, registration of the highway system, exploration program and environmental studies. The public consultation was published and two public hearings were held by Seinfra, supported by BDMG and IDB, which were completed in September. The concession covers road stretches in the municipalities of Nova Lima, Itabirito, Ouro Preto, Mariana, Viçosa, Rio Casca, among others.

In relation to the concession of three conservation units of Rota das Grutas Peter Lund, a project that is part of the State Park Concession Program (Parc) of the State Forestry Institute (IEF), the service concession arrangement was entered into in August. The concession model was designed by BDMG, consolidating the Bank’s operations in the project structuring segment also for the state government.

Concession project structuring: partnerships for the Infrastructure segment

In partnership with the municipality of Poços de Caldas, BDMG coordinates the structuring of the concession project for management and operation of the city’s Integrated Tourist Circuit. There are four tourist assets: the Cristo Redentor Tourist Complex, which includes the city’s cable car and the free flight ramp; the Fountain of Love; the Japanese Nook; and the Bride's Veil Tourist Complex. The Bank carried out all feasibility studies, formatting of the notice and supports the municipality in the public consultation.

Under the Technical Cooperation Agreement entered into with the State Office for the Environment and Sustainable Development (SEMAD), and in order to promote the development of public policies for environmental management and basic sanitation, BDMG has been technically assisting SEMAD in search for an economically feasible solution for the creation of regional basic sanitation units, in compliance with the new legal framework for basic sanitation, through Federal Law No. 14026 of July 15, 2020.

Within this context, BDMG has developed studies and projections for the establishment of an agreement between the municipalities of Minas Gerais State, focused on regionalized provision of sanitation and solid waste services, aimed at promoting gains of scale and ensuring access of all Minas Gerais state population to public basic sanitation services, upon presentation by the State Government of Bill No. 2884/2021.

BDMG Digital Financing for Micro and Small Enterprises (MSEs)

One of BDMG's strategic pillars, the support for Micro and Small Enterprises, in line with SDG 8 - Decent work and economic growth, requires constant adaptation and improvement of products and offer channels, seeking to maintain and elevate the Bank’s position in a very dynamic market. With that in mind, BDMG invests in the modernization of its digital loan offer channel through the BDMG Digital platform.

By the third quarter, BDMG Digital’s total disbursement reached R$200 million, 95% of which, or R$190.3 million, earmarked for Micro and Small Enterprises (MSEs) with up to R$4.8 million in annual gross revenue. Transactions within the National Support Program for Micro and Small Enterprises (Pronampe) stood out in the period, representing 80% of the total volume disbursed, totalling R$153.1 million. BDMG remodeled the program, offering loan at more attractive rates and differentiated conditions for the tourism segment and for women-led businesses, reinforcing BDMG's role as an anticyclical agent and promoter of gender equality, enabling an increase in MSE-related disbursement compared with prior months.

BDMG also seeks to diversify and train its network of Correspondent banks, responsible for providing face-to-face assistance to MSEs of Minas Gerais State. Throughout the third quarter of 2021, a substantial part of the Correspondent banks network updated its contract with the Bank through the new accreditation notices launched in April 2021. The new notices, aimed at different profiles of Correspondent banks, brought news related to the remuneration and bonus format, in addition to major improvements in connection with the control and compliance of the network's operations. Actions to attract new Correspondent banks were also frequent, expanding and diversifying the indirect channel for accessing BDMG loan.

In the same period, the accreditation of Sebrae as a BDMG Correspondent bank was completed. Sebrae is the first partner to become accredited through the new notice aimed at private legal entities incorporated as an independent social service. As a result, BDMG's offering of loan gained even more capillarity.

In addition, BDMG invested in training Correspondent banks, implementing a distance learning platform to carry out and monitor training and certification of its network.

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.

Through loans and in partnership with Fapemig and Finep, BDMG finances innovative projects developed by companies in Minas Gerais State. This year, six projects have already been contracted, in the amount of R$12.3 million, and R$11.1 million have been disbursed.

In May, BDMG's first Innovation Notice was published to qualify companies with revenue of up to R$16 million, with projects of values between R$150 thousand and R$1 million. The notice resulted in 15 companies qualified for initial analysis, with projects totaling R$10 million.

Equity Investment Funds ("FIPs")

In addition to stimulating innovation through financing, BDMG also works with investment instruments to support innovative companies with high growth potential. By the end of the third quarter, R$4 million were paid up in this portfolio, consisting of nine Equity Investment Funds ("FIPs") and a Venture Debt Fund. Together, these funds have already invested R$92.7 million in 33 companies of Minas Gerais State.

The Bank holds equity interest in two companies, with 8.0% of the shares of Unitec Semicondutores S.A., a semiconductor industry under implementation in Ribeirão das Neves, Minas Gerais State, of which it has been a shareholder since 2012, and 6.0% of Biomm S.A., a biopharmaceutical industry located in Nova Lima, Minas Gerais State, of which it has been a shareholder since 2013.

3 | SOCIAL AND ENVIRONMENTAL IMPACTS AND SOCIAL RESPONSIBILITY

When applying the Input-Product Matrix[3], an econometric methodology that measures the impacts of BDMG's disbursements on the Minas Gerais State economy, an additional amount of R$560.3 million is estimated to have been generated in the Minas Gerais State production, with R$41 million in State VAT ("ICMS"), stimulating the creation of 16,320 new jobs.

Regarding the impacts related to "green financing", in accordance with SDG 7 - Affordable and clean energy, the renewable energy projects contracted until September have the capacity to generate 63 GWh/year. Together, these projects have the potential to generate energy equivalent to the consumption of 21,428 households with four people, on average, for a period of one year. In terms of avoided greenhouse gases (GHG), it is possible to estimate more than 4,700 tCO_2e/year will no longer be emitted into the atmosphere.

Assessing the social effects of financing on the Minas Gerais State economy for Micro and Small Enterprises, R$238.2 million were disbursed to 3,622 customers with revenue of up to R$4.8 million, which are responsible for maintaining more than 16,460 jobs. These resources brought benefits to 381 municipalities. Of the total customers served in this segment, 19.5% are included in production microcredit[4].

With regard to gender inclusion, BDMG offered three specific credit products to women-led MSEs, who holds 50% or more equity interest: BDMG Pronampe Mulheres; BDMG Empreendedoras de Minas; and BDMG Giro Já Empreendedoras. In line with SDG 5 - Gender equality, in 2021, these three products financed 1,097 women entrepreneurs and were responsible for a total disbursement of R$54.6 million, helping to maintain more than 4,831 jobs. The women-led businesses represented 30% of the total number of customers served through BDMG Digital.

Regarding financing to the health segment, in line with SDG 3 - Good health and well-being, one hospital, two diagnostic support centers, four suppliers of hospital products and equipment were financed, in addition to a project for investments in 40 basic healthcare units. In financing the hospital, 70,000 people are directly benefited, including around 15,000 patients and 1,600 workers. The other projects financed on this front benefited another 1,476 patients and 853 workers, in addition to serving 258 medical and hospital care units through the supply of their products as well as enabling the manufacturing of 8,000 items, including medicines and other hospital, pharmaceutical and clinical products and equipment.

[3] Amounts at June 2020 prices. Note: Production: sum of all final goods and services produced at the location at issue. 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 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 charged by the state. According to the Constitution, 25% of the amount paid is transferred to the municipalities, while 75% remains with Minas Gerais State. All the additional production obtained with the exogenous loan shock helps to leverage the payment of this tax and reinforces the Minas Gerais State government treasury.

[4] Production microcredit refers to loans granted to micro businesses with revenue of up to R$360 thousand and disbursement of up to R$21 thousand.

BDMG Cultural

In the third quarter, BDMG Cultural continued with a series of actions to promote, acknowledge and disseminate different artistic languages, contributing to boost cultural productions in Minas Gerais, even in the face of the restrictions imposed by the pandemic.

The key initiatives hosted by BDMG Cultural in the period include the following:

- LAB Cultural: a program that started with 31 tutoring meetings and a workshop on documentation of artistic processes;
- Urbe Urge - 7 public lives and 3 tutoring meetings;
- Festival Seres Rios: featured an opening concert; 7 talks; 4 lives; one showcase of films; and actions aimed at children;
- Launching of the third cycle of the Educational program with an online Workshop named “Re-Imaginar a Cidade Transatlântica” (Re-Imagining the Transatlantic City), in addition to a series of three podcasts with special guests;
- Realization of the BDMG Cultural Trail project, with face-to-face and virtual performances by 10 different scenic arts groups from Minas Gerais; and workshops and discussions with local audiences in selected cities;
- *Jovem Instrumentista* Project: selection of 10 students and 10 teachers; The opening class was broadcast on BDMG Cultural’s YouTube channel;
- BDMG Instrumental Project: selection of the 4 winners;

The BDMG Cultural Art Gallery has reopened for the exhibition of plastic artists, also maintaining virtual access for the general public.

4 | INSTITUTIONAL POSITIONING

The third quarter of 2021 was positive for BDMG in deepening its partnerships. In August, the Bank participated in the launching of the Evaluation Training Network (“ReDeCa”), a pilot program launched by the Office of Evaluation and Oversight (OVE), an independent office for evaluating and monitoring the IDB Group's project practices. ReDeCa will contribute to the strengthening of the culture and evaluation training in the institutions involved through the exchange of experiences and learning among their professionals.

The technical cooperation with the French Development Agency (“AFD”) progressed to the execution phase, comprising six fronts: expansion of the SDG portfolio, continuous improvement of social and environmental management, implementation of a climate and gender strategy, support to municipalities and audits of projects for MSEs and infrastructure. Aiming at aligning new infrastructure projects with the ESG agenda (environmental, social and governance), at the end of August, the Bank executed the Green Investment Strategy for Regional Development, an agreement promoted by the Ministry of Regional Development. The strategy includes private and public agents, at the local and federal level.

In addition to expanding its reach, BDMG also understands that it is important to diversify its loan portfolio, increasing, for example, loans to women-led businesses. To strengthen this commitment, BDMG became the first development bank in Brazil to be signatory of the Women Empowerment Principles (WEPs), committed to encourage gender equality in the business world.

Another aspect that BDMG has incorporated into its portfolio is the innovation applied to sustainability. Accordingly, the Bank was invited to join the Global Innovation Lab for Climate Finance, an incubator of financial instruments of the Climate Policy Initiative (CPI).

As far as the Brazil Green Finance Programme is concerned, which is an initiative of the British Embassy that leverages investments in sustainable infrastructure in Brazil, action fronts were defined, focusing on training, benchmarking and structuring of financial instruments, such as Carbon Credits and linked bonds, and on Gender Equality. Also in the field of green finance, the Bank carried out three new technical cooperation actions (Way Carbon, Carbon Trust and IDB) to develop methodologies and tools for climate risk.

In technical cooperation with the Financing Energy for Low-carbon Investment project - Cities Advisory Facility (FELICITY), an initiative of the German Government, teams were trained to prepare projects in line with SDG 7 - Affordable and clean energy. The first initiative was a cycle of webinars on Investments in Energy Efficiency and Distributed Generation in public buildings, aimed at teams of municipal managers. The second initiative was the realization of internal workshops, for teams from different areas of the Bank, on the social and environmental risk assessment related to photovoltaic projects and energy efficiency.

During the launch event of “Green Investment Strategy for Regional Development”, held in September, BDMG executed a technical cooperation agreement with the Ministry of Regional Development (“MDR”), aimed at promoting infrastructure projects aligned with the ESG criteria.

Under the Climate Policy Initiative (CPI), BDMG was invited to participate in the Advisory Council of Framework for Sustainable Finance Integrity, in addition to various forums coordinated by the CPI, such as the Global Innovation Lab for Climate Finance.

Regarding the Alliance of Subnational Development Banks in Latin America and the Caribbean, of which BDMG is part, the 2nd meeting of the Steering Committee and the workshop on the role of subnational development banks in financing for urban and territorial post-COVID recovery were held in September.

From July 19 to 22, the Minas Gerais Infrastructure and Mobility State Office (Seinfra) organized the Regulation Week, in which the challenges and importance of regulation for the construction of new projects were discussed. The Regulation Week was attended by BDMG, discussing the importance of regulation in ensuring legal certainty and in attracting new investments, and aims to discuss issues for the future creation of the Minas Gerais Transportation Regulatory Agency.

In September, BDMG was invited by the Italian G20 presidency to participate in the G20 High-Level Conference on Local Infrastructure. At that time, the Bank's experience in promoting sustainable development at the local level was shared.

5 | FINANCIAL SUSTAINABILITY

Funding and rating

BDMG remains focused on its strategy of diversifying funding sources, seeking funding to support its countercyclical action on behalf of the Minas Gerais state development. In this regard, the Bank began negotiations involving new sources of financing, as well as continued negotiations for the development of new lines with its current partners in the local and international markets.

In July, BDMG received the fourth tranche of resources from the European Investment Bank (EIB), in the amount equivalent to US$11.6 million, to finance energy efficiency and renewable energy projects. Since the contract inception, October 2019, US$68 million have already been disbursed.

Also noteworthy are the funds raised in the domestic market through issue of Agribusiness Credit Bills (LCA) and Bank Deposit Certificates (CDB). Together, more than R$166 million were raised in the first half. Of that amount, more than 80% refers to investors residing in other states of Brazil.

In the third quarter, more than R$160 million in international resources were nationalized, raised with the French Development Agency (“AFD”) in February 2021, and with Cargill in September 2020. These nationalizations were carried out at very competitive prices, even in the face of the current macroeconomic scenario, enabling BDMG to maintain the price levels of its funding in line with its pricing strategy.

In June 2021, credit rating agency Moody’s América Latina (Moody’s Local) assigned BDMG a BBB.br rating with stable outlook for the domestic market, which remained unchanged. According to the agency, this rating reflects the Bank’s social commitment to supporting development in the state of Minas Gerais through long-term financing for local companies, which results in modest profitability rates and concentration of loans by geography and by borrower.

Globally, in June 2021, Moody’s Investor Services had ratified the global B2 rating with stable outlook for the foreign market, which “reflects the Bank’s strong alignment and importance of its operations to the development policy of its controller, the Minas Gerais State”.

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.

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

Credit risk includes the possibility of losses associated with the borrower's noncompliance with its financial obligations under the agreed terms, devaluation or reduction of expected remuneration from a financial instrument, recovery costs, and concentration risk. Due to the resumption of Pronampe (National Support Program for Micro and Small Enterprises), with new credit conditions, changes were implemented in credit risk policies and methodologies to meet the new products created at BDMG. In relation to medium-sized companies, the criteria for calculating the expected loss for pricing were improved. The anti-fraud procedures in the digital credit assignment process were updated, given the current scenario of increased incidence of cybercrimes.

Market risk is represented by losses arising from fluctuation in the market prices of positions held by the institution, due to mismatches in its asset and liability transactions, such as amounts, terms, currencies and indexes. In the third quarter, the reduction in currency risk through hedge accounting operations stands out. These operations aim to mitigate currency risk arising from funds raised in foreign currency and nationalized. In addition, the mapping of investment funds was improved in market risk management.

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, including 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 its high volume in relation to that usually traded, or due to some market discontinuity. In the third quarter of 2021, the liquidity risk management policy was updated. Therefore, objective criteria to assess contingencies that may affect cash flow and the definition of the liquidity level required to cover these contingencies were implemented.

The social and environmental risk refers to the possibility of losses arising from social and environmental damage. In 2021, partnerships were established to improve the social and environmental risk methodology. In this regard, BDMG entered into a partnership with WayCarbon to develop a tool to assess loan transactions in relation to climate transition risks and physical risks. Technical cooperation actions were also initiated with the French Development Agency (“AFD”) and IDB to support the development of methodologies for social, environmental and climate risks.

Operational risk is defined as the possibility of incurring losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or from external events. It determines the exposure to operational risks that could adversely impact the Institution's internal processes, compliance, financial performance, and image, should they occur. In the third quarter, the managers of the organizational units, with the support from the internal control and operational risk unit, worked to comply with the established timetable for reviewing processes, with a view of risks, listed as priorities.

7 | FINANCIAL STATEMENTS

BDMG recorded accumulated net income of R$145 million and equity of R$2.122 million in 3Q21.

The Bank has portfolio securities classified as held to maturity, amounting to R$199 million, for which management, in compliance with BACEN Circular Letter No. 3068/2001, states that it has the financial ability to hold them to maturity.

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

Interim financial statements

Nine-month period ended September 30, 2021

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

Independent auditor's review report on interim financial statements

To the Shareholders, Board of Directors and Officers of
Banco de Desenvolvimento de Minas Gerais S.A. - BDMG
Belo Horizonte - MG

Introduction

We have reviewed the interim financial statements of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (the "Bank") for the nine-month period ended September 30, 2021, which comprise the statement of financial position as at September 30, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the nine-month period then ended, including explanatory information.

Management is responsible for the preparation of these interim financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements referred to above do not present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG as at September 30, 2021, its financial performance and its cash flows for the nine-month period then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Belo Horizonte, November 11, 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 Interim Financial Statements prepared in Brazilian currency in accordance with the 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
September 30, 2021 and December 31, 2020
(In thousands of reais)

	Note	09/30/2021	12/31/2020 (restated)
Assets			
Current assets		**3,797,398**	3,389,176
Cash and cash equivalents	6	**18,317**	838,925
Financial instruments		**3,777,108**	2,548,442
Interbank investments	6.1	**1,615,149**	730,704
Marketable securities	7.1	**157,688**	60,468
Derivative financial instruments	5 and 7.2	**1,111**	18,008
Loans and similar credit transactions	7.3	**2,085,853**	1,879,711
Other financial assets	7.4	**25,940**	21,379
Allowance for expected credit losses in connection with credit risk		**(108,633)**	(161,828)
Marketable securities	7.1	**(15)**	(67)
Loans and similar credit transactions	7.3	**(108,618)**	(161,761)
Other assets	9	**1,973**	1,809
Noncurrent assets		**4,683,841**	5,169,727
Long-term assets		**4,643,640**	5,131,981
Financial instruments	7	**4,000,146**	4,391,461
Interbank investments	6.1	**23,942**	-
Marketable securities	7.1	**491,066**	529,912
Derivative financial instruments	5 and 7.2	**76,722**	74,907
Loans and similar credit transactions	7.3	**3,790,585**	4,167,600
Other financial assets	7.4	**131,590**	131,543
Allowance for expected credit losses in connection with credit risk		**(513,759)**	(512,501)
Marketable securities	7.1	**(111,158)**	(109,426)
Loans and similar credit transactions	7.3	**(402,601)**	(403,075)
Other assets	9	**52,514**	75,391
Deferred tax assets	15.b	**590,980**	665,129
Property and equipment in use	8.a	**16,469**	16,735
Properties and other fixed assets		**58,610**	58,105
(Accumulated depreciation)		**(42,141)**	(41,370)
Intangible assets	8.b	**23,732**	21,011
Intangible assets		**52,867**	43,901
(Accumulated amortization)		**(29,135)**	(22,890)
Total assets		**8,481,239**	8,558,903

	Note	09/30/2021	12/31/2020 (restated)
Liabilities and equity			
Current liabilities		**2,199,472**	1,817,923
Financial liabilities		**2,063,897**	1,737,418
Deposits	10.1	**581,944**	201,430
Funds from acceptance and issue of securities	10.1	**285,698**	174,634
Borrowings and onlending	10.2	**1,196,255**	1,361,354
Domestic onlending	10.2.b	**1,072,438**	1,229,684
Foreign borrowings	10.2.a	**123,817**	131,670
Provisions	11	**22,342**	25,158
Obligations with defined post-employment benefits	11.a	**20,317**	21,859
Tax, labor and civil contingencies	11.b	**1,226**	2,567
Other contingencies	11.c	**799**	732
Other liabilities	5 and 12	**113,233**	55,347
Noncurrent liabilities		**4,159,957**	4,803,699
Long-term liabilities		**4,159,957**	4,803,699
Financial liabilities	10	**3,482,831**	3,996,807
Deposits	10.1	**153,259**	607,258
Funds from acceptance and issue of securities	10.1	**290,396**	281,143
Borrowings and onlending	10.2	**2,998,065**	3,091,463
Domestic onlending	10.2.b	**1,368,711**	1,612,186
Foreign borrowings	10.2.a	**1,629,354**	1,479,277
Derivative financial instruments	7.2	**41,111**	16,943
Provisions	11	**579,593**	630,578
Obligations with defined post-employment benefits	11.a	**346,881**	405,286
Tax, labor and civil contingencies	11.b	**222,031**	214,620
Other contingencies	11.c	**10,681**	10,672
Other liabilities	5 and 12	**66,093**	140,086
Deferred tax obligations	15.c	**31,440**	36,228
Equity	13	**2,121,810**	1,937,281
Capital	13.a	**2,111,184**	2,111,184
Other comprehensive income	13.b	**(119,100)**	(158,815)
Income reserves	13.c	**1,952**	-
Retained earnings (accumulated losses)	13.c	**127,774**	(15,088)
Total liabilities and equity		**8,481,239**	8,558,903

See accompanying notes.

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

Statement of profit or loss
Nine-month periods ended September 30, 2021 and 2020
(In thousands of reais, unless otherwise stated)

	Note	09/30/2021	09/30/2020
Trading revenues		**727,398**	558,092
Loans	14.a	**610,241**	432,465
Gains on marketable securities	14.b (i)	**74,312**	24,465
Gains (losses) on derivative financial instruments	14.b (i)	**(17,105)**	100,059
Gains on exchange transactions		**59,950**	1,103
Trading expenses		**(304,314)**	(281,448)
Loans and onlending	14.b (ii)	**(257,134)**	(262,349)
Market funding transactions	14.b (ii)	**(47,180)**	(19,099)
Gains (losses) on allowance for loan losses		**(38,994)**	(58,352)
Allowance for loan losses		**(38,946)**	(57,281)
Allowance for losses on credits similar to loans		**(48)**	(1,071)
Gross profit from trading transactions		**384,090**	218,292
Other operating income/expenses		**(71,198)**	(141,767)
Service revenues		**24,418**	24,786
Other operating income	14.c (iii)	**53,446**	30,144
Personnel expenses		**(81,435)**	(78,399)
Other administrative expenses	14.c (ii)	**(31,477)**	(27,953)
Tax expenses	14.c (i)	**(16,245)**	(14,186)
Other operating expenses		**(19,905)**	(76,159)
Expenses with provisions	14.c (v)	**(37,172)**	(30,167)
Tax, labor and civil		**(6,580)**	(3,461)
Actuarial		**(30,120)**	(25,928)
Other		**(472)**	(778)
Operating income (expenses)		**275,720**	46,358
Nonoperating income (expenses)		**(1,411)**	238
Income before income taxes and profit sharing		**274,309**	46,596
Income and social contribution taxes	15.a	**(120,294)**	(21,035)
Provision for income tax		**(42,800)**	-
Provision for social contribution tax		**(38,066)**	-
Deferred tax assets		**(39,428)**	(21,035)
Statutory profit sharing		**(9,201)**	(2,879)
Net income for the period		**144,814**	22,682
Basic earnings per share (lot of 1000 shares) - R$		**0.00204**	0.00032

See accompanying notes.

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

Statement of comprehensive income
Nine-month periods ended September 30, 2021 and 2020
(In thousands of reais, unless otherwise stated)

	09/30/2021	09/30/2020
Accumulated net income	**144,814**	22,682
Items to be subsequently reclassified to profit or loss	**(1,640)**	7,795
Financial assets available for sale	**(4,533)**	14,206
Tax effect on losses on financial assets	**2,251**	(7,053)
Losses transferred to P&L	**1,107**	1,107
Tax effects	**(465)**	(465)
Items that will not be subsequently reclassified to P&L	**41,355**	10,745
Actuarial assessment	**75,191**	19,537
Tax effects	**(33,836)**	(8,792)
Other comprehensive income	**39,715**	18,540
Comprehensive income for the period	**184,529**	41,222
Basic earnings per share (lot of 1000 shares) - R$	**0.00260**	0.00058

See accompanying notes.

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

Statements of changes in equity
Nine-month periods ended September 30, 2021 and 2020
(In thousands of reais, except for interest on equity per share)

	Capital	**Income reserves - Legal**	**Equity adjustments**	**Other equity adjustments**	**Retained earnings accumulated losses**	**Total**
Balance at December 31, 2019	2,004,971	-	3,323	(153,035)	(34,376)	1,820,883
Capital increase (Note 12.a)	100,000	-	-	-	-	100,000
Other comprehensive income	-	-	7,795	10,745	-	18,540
Equity adjustments	-	-	15,313	19,537	-	34,850
Tax effect on other comprehensive income (loss)	-	-	(7,518)	(8,792)	-	(16,310)
Accumulated net income for the period	-	-	-	-	22,682	22,682
Balance at September 30, 2020	2,104,971	-	11,118	(142,290)	(11,694)	1,962,105
Balance at December 31, 2020	**2,111,184**	**-**	**10,409**	**(169,224)**	**(15,088)**	**1,937,281**
Other comprehensive income	**-**	**-**	**(1,640)**	**41,355**	**-**	**39,715**
Equity adjustments	**-**	**-**	**(3,426)**	**75,191**	**-**	**71,765**
Tax effect on other comprehensive income	**-**	**-**	**1,786**	**(33,836)**	**-**	**(32,050)**
Accumulated net income for the period (Note 13.d)	**-**	**-**			**144,814**	**144,814**
Legal reserve (Note 13.c)	**-**	**1,952**	**-**	**-**	**(1,952)**	**-**
Balance at September 30, 2021	**2,111,184**	**1,952**	**8,769**	**(127,869)**	**127,774**	**2,121,810**

See accompanying notes.

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

Statements of cash flows
Nine-month periods ended September 30, 2021 and 2020
(In thousands of reais)

	09/30/2021	09/30/2020
Cash flows from operating activities		
Income before taxes and profit sharing	**274,309**	46,596
Adjustments:		
Depreciation and amortization	**7,016**	5,523
Set-up of provisions and liabilities, net	**36,758**	58,903
Set-up of allowance for loan losses	**38,994**	58,352
Set-up of provision for losses	**1,577**	2,140
Allocation of deferred revenue	**(13,074)**	(13,035)
Exchange gains (losses), net	**4,298**	86,072
Recovery of loans written off as loss	**(13,301)**	(26,054)
Gains from monetary restatement of noncurrent loans	**(51,682)**	(34,995)
Market value adjustment of derivative instruments and hedged items	**13,612**	4,897
Loss on financial assets available for sale	**(25,997)**	(12,228)
Loss on financial assets held to maturity	**(12,694)**	(8,356)
Loss on financial assets for trading	**-**	(889)
Adjusted net income	**259,816**	166,926
Changes in working capital	**(190,885)**	(156,755)
Interbank investments	**(23,486)**	-
Interbank accounts	**(32)**	-
Derivative financial instruments	**22,146**	(78,661)
Loans	**141,418**	(1,199,544)
Other receivables	**(2,204)**	(14,971)
Other assets	**22,713**	(11,179)
Deposits	**(73,486)**	691,771
Financial bills	**120,316**	55,266
Foreign borrowings	**82,260**	238,405
Onlending obligations	**(400,721)**	114,168
Other liabilities	**(76,491)**	40,768
Provisions	**(14,634)**	(13,503)
Deferred income	**11,316**	20,725
Cash from operating activities	**68,931**	10,171
Income and social contribution taxes paid	**(32,010)**	(4,181)
Net cash from operating activities	**36,921**	5,990
Cash flows from investing activities		
Acquisition of permanent assets	**(9,471)**	(9,892)
Acquisition of financial assets available for sale	**(35,451)**	(330,818)
Receipt of financial assets available for sale	**21,513**	447,472
Acquisition of financial assets held to maturity	**(63,008)**	(15,755)
Receipt of financial assets held to maturity	**53,839**	13,146
Receipt of financial assets for trading	**-**	61,928
Net cash flows from (used in) investing activities	**(32,578)**	166,081
Cash flows from financing activities		
Capital increase	**-**	100,000
Net cash flows from financing activities	**-**	100,000
Increase in cash and cash equivalents, net	**4,343**	272,071
Cash and cash equivalents at beginning of period	**1,556,641**	90,310
Exchange gains on cash	**59,950**	1,103
Cash and cash equivalents at end of period	**1,620,934**	363,484

See accompanying notes.

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, which 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.

2. Presentation of the individual interim financial statements

The individual interim financial statements have been prepared in accordance with the 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), and disclose all the applicable significant information related to the individual interim financial statements, which is consistent with the information used by management in the performance of its duties.

2. Presentation of the individual interim financial statements (Continued)

In compliance with these rules, statement of financial position accounts are stated in order of liquidity and maturity, statement of financial position balances are presented in comparison with those for the immediately preceding year, and other statements are presented in comparison with the same nine-month periods for which they were presented.

The following accounting pronouncements, issued by Brazil's Financial Accounting Standards Board ("CPC"), related to the process of convergence with the international accounting standards, adopted by CMN/Bacen, are considered in the preparation of these interim financial statements, as applicable:

- CPC 00 (R1) - Conceptual Framework for Financial Reporting - CMN Resolution No. 4144/2012;
- CPC 01 (R1) - Impairment of Assets - CMN Resolution No. 3566/2008;
- CPC 02 (R2) - Effect of Changes in Exchange Rates and Translation of Financial Statements - CMN Resolution No. 4524/2016;
- CPC 03 (R2) - Statement of Cash Flows - CMN Resolution No. 4720/2019;
- CPC 04 (R1) - Intangible Assets - CMN Resolution No. 4534/16;
- CPC 05 (R1) - Related Party Disclosures - CMN Resolution No. 4636/2018;
- CPC 10 (R1) - Share-Based Payment - CMN Resolution No. 3989/2011;
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors - CMN Resolution No. 4007/2011;
- CPC 24 – Events after the Reporting Period - CMN Resolution No. 4818/2020;
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets - CMN Resolution No. 3823/2012;
- CPC 27 - Property, Plant and Equipment - CMN Resolution No. 4535/2016;
- CPC 33 (R1) - Employee benefits - CMN Resolution No. 4877/2020,
- Provides for the general criteria for measurement and recognition of social and labor obligations - CMN Resolution No. 4877/2020;
- CPC 41 - Earnings per Share - BCB Resolution No. 2/12/08/2020;
- CPC 46 - Fair Value Measurement - CMN Resolution No. 4748/2020;

2. Presentation of the individual interim financial statements (Continued)

Management represents that these interim financial statements, which show all the relevant information used in managing the Bank, are based on the accounting practices applied in accordance with current standards, 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.

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 main operating systems, which control credit transactions, financial management and assets, account for the largest number of entries and were developed internally. Operating systems contracted from third parties that are necessary for the execution and control of complementary activities are also used.

On November 11, 2021, the Bank’s Executive Board authorized the issue of these interim financial statements.

3. Summary of significant accounting practices

3.1. Functional and presentation currency

a) Functional and presentation currency

The interim financial statements are presented in Brazilian reais (R$), which is the Bank's functional and presentation currency. The interim financial statements are expressed in thousands of reais.

b) Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates, restated at the end of every months.

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 or profit or loss for the period.

For the translation of asset and liability balances of transactions in foreign currencies to national currency (R$), at September 30, 2021, the following exchange rates were used:

US$1.00 = R$5.4394 (12/31/2020: US$1.00 = R$5.1967); and
€1.00 = R$6.2983 (12/31/2020: €1.00 = R$6.3779).

3. Summary of significant accounting practices (Continued)

3.2. Recognition of profit or loss

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 the future, 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. Statements of comprehensive income

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

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 this statement, 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 three months from the investment date.

3.5. Current and noncurrent assets

Classification into current and noncurrent observes the distribution of assets according to liquidity, except for marketable securities classified as held for trading, which are presented as current assets regardless of their maturity dates, and tax credits that, except when they are expected to occur within one year, are stated in noncurrent assets based on management's best estimate of expected realization.

3. Summary of significant accounting practices (Continued)

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 whose disbursement date is uncertain are measured at present value since they are initially recognized at the estimated loss amount and are updated on a monthly basis.

3.7. Cash and cash equivalents

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 three months from the investment date (Note 6).

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 6.1).

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 established by the Circular Letter (Note 7.1):

(a) Trading securities: marketable securities purchased for frequent and active trading. 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 7.1(a)).

3. Summary of significant accounting practices (Continued)

3.9. Marketable securities (Continued)

(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 period, 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 period 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 values (Note 7.1(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 period. Financial ability is defined based on cash flow projections, not considering the possibility of early redemption of these securities (Note 7.1(c)).

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 of those acquired during the period, are assessed according to these guidelines. As established in the Circular Letter, the marketable security classification reassessment can only be made at the statement of financial position date, and the transfer from the category “Held to maturity” to the other categories can only occur for an isolated, unusual, nonrecurring and unexpected reason happening after the classification date (Note 7.1).

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. Summary of significant accounting practices (Continued)

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 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 7.2, 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 market risk hedge. The financial instruments classified as such 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 in line with the Bank's policies and strategies.

3.11. Loan portfolio and Allowance for expected credit losses in connection with credit risk

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. For transactions with terms longer than 36 months, this Resolution also allows double counting over the delay intervals defined for the nine risk levels.

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 operations return to the statement of financial position accounts classified at “H” risk level.

3. Summary of significant accounting practices (Continued)

3.11. Loan portfolio and Allowance for expected credit losses in connection with credit risk (Continued)

The allowance for expected credit losses in connection with credit risk is based on analysis of the outstanding balance of the transactions, on the values of guarantees, on the history of losses and on the risks of the portfolio being set up in accordance with the criteria established in CMN Resolution No. 2682/1999 to classify the customer's and the transaction's credit risk (Note 7.3).

3.12. Credit assignment

In accordance with the 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 has a portfolio with guarantee for loan transactions taken out prior to September 2011, recorded in memorandum accounts, for which an allowance for expected credit losses is recorded.

CMN Resolution No. 3533/2008 currently in effect changed, as of January 1, 2012, the form of recognition of credit assignment transactions, carried out as of 2012, 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 transaction.

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 or provisions, when necessary (Note 7.4).

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.

3. Summary of significant accounting practices (Continued)

3.14. Other assets (Continued)

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 9).

Current and deferred tax assets and liabilities

These tax assets and liabilities are recorded in accordance with CMN Resolution No. 4.842/2020. 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.

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 8).

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

	Years
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 8-a), a provision 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 Nonoperating income (expenses), in the statement of profit or loss.

3. Summary of significant accounting practices (Continued)

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, foreign loans and domestic financing are stated at the amounts of the liabilities (amortized cost) and include, when applicable, the charges payable restated until September 30, 2021.

Foreign loans 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 future 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 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 Brazil's FASB ("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.

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 11(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 11).

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 03/01/2020, as established by article 32 of Constitutional Amendment No. 103 of November 12, 2019 (Note 15).

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): 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.

3. Summary of significant accounting practices (Continued)

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

Since Provisional Executive Order No. 1034 of March 1, 2021, which increased the rate of Social Contribution Tax on Net Profit (CSLL) from 20% to 25% for the period from 07/01/2021 to 12/31/2021, was signed into Law No. 14183 of July 14, 2021, the tax credit balance was adjusted, as described in Note 15 a.

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 pensioner members 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 11, 2011) and variable contribution pension plans.

3. Summary of significant accounting practices (Continued)

3.19. Employee benefits (Continued)

(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, is guaranteed to active participants and pensioner members who are already retired until February 22, 2018, as well as to those who have retired under the conditions established by the Voluntary Resignation Program, whose membership period ended on April 30, 2018. For the other employees, the plan is 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.

(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 2020, 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. 4877/2020.

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 for the reporting date of June 30. The rate used to discount post-employment benefit obligations to present value was determined based on market yields, calculated on the reporting date of these financial statements.

3. Summary of significant accounting practices (Continued)

3.19. Employee benefits (Continued)

Information on recognition of employee benefits is detailed in Note 18.

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 determined monthly, adjusted at year end after the profit for the year is calculated.

3.21. Capital

The Bank's capital, recorded in equity, comprises registered common shares with no par value (Note 13 (a)).

3.22. Capital remuneration

BDMG's Bylaws 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, instead of paying out dividends, 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, when applicable.

3.23. Earnings per share

BDMG's capital consists exclusively of common shares held by shareholders and which cannot be diluted since the Bank does not operate with financial products or any associated instruments that can be converted into shares.

Therefore, earnings presented in the Bank's financial statements refer to basic earnings, calculated by dividing net income by the total number of common shares (lots of thousands shares). Information on earnings per share is presented in Note 13 (e).

3. Summary of significant accounting practices (Continued)

3.24. Revenues and expenses

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

3.25. Transactions with related parties

The disclosures on related parties included in the accompanying notes to the financial statements are in accordance with CMN Resolution No. 4818/2020. 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 16.

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.

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 consideration, 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 considering the expected impact on the economy due to the Covid-19 pandemic.

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

4.1. Impairment of nonfinancial assets

Nonfinancial assets held for sale, accounted for in accordance with CMN Resolution No. 4747/2019, are technically assessed to check the feasibility of recovery of their carrying amount. The assessments 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 assessments.

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 loss of the carrying amount.

4.2. Allowance for expected credit losses in connection with credit risk

Management exercises judgments and applies certain assumptions to measure the expected credit losses in connection with credit risk.

The allowance for expected credit losses comply with CMN Resolution No. 2682/1999, as stated in Note 7.3.

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.

Accordingly, the use of different judgments and assumptions may lead to an allowance different from the amount determined by the model.

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

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.

It should be noticed that the methodologies adopted are considered appropriate and consistent with the market conditions, but when taking into consideration assumptions and 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 realization is expected, based on future taxable profits projected by the Bank in a technical study of projection of profit or loss.

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 consideration 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.

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

4.5. Provision for tax, civil and labor contingencies (Continued)

A provision for tax and social security proceedings for which the constitutional grounds are discussed, in compliance with Bacen Circular Letter 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 outcome 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 11-b.

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 an allowance for expected losses, and this amount is recognized as a liability against profit or loss for the period. To calculate the estimated amount of losses from the provision of guarantees, the same parameters used to calculate the expected loss in the customer loan portfolio are used.

(In thousands of reais, unless otherwise stated)

5. Restatement of comparative amounts

Restatement of the 2020 statement of financial position

In compliance with BCB Resolution No. 2/2020, the statement of financial position comprising the financial statements as of December 31, 2020 is being restated due to inconsistencies in the segregation between current and noncurrent in the balance of the following accounts:

		Balances originally stated	Restatement	Balances at 12/31/2020 - Restated
Assets				
Current assets		3,464,083	(74,907)	3,389,176
Financial instruments		2,623,349	(74,907)	2,548,442
Derivative financial instruments	**(i)**	92,915	(74,907)	18,008
Noncurrent assets		5,094,820	74,907	5,169,727
Long-term receivables		5,057,074	74,907	5,131,981
Financial instruments		4,316,554	74,907	4,391,461
Derivative financial instruments	**(i)**	-	74,907	74,907
Liabilities				
Current liabilities		1,811,186	6,737	1,817,923
Other liabilities	**(ii)**	48,610	6,737	55,347
Noncurrent liabilities		4,810,436	(6,737)	4,803,699
Long-term liabilities		4,810,436	(6,737)	4,803,699
Other liabilities	**(ii)**	146,823	(6,737)	140,086

(i) Derivative financial instruments - Restatement due to reclassification of balances in the statement of financial position from “current assets” to “noncurrent assets” according to the term of realization of the derivative instrument contracts;

(ii) Other liabilities - Restatement due to reclassification of balances in the statement of financial position from “current liabilities” to “noncurrent liabilities”, according to the term for payment of amounts referring to deferred income.

(In thousands of reais, unless otherwise stated)

6. Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	09/30/2021	12/31/2020
Cash and cash equivalents	**5,356**	4,765
Cash and cash equivalents in foreign currency (i)	**12,961**	834,160
Interbank investments (ii)	**1,602,617**	717,716
	1,620,934	1,556,641

(i) The variation in this account arises from foreign borrowings, deposited in December 2020 and partially nationalized throughout 2021.

(ii) The balance of repurchase agreements and interbank deposits maturing within 90 days are considered interbank investments.

6.1. Interbank investments

	09/30/2021	12/31/2020
Investments in repurchase agreements (self-funded position):		
Financial Treasury Bills ("LFT")	**-**	717,716
National Treasury Notes	**1,602,617**	-
Investments in interbank deposits, net of provision	**36,474**	12,988
	1,639,091	730,704

Interbank investments mature as follows:

	Overdue	To 30 days	From 181 to 360 days	Above 360 days	Total
National Treasury Notes	**-**	**1,602,617**	**-**	**-**	**1,602,617**
Interbank deposits	**6,388**	**-**	**12,532**	**23,942**	**42,862**
Provision for losses	**(6,388)**	**-**	**-**	**-**	**(6,388)**
Balance at 09/30/2021	**-**	**1,602,617**	**12,532**	**23,942**	**1,639,091**
Balance at 12/31/2020	-	717,716	12,988	-	730,704

(In thousands of reais, unless otherwise stated)

7. Financial instruments

7.1. Marketable securities

	09/30/2021			12/31/2020		
	Number	**Curve yield**	**Market value**	**Number**	**Curve yield**	**Market value**
Securities available for sale (b)		**376,750**	**338,838**		367,311	333,933
Government securities - Unrestricted Financial Treasury Bills (LFT)	**20,850**	**229,545**	**227,334**	20,850	223,868	220,812
Corporate bonds		**147,205**	**111,504**		143,443	113,121
Investment fund shares	**34,967,112**	**51,332**	**51,332**	17,291,078	47,570	47,570
Floating income securities	**4,043,845**	**95,873**	**117,200**	-	95,873	122,579
Provision for losses on floating income securities	**-**	**-**	**(57,028)**	-	-	(57,028)
Securities held to maturity (c)		**254,364**	**198,743**		202,005	146,954
Government securities - National Treasury Notes (NTN-B)	**21,000**	**79,758**	**78,282**	21,000	76,948	74,364
Unrestricted	**21,000**	**79,758**	**78,282**	19,360	70,939	68,355
Linked to capital increase	**-**	**-**	**-**	1,640	6,009	6,009
Corporate bonds		**174,606**	**120,461**		125,05	72,590
Debentures	**67,144**	**77,329**	**77,329**	77,144	82,900	82,900
Provision for debenture credit risk	**-**	**-**	**(54,130)**	-	-	(52,432)
Agribusiness Receivables Certificates - CRA	**30,157**	**30,497**	**30,497**	-	-	-
Commodities - Agricultural Commodities Note (CPR)	**-**	**66,780**	**66,780**	-	42,157	42,157
Provision for credit risk - Agricultural Commodities Note (“CPR”)	**-**	**-**	**(15)**	-	-	(35)
		631,114	**537,581**		569,316	480,887
Current			**157,673**			60,401
Noncurrent			**379,908**			420,486

a) Securities held for trading

BDMG does not have securities classified under this category in the period and year ended September 30, 2021 and December 31, 2020.

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 securities 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.

(In thousands of reais, unless otherwise stated)

7. **Financial instruments** (Continued)

7.1. **Marketable securities** (Continued)

b) Securities available for sale (Continued)

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:

	Unrealized gains (losses)	**Tax effects**	**Mark to market**
Balance at 12/31/2020	21,065	(10,656)	10,409
Adjustment in the period	**(3,426)**	**1,786**	**(1,640)**
Balance at 09/30/2021	**17,639**	**(8,870)**	**8,769**

The variable income securities classified in this category refer to the BDMGTEC equity interests 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.

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

Maturity of securities available for sale

	09/30/2021					**12/31/2020**				
	Within 30 days	**From 61 to 90 days**	**From 181 to 360 days**	**More than 360 days**	**Total**	**From 31 to 60 days**	**From 61 to 90 days**	**From 181 to 360 days**	**More than 360 days**	**Total**
Government securities	**-**	**-**	**-**	**227,334**	**227,334**	-	-	-	220,812	220,812
Financial Treasury Bills (LFT)	**-**	**-**	**-**	**227,334**	**227,334**	-	-	-	220,812	220,812
Corporate bonds	**550**	**115**	**8,728**	**102,111**	**111,504**	8,786	6,374	1,813	96,148	113,121
Investment fund shares	**550**	**115**	**8,728**	**41,939**	**51,332**	8,786	6,374	1,813	30,597	47,570
Floating income securities	**-**	**-**	**-**	**117,200**	**117,200**	-	-	-	122,579	122,579
Provision for losses on floating income securities	**-**	**-**	**-**	**(57,028)**	**(57,028)**	-	-	-	(57,028)	(57,028)
Total	**550**	**115**	**8,728**	**329,445**	**338,838**	8,786	6,374	1,813	316,960	333,933

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.1. Marketable securities (Continued)

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.

Aging list of securities held to maturity

	09/30/2021						
	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
Government securities	-	-	-	-	78,282	-	78,282
NTN - Unrestricted	-	-	-	-	78,282	-	78,282
Corporate bonds	1,084	515	278	1,174	66,947	50,463	120,461
Debentures	-	-	-	-	-	77,329	77,329
Provision for debenture credit risk	-	-	-	-	-	(54,130)	(54,130)
Agribusiness Receivables Certificate - (“CRA”)	191	-	-	190	2,852	27,264	30,497
Investments in Commodities - CPR	893	515	278	984	64,110	-	66,780
Provision for credit risk - CPR	-	-	-	-	(15)	-	(15)
Total	1,084	515	278	1,174	145,229	50,463	198,743

	12/31/2020						
	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
Government securities	-	-	-	-	-	74,364	74,364
NTN - Unrestricted	-	-	-	-	-	68,355	68,355
Subject to capital increase	-	-	-	-	-	6,009	6,009
Corporate bonds	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
Total	4,163	7,380	6,347	19,120	6,418	103,526	146,954

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.1. Marketable securities (Continued)

c) Securities held to maturity (Continued)

i) *National Treasury Notes*

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

	Maturity date	09/30/2021	12/31/2020
NTN-B	08/15/2022	**79,758**	76,948
Mark to market		**(1,476)**	(2,584)
Current value		**78,282**	74,364

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.

By September 30, 2021, R$1,107 (R$1,107 at September 30, 2020) had been allocated to profit or loss, totaling R$13,702 (R$12,225 at September 30, 2020) in allocations already made to P&L.

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.

	Number	Maturity date	09/30/2021	12/31/2020
Acquisition				
January 2019	67,144	01/11/2024	**77,329**	74,787
November 2019	10,000	10/15/2022	**-**	8,113
			77,329	82,900
Provision for credit risk			**(54,130)**	(52,432)
Current value			**23,199**	30,468

7. Financial instruments (Continued)

7.2. 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. Therefore, 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.

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.2. Derivative financial instruments (Continued)

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.

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 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.

	09/30/2021	12/31/2020
Guarantees in effect:		
Interbank deposits	**36,474**	12,988
Funding in interbank deposits	**12,687**	72,673

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.2. Derivative financial instruments (Continued)

b) Position of foreign funding hedged by derivatives

					09/30/2021		12/31/2020	
	Commencement	End	Index/rate	Funding	Balance (foreign currency)	Balance (R$) (Curve)	Balance (foreign currency)	Balance (R$) (Curve)
CAF 1	09/27/2013	09/27/2023	6M Libor + 3.65% p.a.	US$15,000	**3,530**	**19,202**	5,348	27,791
CAF 2	10/21/2013	10/23/2023	6M Libor + 3.65% p.a.	US$30,000	**8,976**	**48,821**	10,670	55,441
CAF 3	12/19/2013	12/19/2023	6M Libor + 3.65% p.a.	US$30,000	**8,918**	**48,502**	10,600	55,077
IDB	08/04/2014	08/16/2021	6M Libor + 2.25% p.a.	US$50,000	**-**	**-**	9,180	47,699
AFD3	02/02/2017	11/28/2025	6M Euribor + 2% p.a.	€$15,000	**5,508**	**34,673**	6,097	38,871
EIB	03/02/2020	02/20/2030	6M Libor + 0.451% p.a.	US$9,301	**9,307**	**50,620**	9,327	48,464
FONPLATA	05/21/2020	05/19/2025	6M Libor + 3.02% p.a.	US$36,000	**36,431**	**198,141**	36,142	187,796
EIB 2	12/03/2020	12/03/2030	1.032% p.a.	US$11,241	**11,279**	**61,345**	11,250	58,456
EIB 3	12/03/2020	12/03/2030	1.032% p.a.	US$35,703	**35,825**	**194,844**	35,732	185,665
CAF6 (*)	01/08/2021	12/18/2026	6M Libor + 2.5% p.a.	US$40,000	**40,306**	**219,219**	-	-
CAF6 (*)	03/11/2021	12/18/2026	6M Libor + 2.5% p.a.	US$60,000	**60,473**	**328,827**	-	-
BID INVEST (*)	03/09/2021	12/19/2027	3M Libor + 4.25% p.a.	US$50,000	**50,006**	**271,973**	-	-
AFD4	07/08/2021	07/30/2032	Euribor 6M + 4.09% p.a.	€$17,500	**17,607**	**110,846**	-	-
BEI4	07/16/2021	07/09/2021	6M Libor + 0.298% p.a.	US$11,633	**11,646**	**63,338**	-	-
CARGILL	09/24/2021	09/19/2022	12m Libor + 3.85% p.a.	US$10,000	**7,505**	**40,819**	-	-
						1,691,170		705,260
Mark to market						**(1,397)**		2,096
Market value						**1,689,773**		707,356

(*) Tranche nationalized in 2021 and swap taken out for hedging purposes as from the nationalization date.

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.2. Derivative financial instruments (Continued)

c) Swap amounts recorded

			09/30/2021	09/30/2020
	Notional value (memorandum account)	Amount receivable / payable (asset/liability account)	Net effect (profit or loss account)	Net effect (profit or loss account)
(US$ + Libor + Rate) x (BRL + %CDI) (1)	170,876	48,405	**11,446**	76,326
(EUR + Euribor + Rate) x (BRL + %CDI) (1)	27,643	14,926	**(669)**	13,904
(USD + Libor + Rate) x (BRL + Rate) (1)	41,634	9,579	**759**	9,829
(USD + Rate) x (BRL + %CDI) (1)	242,592	4,923	**1,126**	-
(US$ + Libor + Rate) x (BRL + %CDI) (2)	1,044,814	(39,941)	**(28,183)**	-
(EUR + Euribor + Rate) x (BRL + % CDI) (2)	109,665	(1,170)	**(1,584)**	-
	1,637,224	36,722	**(17,105)**	100,059

(1) Difference receivable;

(2) Difference payable.

d) Swaps by maturity

	From 181 to 360 years	More than 360 days	Total
Long position - Difference receivable			
Foreign currency	**1,111**	**76,722**	**77,833**
Total - 09/30/2021	**1,111**	**76,722**	**77,833**
Total - 12/31/2020	18,008	74,907	92,915
Short position - Difference payable			
Foreign currency	**-**	**(41,111)**	**(41,111)**
Total - 09/30/2021	**-**	**(41,111)**	**(41,111)**
Total - 12/31/2020	-	(16,943)	(16,943)
Net exposure - 09/30/2021	**1,111**	**35,611**	**36,722**
Net exposure - 12/31/2020	18,008	57,964	75,972

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.2. Derivative financial instruments (Continued)

e) Swaps by index and nominal value

	Notional value	Curve yield	Mark to market	Market value
Long position - Difference receivable				
(US$ + Libor + Rate) x (BRL + %CDI)	**170,876**	**47,933**	**472**	**48,405**
(EUR + Euribor + Rate) x (BRL + %CDI)	**27,643**	**14,123**	**803**	**14,926**
(US$ + Libor + Rate) x (BRL + Rate)	**41,634**	**8,721**	**858**	**9,579**
(USD + Rate) x (BRL + %CDI)	**242,592**	**10,151**	**(5,228)**	**4,923**
Total - 09/30/2021	**482,745**	**80,928**	**(3,095)**	**77,833**
Total - 12/31/2020	434,473	89,475	3,440	92,915
Short position - Difference payable				
(US$ + Libor + Rate) x (BRL + %CDI)	**1,044,814**	**(42,056)**	**2,115**	**(39,941)**
(EUR + Euribor + Rate) x (BRL + %CDI)	**109,665**	**(753)**	**(417)**	**(1,170)**
Total - 09/30/2021	**1,154,479**	**(42,809)**	**1,698**	**(41,111)**
Total - 12/31/2020	202,284	(15,598)	(1,345)	(16,943)
Net exposure - 09/30/2021	**1,637,224**	**38,119**	**(1,397)**	**36,722**
Net exposure - 12/31/2020	636,757	73,877	2,095	75,972

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

7.3. Loan portfolio

	09/30/2021	12/31/2020
Loan portfolio (loans and similar credit transactions)	**5,876,438**	6,047,311
Allowance for loan losses	**(511,219)**	(564,836)
Net balance	**5,365,219**	5,482,475

Of the total loan transactions R$5,876,438 (R$6,047,311 at December 31, 2020), the amount of R$3,354,443 (R$3,304,412 at December 31, 2020) was granted with own resources and R$2,521,995 (R$2,742,899 at December 31, 2020), originally, with onlending received from other financial institutions.

The balance of the renegotiated loan portfolio totals R$1,997,978 (R$1,962,855 at December 31, 2020).

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.3. Loan portfolio (Continued)

a) Concentration of credit risk exposure (gross value)

	09/30/2021		12/31/2020	
	Balance	**%**	**Balance**	**%**
Major debtor	**200,960**	**3**	199,666	3
10 major debtors	**989,703**	**15**	1,011,193	16
20 major debtors	**1,578,453**	**25**	1,584,673	24
50 major debtors	**2,590,553**	**40**	2,544,062	39
100 major debtors	**3,347,006**	**52**	3,339,334	52
Other customers	**3,054,823**	**48**	3,213,834	48

The table above considers exposures in the concept of extended portfolio, that is, comprises the loan portfolio (R$5,876,438 at September 30, 2021 and R$6,047,311 at December 31, 2020) and other exposures to credit risk such as guarantees (R$17,308 at September 30, 2021 and R$16,447 at December 31, 2020); credit notes (R$271,883 at September 30, 2021 and R$125,056 at December 31, 2020); and loans to be drawn down (R$333,477 at September 30, 2021 and R$401,865 at December 31, 2020).

b) Classification by type and segment of activity

	09/30/2021	12/31/2020
Loans	**1,835,301**	1,771,005
Manufacturing	**716,420**	638,566
Trade	**587,760**	587,981
Other services	**531,121**	544,458
Financing to the private sector	**3,451,480**	3,613,588
Manufacturing	**1,015,713**	1,169,067
Trade	**234,866**	265,353
Other services	**1,036,229**	1,047,630
Agricultural and agro-industrial	**1,152,720**	1,118,362
Individuals	**1,519**	1,706
Other	**10,433**	11,470
Financing to the public sector (direct and indirect municipal administrations)	**589,657**	662,718
Subtotal	**5,876,438**	6,047,311
Allowance for loan losses	**(511,027)**	(564,691)
Allowance for losses on credits similar to loans	**(192)**	(145)
	5,365,219	5,482,475
Current	**1,977,235**	1,717,950
Noncurrent	**3,387,984**	3,764,525

(In thousands of reais, unless otherwise stated)

7. **Financial instruments** (Continued)

7.3. **Loan portfolio** (Continued)

c) Classification by maturity and risk levels

		09/30/2021								12/31/2020
		Overdue (in days)		Falling due (in days)						
Risk level	Total	From 15 to 90 days	Over 90 days	Within 90	From 91 to 360	From 361 to 1,080	From 1080 to 1800	From 1,801 to 5,400	More than 5,400	Total
AA	**2,032,267**	**263**	**-**	**173,388**	**420,979**	**973,630**	**273,650**	**169,065**	**21,292**	2,087,883
A	**1,514,353**	**14,113**	**-**	**173,253**	**575,768**	**558,541**	**118,874**	**73,804**	**-**	1,665,807
B	**862,416**	**11,456**	**-**	**58,432**	**279,307**	**280,101**	**130,260**	**102,860**	**-**	714,596
C	**643,941**	**21,172**	**2,090**	**47,974**	**115,612**	**276,495**	**115,515**	**65,083**	**-**	586,552
D	**208,060**	**10,873**	**8,036**	**15,162**	**31,112**	**82,785**	**40,565**	**19,527**	**-**	296,196
E	**122,567**	**12,900**	**4,212**	**5,951**	**16,914**	**62,262**	**14,488**	**5,562**	**278**	99,746
F	**13,826**	**296**	**11,512**	**279**	**314**	**774**	**443**	**208**	**-**	234,714
G	**228,452**	**6,030**	**974**	**2,660**	**1,761**	**208,935**	**5,673**	**2,419**	**-**	27,205
H	**250,556**	**8,367**	**30,078**	**7,239**	**17,376**	**35,967**	**25,373**	**28,530**	**97,626**	334,612
	5,876,438	**85,470**	**56,902**	**484,338**	**1,459,143**	**2,479,490**	**724,841**	**467,058**	**119,196**	6,047,311

d) Classification by risk level and provision

		09/30/2021			12/31/2020	
Risk level	%	Portfolio	Allowance for loan losses based on minimum required percentages	Allowance for loan losses	Portfolio	Allowance for loan losses
AA	0	**2,032,267**	**-**	**-**	2,087,883	-
A	0.5	**1,514,353**	**(7,572)**	**(7,584)**	1,665,807	(8,329)
B	1	**862,416**	**(8,624)**	**(8,633)**	714,596	(7,185)
C	3	**643,941**	**(19,318)**	**(19,883)**	586,552	(18,061)
D	10	**208,060**	**(20,806)**	**(20,963)**	296,196	(30,325)
E	30	**122,567**	**(36,770)**	**(36,770)**	99,746	(29,924)
F	50	**13,826**	**(6,913)**	**(6,913)**	234,714	(117,357)
G	70	**228,452**	**(159,916)**	**(159,917)**	27,205	(19,043)
H	100	**250,556**	**(250,556)**	**(250,556)**	334,612	(334,612)
		5,876,438	**(510,475)**	**(511,219)**	6,047,311	(564,836)

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.3. Loan portfolio (Continued)

e) Changes in allowance for loan losses

	09/30/2021	12/31/2020
Opening balance	**564,836**	432,613
(+) Set-up of allowance, net of reversals (i)	**38,994**	205,498
(-) Loans written off as losses (ii)	**(92,611)**	(73,275)
Balance of allowance for loan losses	**511,219**	564,836

(i) In the nine-month period, two transactions of material amounts that had been written off as losses were recovered upon agreement. Pursuant to CMN Resolution No. 2682/1999, provisions equal to the amounts recovered were set up for these renegotiated transactions, given their classification as H level risk for recovered amounts not received.

(ii) Transactions are transferred to loan losses (memorandum accounts) after 6 months of their classification as H risk and if they are overdue for a period exceeding 180 days. In the nine-month period, transactions of material amounts with two customers met the criteria established in the rules of the Central Bank and their balances were classified as loan losses.

f) Credit assignment

(i) Balance of credit transactions assigned with guarantee, prior to the effectiveness of CMN Resolution No. 3533/2008 and recorded in memorandum accounts:

	09/30/2021	12/31/2020
Guarantees pending settlement	**17,308**	16,447
Transactions settled to be transferred	**346**	164
	17,654	16,611

(ii) In the 3rd quarter of 2021, in accordance with the requirements of CMN Resolution No. 3533/2008, the Bank entered into an agreement for assignment of credit with substantial transfer of risks and rewards, and recorded the write-off of the financial asset accompanied by the gain obtained in the transaction in the total amount of R$2,092. In addition, the Bank reversed the allowance for expected credit losses in connection with credit risk related to the financial asset.

(In thousands of reais, unless otherwise stated)

7. Financial instruments (Continued)

7.4. Other financial assets

	09/30/2021	12/31/2020
Debtors for escrow deposits (a)	**128,959**	127,538
Domestic sundry creditors (b)	**10,798**	11,269
Prepaid salaries and advances	**5,597**	1,138
Taxes and contributions to be offset (c)	**4,493**	4,510
Securities and credits receivable (d)	**2,216**	2,676
Income receivable (e)	**1,715**	1,813
Other	**3,752**	3,978
	157,530	152,922
Current	**25,940**	21,379
Noncurrent	**131,590**	131,543

(a) Debtors for escrow deposits

These deposits result from legal inquiries, particularly of a tax and fiscal nature, as disclosed in Note 11 b (i).

Breakdown	09/30/2021	12/31/2020
Deposits for tax and fiscal suits filed	**124,802**	123,283
Deposits for labor claims	**2,779**	2,942
Deposits for civil suits	**1,378**	1,313
Total	**128,959**	127,538
Current	**-**	294
Noncurrent	**128,959**	127,244

(b) The balance of sundry debtors substantially comprises the amount of R$10,798 (R$10,730 at December 31, 2020), relating to the bonus for timely payment granted to customers of agricultural transactions renegotiated in accordance with the provisions of Law No. 9138/1995, as amended, to be refunded by the National Treasury Office ("STN"), and R$0 (R$539 at December 31, 2020) referring to other receivables.

(c) The balance of R$4,493 (R$4,510 at December 31, 2020) refers to taxes paid in advance and not offsetable in the period.

(d) The notes and credits receivable balance refers to remuneration of R$2,216 (R$2,676 at December 31, 2020) 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.

(e) Income receivable, net of the respective provisions, amounts to R$1,580 (R$1,486 at December 31, 2020) and mainly arises from commissions for services provided, referring to loans granted with resources from 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 funds administered the same criteria established in CMN Resolution No. 2682/1999 for loans of BDMG's own portfolio, and R$135 (R$327 at December 31, 2020) refer to other income receivable.

(In thousands of reais, unless otherwise stated)

8. Property and equipment in use and intangible assets

a) Property and equipment in use

	09/30/2021			12/31/2020
	Cost	Accumulated depreciation	Net amount	Net amount
Real estate	**44,206**	**(29,078)**	**15,128**	15,296
Facilities, furniture and equipment	**6,321**	**(5,873)**	**448**	501
Data processing equipment	**7,245**	**(6,703)**	**542**	694
Other	**518**	**(487)**	**31**	35
Construction in progress	**320**	**-**	**320**	209
	58,610	**(42,141)**	**16,469**	16,735

Insurance coverage (unaudited) - in order to cover possible damages to its property and equipment, the Bank has insurance coverage amounting to R$50,000 (R$51,700 at December 31, 2020).

b) Intangible assets

	09/30/2021			12/31/2020
	Cost	Accumulated amortization	Net amount	Net amount
Data processing system (software)	**52,867**	**(29,135)**	**23,732**	21,011

9. Other assets

	09/30/2021	12/31/2020
Nonfinancial assets held for sale (i)	**50,910**	81,849
Provision for nonfinancial assets held for sale	**(8,140)**	(17,541)
Prepaid expenses (ii)	**11,200**	12,313
Other	**517**	579
	54,487	77,200
Current	**1,973**	1,809
Noncurrent	**52,514**	75,391

(i) In this period, two properties were sold, recorded for R$31,040, with a provision for impairment in the amount of R$11,740. The sale of these assets resulted in a reduction in the balances presented above.

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

(In thousands of reais, unless otherwise stated)

10. Financial liabilities

10.1. Deposits and funding

	09/30/2021	12/31/2020
Deposit		
Interbank deposits (a)	**475,207**	601,071
Time deposits (b)	**259,996**	207,617
Funding		
Agribusiness Credit Bills (LCA)	**576,094**	455,777
	1,311,297	1,264,465
Current	**867,642**	376,064
Noncurrent	**443,655**	888,401

Deposits

(a) Interbank deposits:

- R$12,687 - 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 have contractual charges equal to the CDI interest rate and maturities varying in accordance with the amount adjusted for coverage of the difference receivable or payable of each one of the swaps contracted;
- R$462,520 - funding from financial institutions for Time Deposits with Special Guarantee ("DPGE").

(b) Time deposits - the balance comprises securities directly issued for funding in the amount of R$83,762 at September 30, 2021 and securities issued as guarantees to loan transactions amounting to R$176,234.

Deposit maturities

							09/30/2021	12/31/2020
	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	Total
Interbank deposits	-	-	-	-	454,864	20,343	475,207	601,071
Guarantee margin	-	-	-	-	12,687	-	12,687	72,674
DPGE	-	-	-	-	442,177	20,343	462,520	528,397
Time deposits	3,467	160	2,175	4,896	116,382	132,916	259,996	207,617
With certificate	3,467	160	2,175	4,896	32,620	132,916	176,234	126,807
DPGE	-	-	-	-	83,762	-	83,762	80,810
	3,467	160	2,175	4,896	571,246	153,259	735,203	808,688
Current							581,944	201,430
Noncurrent							153,259	607,258

Funding

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

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.1. Deposits and funding (Continued)

Funding (Continued)

Maturities

	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	09/30/2021 Total	12/31/2020 Total
Agribusiness Credit Bills (LCA)	**11,598**	**56,609**	**66,687**	**43,931**	**106,873**	**290,396**	**576,094**	455,777
Current							**285,698**	174,634
Noncurrent							**290,396**	281,143

10.2. Borrowings and onlending

a) Foreign borrowings

	09/30/2021		12/31/2020	
	Curve	Market	Curve	Market
Institution:				
CAF	**664,571**	**666,699**	658,436	659,146
BEI	**370,147**	**365,489**	292,585	294,591
BID INVEST	**271,973**	**273,214**	259,870	259,870
AFD	**208,917**	**209,303**	109,943	110,842
FONPLATA	**198,141**	**197,675**	187,796	186,451
CARGILL	**40,819**	**40,791**	52,521	52,521
BID	**-**	**-**	47,699	47,526
		1,753,171		1,610,947
Current		**123,817**		131,670
Noncurrent		**1,629,354**		1,479,277

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.

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

a) Foreign borrowings (Continued)

Funds by institution of origin

i) *CAF - Latin American Development Bank* (*)

The financing of U$100 million obtained from CAF in August 2013, with interest by reference to 6-month Libor plus fixed rate of up to 3.65% p.a. and maturity within 10 years, was released in tranches in different amounts.

In December 2020, BDMG entered into a new contract with CAF, with a credit limit in the amount of 100 million dollars, fully released on 12/18/2020, with interest by reference to 6-month Libor plus fixed rate of up to 2.5% p.a. and maturity within 6 years.

(*) CAF was formerly known as Corporación Andina de Foment – CAF.

Tranches released

				09/30/2021		12/31/2020	
Tranche	Date of release	Maturity	Release (US$)	Curve (R$)	Market (R$)	Curve (R$)	Market (R$)
CAF 1	09/27/2013	09/27/2023	15,000	**19,202**	**19,333**	27,791	27,902
CAF 2	10/21/2013	10/23/2023	30,000	**48,821**	**49,063**	55,441	55,610
CAF 3	12/19/2013	12/19/2023	30,000	**48,502**	**48,917**	55,077	55,507
CAF 6	12/18/2020	12/18/2026	100,000	**548,046**	**549,386**	520,127	520,127
			175,000	**664,571**	**666,699**	658,436	659,146

ii) Inter-American Development Bank (IDB)

In June 2014, BDMG took out a loan from 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.

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

a) Foreign borrowings (Continued)

Funds by institution of origin (Continued)

ii) *Inter-American Development Bank (IDB)* (Continued)

Position of the tranche released

				09/30/2021		12/31/2020	
Tranche	**Date of release**	**Final maturity**	**Release (US$)**	**Curve (R$)**	**Market (R$)**	**Curve (R$)**	**Market (R$)**
IDB	08/04/2014	08/16/2021	50,000	-	-	47,699	47,526

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

In December 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. In August 2020, a new loan agreement was entered into with AFD, releasing €17.5 million on 02/03/2021, bearing interest at the 6-month Euribor rate plus 4.09% p.a. and payment term of 11 years. The purpose of these transactions was the financing of municipal climate-related infrastructure projects and the expansion of basic services.

Tranches released

				09/30/2021		12/31/2020	
Tranche	**Date of release**	**Final maturity**	**Release €**	**Curve (R$)**	**Market (R$)**	**Curve (R$)**	**Market (R$)**
AFD 1*	07/22/2014	11/28/2025	9,000	**28,472**	**28,472**	31,919	31,919
AFD 2*	10/13/2014	11/28/2025	7,000	**22,145**	**22,145**	24,826	24,826
AFD 3**	02/02/2017	11/28/2025	15,000	**47,454**	**48,257**	53,198	54,097
AFD 4	02/03/2021	07/30/2032	17,500	**110,846**	**110,429**	-	-
			48,500	**208,917**	**209,303**	109,943	110,842

(*) No *hedges* were contracted for funding of the AFD1 and AFD2 tranches, since the funds were transferred to the borrowers with funding charges 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.

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

a) Foreign borrowings (Continued)

Funds by institution of origin (Continued)

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 a 10-year payment term. 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. In July 2021, the Bank received the funds from the 4th tranche, totaling US$11.6 million, bearing interest at the six-month Libor rate, plus 0.298% p.a. and a 10-year payment term.

				09/30/2021		12/31/2020	
Tranche	**Date of release**	**Final maturity**	**Release (US$)**	**Curve (R$)**	**Market (R$)**	**Curve (R$)**	**Market (R$)**
EIB	03/02/2020	02/20/2030	9,301	**50,620**	**51,478**	48,464	49,277
EIB 2	12/03/2020	12/03/2030	11,241	**61,345**	**60,093**	58,456	58,741
EIB 3	12/03/2020	12/03/2030	35,703	**194,844**	**190,867**	185,665	186,573
EIB 4	07/09/2021	07/09/2031	11,633	**63,338**	**63,051**	-	-
			67,878	**370,147**	**365,489**	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 5-year payment 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.

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

a) Foreign borrowings (Continued)

Funds by institution of origin (Continued)

V) *Plata Basin Financial Development Fund (FONPLATA)* (Continued)

Tranche	Date of release	Final maturity	Release (US$)	09/30/2021 Curve (R$)	09/30/2021 Market (R$)	12/31/2020 Curve (R$)	12/31/2020 Market (R$)
FONPLATA	05/21/2020	05/17/2025	36,000	**198,141**	**197,675**	187,796	186,451

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	Final maturity	Release (US$)	09/30/2021 Curve (R$)	09/30/2021 Market (R$)	12/31/2020 Curve (R$)	12/31/2020 Market (R$)
CARGILL	09/30/2020	06/09/2024	10,000	**40,819**	**40,791**	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.

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

a) Foreign borrowings (Continued)

Funds by institution of origin (Continued)

vii) *Inter-American Investment Corporation - BID Invest* (Continued)

				09/30/2021		12/31/2020	
Tranche	**Date of release**	**Final maturity**	**Release (US$)**	**Curve (R$)**	**Market (R$)**	**Curve (R$)**	**Market (R$)**
1	12/29/2020	12/29/2027	50,000	**271,973**	**273,214**	259,870	259,870

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 2038, 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:

	09/30/2021	12/31/2020
BNDES (1)	**874,938**	984,740
FINAME	**705,516**	877,952
Funcafé (2)	**414,981**	496,037
Fungetur (3)	**319,990**	339,345
FINEP	**94,482**	110,774
CEF	**13,907**	14,565
National treasury	**8,883**	8,147
BNB	**8,452**	10,310
	2,441,149	2,841,870
Current	**1,072,438**	1,229,684
Noncurrent	**1,368,711**	1,612,186

(In thousands of reais, unless otherwise stated)

10. Financial liabilities (Continued)

10.2. Borrowings and onlending (Continued)

b) Domestic onlending (Continued)

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

	09/30/2021	12/31/2020
BNDES FINEM	**261,371**	235,584
BNDES Automático	**229,112**	245,911
BNDES Automático PCA	**72,785**	72,923
BNDES Automático GIRO	**50,978**	81,136
BNDES Automático PRODECOOP	**42,090**	50,832
PESA/BNDES	**34,089**	29,246
BNDES Automático TJLP	**32,400**	48,419
BNDES FINEM PSI	**22,638**	27,865
BNDES MPME INOVADORA	**20,027**	29,144
BNDES Automático MODERAGRO	**18,340**	16,292
BNDES Automático ABC	**15,793**	16,000
BNDES Automático Inovagro	**15,307**	13,316
BNDES SAUDE	**9,454**	10,693
Other	**50,554**	107,379
	874,938	984,740

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

(3) 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).

11. Provisions

	09/30/2021	12/31/2020
Actuarial obligations (a)	**367,198**	427,145
Contingent liabilities: tax, labor and civil (b)	**223,257**	217,187
Provision for other contingencies (c)	**11,480**	11,404
	601,935	655,736
Current	**22,342**	25,158
Noncurrent	**579,593**	630,578

(In thousands of reais, unless otherwise stated)

11. Provisions (Continued)

a) Actuarial obligations

This provision, referring to the benefits sponsored by the Bank to its active employees and pensioner members, as detailed in Note 18, is broken down as follows:

	09/30/2021	12/31/2020
Actuarial liability related to the Pension Plan – defined benefit (DB) and variable contribution (VC) (1)	**236,102**	262,622
Actuarial liability related to the Health Promotion Program (PRO-SAÚDE), and healthcare and dental care plan (2)	**113,570**	145,566
Actuarial liability related to life insurance	**17,526**	18,957
Total	**367,198**	427,145
Current	**20,317**	21,859
Noncurrent	**346,881**	405,286

(1) The variation mainly refers to the increase in the obligation's discount rate, which directly impacts the liability reduction.

(2) The reduction in actuarial liabilities with the dental and health care plan is due to the increase in the obligation's discount rate, as well as the reduction in health care costs in relation to expected costs.

b) Contingent tax, labor and civil liabilities

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

b.1) *Lawsuits whose risk of loss has been assessed as probable*

Contingent liabilities refer to the lawsuits listed below by nature and changes occurred in the period:

	12/31/2020	Provisions recorded	Restatement	(Write-offs)	09/30/2021
Tax (i)	190,803	**1,226**	**2,136**	**-**	**194,165**
Civil (ii)	8,705	**2,476**	**-**	**-**	**11,181**
Labor (iii)	17,679	**1,977**	**-**	**(1,745)**	**17,911**
Total	217,187	**5,679**	**2,136**	**(1,745)**	**223,257**
Current	2,567				**1,226**
Noncurrent	214,620				**222,031**

(In thousands of reais, unless otherwise stated)

11. Provisions (Continued)

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

b.1) *Lawsuits whose risk of loss has been assessed as probable* (Continued)

i) *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 or the Brazilian Administrative Board of Tax Appeals (CARF). 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 15-c).

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

	12/31/2020	Provision	Restatement	09/30/2021
Change in COFINS tax base - Law No. 9718/1998	125,502	**-**	**1,499**	**127,001**
Change in PIS/PASEP tax base – Law No. 9718/1998	65,248	**-**	**637**	**65,885**
Other contingencies and legal obligations	53	**1,226**	**-**	**1,279**
	190,803	**1,226**	**2,136**	**194,165**

To guarantee and suspend the requirement to pay the aforementioned tax contingencies, judicial deposits were recorded under Other receivables - Debtors for escrow deposits:

	09/30/2021		12/31/2020	
	Provision	Deposits	Provision	Deposits
Change in COFINS tax base - Law No. 9718/1998	**127,001**	**57,053**	125,502	56,456
Change in PIS/PASEP tax base established by Law No. 9718/1998	**65,885**	**65,885**	65,248	65,248
Other contingencies and legal obligations	**1,279**	**1,895**	53	1,609
	194,165	**124,833**	190,803	123,313

11. Provisions (Continued)

b) <u>Contingent tax, labor and civil liabilities</u> (Continued)

b.1) *Lawsuits whose risk of loss has been assessed as probable* (Continued)

i) <u>*Legal obligations and tax contingencies*</u> (Continued)

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.

ii) <u>*Civil contingencies*</u>

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

Civil contingencies refer mostly to lawsuits that challenges debt amounts, covenants 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.

To cover the risks associated with these proceedings, the Bank made judicial deposits recorded in the subaccount “Debtors for escrow deposits”, in the amount of R$1,378 (R$1,284 at December 31, 2020).

(In thousands of reais, unless otherwise stated)

11. Provisions (Continued)

b) <u>Contingent tax, labor and civil liabilities</u> (Continued)

b.1) *Lawsuits whose risk of loss has been assessed as probable* (Continued)

iii) *<u>Labor contingencies</u>*

Labor contingencies whose risk of loss has been assessed as probable 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 executed 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.

Judicial deposits of R$2,779 (R$2,941 at December 31, 2020) to appeals associated with labor claims are recorded in the subaccount "Debtors for escrow deposits".

b.2) *Lawsuits whose risk of loss has been assessed as possible*

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

	09/30/2021		**12/31/2020**	
	Number	**Balance**	**Number**	**Balance**
Tax	**8**	**88,436**	8	87,263
Labor	**-**	**-**	1	50
Civil	**20**	**1,536**	22	2,066
	28	**89,972**	31	89,379

Among the tax proceedings assessed as possible loss for which no provision was set up, the significant ones are as follows:

- Fine not included in the amount deposited in court to cover COFINS contributions related to the abovementioned proceeding. The restated amount of the fine totals R$2,889 (R$2,871 at December 31, 2020).

11. Provisions (Continued)

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

b.2) *Lawsuits whose risk of loss has been assessed as possible* (Continued)

- COFINS related to the accrual period of 2010-2011 resulting from notice drawn up by the Brazilian IRS, in the restated amount of R$60,296 (R$59,522 at December 31, 2020), 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 of Brazil (“STF”) - at the time of the notice.

  Of the total restated amount of this tax notice, a provision for the restated principal amount is recorded in the amount of R$31,312 (R$30,943 at December 31, 2020) as it is a tax obligation under the terms of BACEN Circular Letter No. 3429/2010. The remaining debt, in the total restated amount of R$28,984 (R$28,579 at December 31, 2020), 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 restated amount of R$38,613 (R$37,992 at December 31, 2020), 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 of Brazil (“STF”) - at the time of the notice.

  Of the total restated amount of this tax notice, a provision for the restated principal amount is recorded in the amount of R$20,873 (R$20,577 at December 31, 2020) as it is a tax obligation under the terms of BACEN Circular Letter No. 3429/2010. The remaining debt, in the total restated amount of R$17,740 (R$17,415 at December 31, 2020), 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 restated amount of the automatic fine totals R$9,426 (R$9,233 at December 31, 2020).

- 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 restated amount of the notice totals R$10,713 (R$10,602 at December 31, 2020).

- 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 restated amount of R$18,409 (R$18,292 at December 31, 2020).

11. Provisions (Continued)

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

b.3) *Guarantees offered in tax proceedings*

The following proceedings have guarantees offered by the Bank:

- Proceeding related to IRPJ for 1997, in the restated amount of R$18,409 (R$18,292 at December 31, 2020) for which no provision was set up given that the likelihood of loss is assessed as possible. This arises from notice served by the Brazilian IRS requiring payment of tax credit referring to the improper exclusion of the debt balance of the IPC/BTNF-1990 difference from the IRPJ taxable base of 1997. 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 as collateral for this proceeding and accepted by the National Treasury.
- Proceeding related to IRPJ for 1998, in the restated amount of R$54,068 (R$53,698 at December 31, 2020) 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 as collateral and accepted by the National Treasury.
- Municipal tax collection claim related to Service Tax (ISS) for the accrual period from 05/2009 to 12/2012, for which the Bank pledged as collateral a real property (land) from nonfinancial assets held for sale. The case totals R$1,159 (R$981 at December 31, 2020) and no provision has been recorded given that the likelihood of loss is assessed as remote.
- Municipal tax collection claim related to Service Tax (ISS) for the accrual period from 09/2013 to 02/2018, for which the Bank pledged as collateral an urban property (an apartment in Belo Horizonte) from nonfinancial assets held for sale. The case totals R$608 (R$511 at December 31, 2020) and no provision has been recorded given that the likelihood of loss 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 collection claim 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 in the debt amount, which was accepted at the administrative level at PGFN, on June 22, 2020, in guarantee of the proceeding, assessed as possible loss.

(In thousands of reais, unless otherwise stated)

11. Provisions (Continued)

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

b.3) *Guarantees offered in tax proceedings* (Continued)

- 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 collection claim 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 in the debt amount, which was accepted at the administrative level at PGFN, on December 21, 2020, in guarantee of the proceeding.

c) Provisions for sundry contingencies

Changes in these provisions in the year, until September 30, 2021, are as follows:

	12/31/2020	Provisions recorded	Restatement	(Write-offs)	09/30/2021
Attorney's fees [(1)]	8,327	**13**	**169**	**(271)**	**8,238**
Guarantee assumed in loans assigned to STN [(2)]	3,077	**300**	**-**	**(135)**	**3,242**
	11,404	**313**	**169**	**(406)**	**11,480**
Current	732				**799**
Noncurrent	10,672				**10,681**

(1) Attorney's fees refer to amounts owed by BDMG in contingent tax, labor and civil proceedings, as well as in relation to agreed-upon success fees due with an outsourced law firm regarding a tax proceeding.

(2) The Bank also sets up provisions for the risk of loss on guarantees of agribusiness transactions assumed with the STN and with payments of attorney's fees resulting from lawsuits for which the likelihood of loss is assessed as probable.

12. Other liabilities

Balance breakdown

	09/30/2021	12/31/2020
Financial and development funds (a)	**56,167**	125,250
Current tax liabilities (d)	**54,750**	6,865
Provision for payments to be made (c)	**30,168**	15,960
Sundry creditors - domestic (b)	**19,872**	27,939
Deferred income (e)	**17,303**	19,060
Other	**1,066**	359
Total	**179,326**	195,433
Current	**113,233**	55,347
Noncurrent	**66,093**	140,086

(In thousands of reais, unless otherwise stated)

12. Other liabilities (Continued)

Balance breakdown (Continued)

(a) Financial and development funds - the statement of financial position balance of R$56,167 (R$125,250 as of December 31, 2020) 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.

The decrease in the balance is due to the transfer to the Minas Gerais State of R$78,739 referring to returns on financing from state funds in connection with the Minas Gerais State Investment Fund - *MG Investe*, received by the Bank.

Control over the various funds in which the Bank operates as a financial agent is performed by means of individualized accounting groups, held in memorandum accounts (unaudited). The fund's net assets are as follows:

Fund's net assets (unaudited)	09/30/2021	12/31/2020
State funds	**3,826,387**	3,822,194
Private funds	**40,065**	38,866
Other funds	**83,831**	81,863
	3,950,283	3,942,923

(b) Sundry creditors - balance breakdown

	09/30/2021	12/31/2020
Receivables from customers to be offset	**7,814**	13,649
BACEN Compulsory - Installment payment from enrollment with the Non-Tax Debt Settlement program (PRD) in August 2017	**4,514**	7,280
Attorney's fees payable (received from customers)	**2,302**	1,893
Sundry	**5,242**	5,117
	19,872	27,939

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

	09/30/2021	12/31/2020
Vacation pay, 13th monthly salary and charges	**20,076**	13,497
Employee profit sharing	**8,231**	910
Other	**1,861**	1,553
	30,168	15,960

(In thousands of reais, unless otherwise stated)

12. Other liabilities (Continued)

Balance breakdown (Continued)

(d) Current tax liabilities - balance breakdown

	09/30/2021	12/31/2020
Provision for taxes and contributions	**48,808**	-
Taxes and social contributions on salaries	**3,996**	4,223
Other taxes and social contributions payable	**1,946**	2,642
	54,750	6,865

(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.

13. Equity

a) Capital

The subscribed capital of BDMG comprises 71,093,757,547 (71,093,757,547 at December 31, 2020) registered common shares with no par value, totaling R$2,111,184 (R$2,111,184 at December 31, 2020).

Shareholding interest:

	Capital breakdown		
Shareholder	**Amount**	**Number of shares**	**(%) Equity interest**
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	-
Total	2,111,184	71,093,757,547	100.00

b) Equity adjustments

	09/30/2021	12/31/2020
Mark to market (i)	**8,769**	10,409
Other equity adjustments (ii)	**(127,869)**	(169,224)
Total	**(119,100)**	(158,815)

(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.

(In thousands of reais, unless otherwise stated)

13. **Equity** (Continued)

c) Income reserve

Legal reserve in the amount of R$1,952 (R$0 at December 31, 2020), calculated based on 5% of net income.

d) Retained Earnings/Accumulated Losses

In the period, the Bank recorded profit of R$144,814 (R$22,682 at September 30, 2020), and the balance of R$127,774 (loss of R$15,088 at December 31, 2020) remained in the retained earnings (accumulated losses) account.

e) Earnings per share

	Nine-month period ended	
	09/30/2021	**09/30/2020**
Net income	**144,814**	22,682
Number of shares (lots of 1000)	**71,093,758**	70,870,154
Earnings per share	**0.00204**	0.00032

f) Recurring and nonrecurring income

In accordance with BCB Resolution No. 2/2020 and the criteria defined in BDMG's internal policy, breakdown of P&L for the nine-month period ended September 30, 2021 and 2020 is as follows:

	Nine-month period ended	
	09/30/2021	**09/30/2020**
Recurring income	**75,491**	22,682
Non-recurring income(1)	**69,323**	-
• Reversal of allowance for expected credit losses in connection with credit risk (Note 7.3.f.ii)	**60,157**	-
• Mark to market of investment in an Equity Investment Fund ("FIP") (2)	**6,222**	-
• Adjustment to tax credit balance (3)	**2,944**	-
Accounting profit	**144,814**	22,682

(1) Amounts net of tax effects, as applicable.

(2) Mark to market of investment in an Equity Investment Fund of BDMG's portfolio related to innovative companies with high growth potential.

(3) Adjustment of the tax credit balance in compliance with Provisional Executive Order No. 1034 of 03/01/2021 signed into Law No. 14183 of 07/14/2021, which amends Law No. 7689 of 12/15/1988 to increase the rate of Social Contribution Tax rate for financial institutions from 20% to 25% in the period from 07/01/2021 to 12/31/2021.

(In thousands of reais, unless otherwise stated)

14. Statement of profit or loss accounts

a) Income from lending operations

	Nine-month period ended	
	09/30/2021	09/30/2020
Income from loans and financing	**413,455**	374,814
Income from credit assignment [(1)]	**2,092**	-
Credits recovered [(2)]	**194,694**	57,651
	610,241	432,465

(1) As mentioned in Note 7.3.f.ii, the Bank entered into a credit assignment agreement with substantial transfer of risks and rewards which, considering the book value of the credit, resulted in a gain in the total amount of R$2,092.

(2) Credits recovered: increase in revenues arising from renegotiations of significant amounts with customers in the current period.

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

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

	Nine-month period ended	
	09/30/2021	09/30/2020
Exchange gains on cash and cash equivalents in foreign currency [(1)]	**59,950**	1,103
Gains on repurchase agreements [(2)]	**34,802**	3,595
Gains on investment funds [(3)]	**20,403**	1,164
Gains on fixed income securities	**18,454**	19,702
Gains (losses) on derivative transactions - swap [(4)]	**(17,105)**	100,059
Other	**653**	4
	117,157	125,627

(1) These arise from foreign funding and borrowings nationalized throughout the year. The positive result was significant especially in the first quarter due to the devaluation of the national currency in that period.

(2) Due to the nationalization of foreign borrowings throughout the current year, there was an increase in the average balance of repurchase agreements, which resulted in an increase in income from these investments.

(3) These arise from the appreciation or devaluation of the investment fund shares due to the adjustment in the values of the funds' assets, as a result of their measurement at fair value according to CVM Ruling No. 579. In 2021, there was an appreciation of the assets of certain funds, generating an increase in the value of shares and impacting directly revenue.

(4) The derivative instruments were taken out by the Bank for the purpose of hedging against currency fluctuations (dollar and euro) and other financial charges regarding foreign borrowings. Despite the devaluation of the Brazilian real against the dollar in the nine-month period ended September 30, 2021, a negative adjustment for these derivatives was determined. This negative adjustment was mainly influenced by the transactions taken out in 2021, on occasions when the dollar was at levels higher than the rate as of September 30, 2021.

(In thousands of reais, unless otherwise stated)

14. Statement of profit or loss accounts (Continued)

b) Gains (losses) on marketable securities and derivative financial instruments (Continued)

ii) *Trading expenses*

	Nine-month period ended	
	09/30/2021	09/30/2020
Foreign borrowing expenses (1)	**(142,928)**	(153,836)
BNDES and FINAME onlending expenses	**(89,062)**	(88,177)
Interbank deposit and repurchase agreement expenses [(2)]	**(25,814)**	(8,220)
Onlending expenses - other institutions	**(23,156)**	(17,807)
Agribusiness credit bill expenses [(3)]	**(21,366)**	(8,914)
Expenses with financial and development fund obligations	**(1,988)**	(2,529)
Financial bill expenses	**-**	(1,965)
	(304,314)	(281,448)

(1) Despite the devaluation of the Brazilian real against the dollar in the nine-month period ended September 30, 2021 as well as the new borrowings carried out in the period, there was a reduction in foreign borrowing expenses compared with the same period last year. This reduction was mainly caused by new borrowings that were taken out on occasions when the dollar was at levels higher than the rate as of September 30, 2021. 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 financial charges.

(2) The increase in expenses is related to the increase in the average balance of deposits and borrowings.

(3) The increase in expenses is directly related to the increase in the book balances with the issue of these securities.

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

i) *Tax expenses*

	Nine-month period ended	
	09/30/2021	09/30/2020
PIS and COFINS	**(14,233)**	(12,230)
Service Tax (ISSQN)	**(1,225)**	(1,240)
Other	**(787)**	(716)
	(16,245)	(14,186)

ii) *Administrative expenses*

	Nine-month period ended	
	09/30/2021	09/30/2020
Outsourced services and expert technicians	**(8,858)**	(8,016)
Depreciation and amortization	**(7,017)**	(5,523)
Advertising and communication	**(4,164)**	(2,873)
Data processing	**(3,872)**	(3,050)
Registration	**(2,768)**	(3,167)
Maintenance and materials	**(2,435)**	(2,128)
Rent and infrastructure	**(633)**	(695)
Travel and transportation	**(301)**	(587)
Other	**(1,429)**	(1,914)
	(31,477)	(27,953)

(In thousands of reais, unless otherwise stated)

14. Statement of profit or loss accounts (Continued)

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

iii) *Other operating income*

	Nine-month period ended	
	09/30/2021	09/30/2020
Income from hedged items marked to market [1]	**42,852**	12,976
Reversal of sundry provisions	**2,860**	14,116
Income from equalization - STN	**2,025**	148
Income from equalization - STN	**502**	10
Foreign exchange gains	**-**	513
Income from equalization - STN	**502**	10
Other	**5,207**	2,381
	53,446	30,144

(1) The hedged items (foreign borrowings) are calculated at market value based on the future exchange coupon curve. Therefore, the determining impact for generation of the income recorded is related to the behavior of the future exchange coupon curve, but the volume of new transactions contracted by BDMG with the European Investment Bank (EIB), Fonplata, Cargill, CAF - Development Bank of Latin America and the French Development Agency (AFD) also stands out.

iv) *Other operating expenses*

	Nine-month period ended	
	09/30/2021	09/30/2020
Expense with INDI agreement	**(4,584)**	(3,560)
Expenses with BDMG Cultural agreement	**(3,202)**	(3,289)
Expenses with discounts granted on renegotiations	**(3,862)**	(11,688)
Fees/commissions on foreign borrowings	**(2,842)**	(105)
Expenses with bonus and discount on loans	**(914)**	(1,623)
Indemnities	**(100)**	(11,829)
Expenses with guarantees given	**-**	(40,144)
Other	**(4,401)**	(3,921)
	(19,905)	(76,159)

v) *Expenses with provisions*

	Nine-month period ended	
	09/30/2021	09/30/2020
Post-employment benefit - private pension plan - VB and VC	**(20,470)**	(18,115)
Post-employment benefits - health and life insurance	**(9,650)**	(7,778)
Other long-term benefits	**-**	(35)
Provision for tax contingencies	**(2,127)**	(999)
Provision for civil contingencies	**(2,476)**	(1,132)
Provision for labor contingencies	**(1,977)**	(1,330)
Provision for rural transactions with guarantee	**(290)**	(534)
Other	**(182)**	(244)
	(37,172)	(30,167)

(In thousands of reais, unless otherwise stated)

15. Income and social contribution taxes

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

	Nine-month period ended	
	09/30/2021	09/30/2020
Income before IR, CSLL and profit sharing	**274,309**	46,596
Profit sharing	**(9,201)**	(2,879)
Income before income and social contribution taxes	**265,108**	43,717
Current rates	**45%**	45%
Income and social contribution taxes at current rates	**(119,299)**	(19,673)
Effects on tax calculation:		
Nondeductible expenses and nontaxable income	**(238)**	(1,362)
Tax incentives	**960**	-
Other amounts[1]	**(1,717)**	-
Income and social contribution tax expenses	**(120,294)**	(21,035)
Deferred tax assets	**(39,428)**	(21,035)
Current income and social contribution taxes payable	**(80,866)**	-

(1) Effect resulting from the increase in the CSLL rate on the banks' net income from 20% to 25% on temporary differences, for the period from July to December 2021, according to Provisional Executive Order (MP) No. 1034/2021.

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. 4842/2020, considers expectation of realization within 10 years, due to the positive tax results in the projection of profit or loss. 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 compliance with Provisional Executive Order No. 1034 of March 1, 2021, which amends Law No. 7689 of 12/15/1988, signed into Law No. 14183 of July 14, 2021, to increase the CSLL rate of financial institutions from 20% to 25% in the period from July 1, 2021 to December 31, 2021, the tax credits expected to be realized in that period were adjusted by R$2,944. Part of this balance, related to temporary differences has already been realized in the 3rd quarter of 2021, leaving a balance of R$1,421 to be realized.

(In thousands of reais, unless otherwise stated)

15. Income and social contribution taxes (Continued)

b) Tax credits (Continued)

Origin of tax credits

	12/31/2020	Accrual	Realization	09/30/2021
Doubtful receivables	282,442	**188,275**	**(201,052)**	**269,665**
Post-employment benefit	192,216	**13,608**	**(40,321)**	**165,503**
COFINS (change in tax base established by Law No. 9718/1998)	42,844	**406**	**-**	**43,250**
Devaluation of marketable securities	49,272	**771**	**(16)**	**50,027**
Change in PIS/PASEP tax base established by Law No. 9718/1998	11,465	**-**	**-**	**11,465**
Civil, labor and tax contingencies	14,539	**2,678**	**(880)**	**16,337**
Guarantee with STN	1,367	**163**	**(57)**	**1,473**
Other	7,808	**52,331**	**(55,448)**	**4,691**
Total temporary differences	601,953	**258,232**	**(297,774)**	**562,411**
IRPJ tax loss - 25%	33,597	**-**	**(18,745)**	**14,852**
CSLL tax loss - 20%	26,975	**-**	**(14,978)**	**11,997**
Subtotal	662,525	**258,232**	**(331,497)**	**589,260**
Mark to market of marketable securities available for sale	2,604	**-**	**(884)**	**1,720**
Total tax credits	665,129	**258,232**	**(332,381)**	**590,980**

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

	Nominal value	Present value
Year:		
2021	18,328	17,525
2022	79,304	73,553
2023	129,788	114,633
2024	74,667	62,801
2025	66,705	53,428
2026	44,681	34,080
2027	42,754	31,054
2028	31,272	21,630
2029	73,970	48,722
2030	29,511	18,510
Total	590,980	475,936

The present value of tax credits was obtained by discounting the future flow of recovery at the average rate of the funding taken out by BDMG of 5.01% p.a. (4.15% p.a. at December 31, 2020).

(In thousands of reais, unless otherwise stated)

15. Income and social contribution taxes (Continued)

c) Deferred tax obligations

	09/30/2021	12/31/2020
Deferred income	**20,851**	22,969
Mark to market of marketable securities available for sale	**10,589**	13,259
Total	**31,440**	36,228

16. Transactions with related parties

Pursuant to CMN Resolution No. 4693/2018, the Bank's internal regulations, Law No. 13303/2016, and State Decree No. 47154 regarding this issue, BDMG carried out the following transactions with related parties:

Legal entities

State of Minas Gerais, state departments and Fundação João Pinheiro

- State of Minas Gerais - rendering of services acting as financial agent of the state funds, with a financing balance of R$666,673 at September 30, 2021 (R$709,413 at December 31, 2020). The accrual of commission income, which is an integral part of financial charges of financing agreements in the period from 01/01/2021 to 09/30/2021, totaled R$5,092 (period from 01/01/2020 to 09/30/2020 - R$5,564 at September 30, 2020);
- In the second half of 2020, BDMG entered into a technical assistance and advisory service agreement with the State of Minas Gerais through the Minas Gerais Infrastructure and Mobility State Office (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. No revenues and/or costs/expenses were recorded with this agreement in the period from 01/01/2021 to 09/30/2021;
- Agreements entered into with the State of Minas Gerais through the Economic Development Office (SEDE) with the following objectives, amounts and estimated deadlines for execution:
  - Provision of advisory and technical assistance services for activities that include scenario diagnosis, economic-financial feasibility assessment, legal analysis and modeling of the privatization of MGS, including specialized and accessory services. Total compensation: R$1,904. Estimated deadline for completion as from the agreement effectiveness date: 40 weeks. On September 30, 2021, in compliance with the 1st and 2nd fronts of the agreement, the Bank received the net amount of R$1,381 and recorded expenses in the amount of R$355, with the execution of services provided on these fronts;

16. Transactions with related parties (Continued)

Legal entities (Continued)

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

- Provision of advisory and technical assistance services for the preparation of economic and financial feasibility study, legal analysis, modeling, monitoring of the bidding procedure for engagement of market agent(s) specialized in structuring, constitution, administration, custody and operation of the Real Estate Investment Fund - FII, in which real estate assets of Cohab Minas will be paid in, as well as monitoring of the proposed measures presented by the engaged agent in the pre-operational phases of the FII, namely its Constitution and Operation. Total compensation: R$1,590. Estimated deadline for completion as from the agreement effectiveness date: 75 weeks. No revenues and/or costs/expenses related to this agreement were recorded in the period from 01/01/2021 to 09/30/2021;

- Provision of advisory and technical assistance services for the preparation of the procedures for divestment of CODEMGE assets, distributed among equity interests and silent partnership, interests in equity investment funds and real estate with activities of a business nature; and the provision of advisory and technical assistance services to monitor the execution of alternatives for the divestment of certain assets, in the specific cases of equity interests and silent partnership, and interests in equity investment funds. Total compensation: R$19,989. Estimated deadline for completion as from the agreement effectiveness date: 105 weeks. In the period from 01/01/2021 to 09/30/2021, expenses amounting to R$184 were recorded with the provision of services related to this agreement and there was no accrual of revenue in the period.

- Provision of advisory and technical assistance services for corporate restructuring aiming at the future privatization of Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG. Total compensation: R$4,322. Estimated deadline for completion as from the agreement effectiveness date: 80 weeks. No revenues and/or costs/expenses related to this agreement were recorded.

• State Department of Economic Development (SEDE): No employee was assigned in 2021. In 2020, there were two employees at a cost for the Bank. The assignment that ended in June generated expense totaling R$111 in the period from 01/01/2020 to 09/30/2020.

• State Agriculture, Livestock and Supply Department (SEAPA): assignment of one employee at no cost for the Bank;

16. Transactions with related parties (Continued)

Legal entities (Continued)

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

- State Department of Planning and Management (SEPLAG): Assignment of two professionals at a cost for the Bank. In the period from 01/01/2021 to 09/30/2021, assignment expenses total R$426 (R$473 in the period from 01/01/2020 to 09/30/2020).
- 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 the donation of 5% of the net income for the year to the Foundation, unless accumulated losses are recorded. No donations were made to Fundação João Pinheiro in in the period from 01/01/2021 to 09/30/2021 or in 2020.

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

Direct related parties

- Institute of Integrated Development of Minas Gerais (INDI), a nonprofit 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 BDMG, which holds 50% of INDI's units of interest, answering for contribution of financial resources equivalent to 50% of the entity's expenses. In the period from 01/01/2021 to 09/30/2021, INDI expenses total R$4,584 (R$3,560 in the period from 01/01/2020 to 09/30/2020).
- DESBAN - BDMG Social Security Foundation, a nonprofit privately-held supplementary pension plan entity, sponsored by BDMG, which, as detailed in Note 18, 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 nonprofit association that manages the Group Life Insurance described in Note 18.a) (iii);
- Cultural Institute of Banco de Desenvolvimento de Minas Gerais - BDMG Cultural, a nonprofit 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. In the period from 01/01/2021 to 09/30/2021, BDMG Cultural expenses total R$3,202 (R$3,289 in the period from 01/01/2020 to 09/30/2020).

16. Transactions with related parties (Continued)

Legal entities (Continued)

Direct related parties (Continued)

- BIOMM S.A. - Publicly-traded company, incorporated in the city of Nova Lima, Minas Gerais (MG), on October 3, 2001. The Bank holds 5.97% 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 has financing that was granted to the Company before becoming its shareholder. At September 30, 2021, the balance of financing totals R$19,131 (R$21,869 at December 31, 2021).

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 the period from 01/01/2021 to 09/30/2021, expenses with these charges total R$4,708 (R$4,335 in the period from 01/01/2020 to 09/30/2020).

17. 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.

17.1. 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.

17. Risk and capital management (Continued)

17.1. Capital management (Continued)

a) Capital management (Continued)

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;
- Assessment of impacts on Capital 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/?demonstracoes

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.

17. Risk and capital management (Continued)

17.1. Capital management (Continued)

a) Capital management (Continued)

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.

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:

(In thousands of reais, unless otherwise stated)

17. Risk and capital management (Continued)

17.1. Capital management (Continued)

b) Regulatory capital (Continued)

	09/30/2021	12/31/2020
Equity	**2,121,810**	1,937,281
Tier 1 Base Capital or Core Capital (a)	**2,012,891**	1,746,079
Capital for operations with the public sector (b)	**400,000**	542,000
Base Capital (a-b)	**1,612,891**	1,204,079
Total risk weighted assets (RWA)	**6,148,484**	6,442,207
Credit risk	**5,332,361**	5,559,588
Market risk	**139,986**	213,848
Operational risk	**676,137**	668,771
Portion of capital for coverage of interest rate risk of non-negotiable portfolio (RWA R_{BAN})	**75,003**	75,730
Minimum Required Capital	**666,795**	671,634
Basel index (Base Capital/RWA)	**26.23%**	18.69%
Extended Basel index (Base Capital/(RWA + R_{BAN}))	**25.92%**	18.47%

c) Sensitivity analysis

In compliance with article 35 of BCB Resolution No. 2/2020, BDMG carries out 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. Based on the review carried out in June 2021 of the projection prepared within the scope of the financial statements as of December 31, 2020, the variables whose fluctuations have a more immediate impact on P&L for the next year, i.e. allowance for loan losses, credit recovery and service revenue, were stressed.

	Impact on P&L (net of taxes)			
	10% worse	20% worse	30% worse	40% worse
Sensitized variable				
Allowance for loan losses	(56,880)	(62,051)	(67,222)	(72,393)
Credit recovery	(19,385)	(21,147)	(22,909)	(24,672)
Services	(11,764)	(12,833)	(13,903)	(14,972)

The sensitivity analysis for the actuarial liability is shown in Note 18 c (iv).

17. Risk and capital management (Continued)

17.2. 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.

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.

17. Risk and capital management (Continued)

17.2. Risk management (Continued)

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.

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 risk

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.

(In thousands of reais, unless otherwise stated)

17. Risk and capital management (Continued)

17.2. Risk management (Continued)

Sensitivity analysis for market risks (Continued)

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 September 30, 2021.

September 2021	∆ EVE Parallel shock increase	∆ EVE Parallel shock decrease
Coupon rate DOLLAR	**1,294**	**(1,415)**
Coupon rate EURO	**(2,585)**	**2,725**
Fixed rate	**27,038**	**(31,331)**
Coupon rate IPCA	**6,279**	**(6,928)**
Coupon rate IGPM	**17,083**	**(18,290)**
Coupon rate TJLP	**7,069**	**(8,860)**
Coupon rate TLP	**6,201**	**(7,794)**
Coupon rate TRD	**10,039**	**(27,749)**
TOTAL BRL	**73,709**	**(100,952)**
∆ EVE	**75,003**	**2,725**

Note: Variation measures have losses represented by positive values, as per paragraph 3, article 13 of Circular No. 3876, whose methodology is adopted for this sensitivity test.

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.

Variation measures have losses represented by positive values, as per paragraph 3, article 13 of Circular No. 3876, which regulates the adopted methodology.

18. Employee benefits

As mentioned in Note 3.19, BDMG 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, when this program is implemented.

18. Employee benefits (Continued)

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 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.

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 nonprofit 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 11, 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 consideration 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 Resolution No. 26 of September 29, 2008, issued by the Board for Management of Supplementary Pension Plans ("CGPC"), in force at that time, which established the mandatory restructuring of the plan's deficit between the participants (active employees, pensioner members, and surviving spouse) and sponsors, taking into consideration the proportion of the regular contributions made in the year when the deficit occurs.

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

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

a) Characteristics of the benefit plans (Continued)

i) *Pension plan* (Continued)

Defined benefit pension plan (Continued)

	Restructuring - Desban - in 2015	**Restructuring-Sponsor - 12/31/2019 (*)**	**Restructuring-Sponsor - 09/30/2021 (**)**
Amount of the restructuring	28,135.40	33,870.00	
Sponsor's share	14,067.70	16,935.00	
Participant's share	14,067.70	16,935.00	
Deadline for restructuring	20 years	2021 to 2036	**2021 to 2036**

(*) 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.

(**) 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 June 2021.

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".

The lifetime annuity benefits granted to a pensioner member and retirement benefits granted 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, are recorded together with the actuarial liabilities of the Defined Benefit Pension Plan (DB).

18. Employee benefits (Continued)

a) Characteristics of the benefit plans (Continued)

i) *Pension plan* (Continued)

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 life 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 3.19, managed by DESBAN and operating under the capitalization regime. This benefit is guaranteed to active participants, while in this condition, to pensioner members who were already retired on February 22, 2018, as well to as those who retired under the conditions established by the Voluntary Resignation Program, whose membership period ended on April 30, 2018.

iii) *Group 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.

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 May 5, 2020, with a 15-day enrollment period from that date.

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

b) BDMG participants in the pension plans

The number of participants is distributed as follows:

	09/30/2021	12/31/2020
Plans:		
Defined benefit (DB) - pensioner members	**535**	538
Defined benefit (DB) - active participants	**221**	219
Variable contribution (VC) - active participants	**69**	69
Defined benefit (DB) - self-sponsored participants	**9**	11
Benefits paid directly by the Entity (1)	**3**	3
Variable contribution (VC) - pensioner members	**1**	1
Variable contribution (VC) - self-sponsored participants	**-**	-
Total	**838**	841

(1) Refers to life annuity granted to a pensioner member and retirement benefits granted 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, as explained in Note 3.19 (v).

c) Bank commitments on benefit plans

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

	Nine-month period ended	
	09/30/2021	09/30/2020
Pension plan - DB	**8,588**	8,334
Health Promotion Program PRÓ-SAÚDE	**6,242**	5,667
Group life insurance	**873**	889
Pension plan - VC	**492**	461
Voluntary resignation program	**-**	537
Total	**16,195**	15,888

(In thousands of reais, unless otherwise stated)

18. 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		
	01/01 to 09/30/2021	**Year 2020**	**01/01 to 09/30/2020**	**01/01 to 09/30/2021**	**Year 2020**	**01/01 to 09/30/2020**	**01/01 to 09/30/2021**	**Year 2020**	**01/01 to 09/30/2020**	**01/01 to 09/30/2021**	**Year 2020**	**01/01 to 09/30/2020**
Reconciliation (liabilities)/assets recognized												
Opening (liabilities), net	**(380,793)**	(332,852)	(332,852)	**-**	-	-	**(145,566)**	(126,841)	(126,841)	**(18,957)**	(19,439)	(19,439)
Participant's portion in surplus (-) / deficit (+)	**118,171**	97,001	97,001	**-**	-	-	**-**	-	-	**-**	-	-
Opening (liabilities), net (1)	**(262,622)**	(235,851)	(235,851)	**-**	-	-	**(145,566)**	(126,841)	(126,841)	**(18,957)**	(19,439)	(19,439)
(Expenses)/income recognized in profit or loss for the period	**(20,021)**	(22,627)	(17,678)	**(18)**	(37)	(31)	**(8,563)**	(8,878)	(6,854)	**(1,087)**	(1,174)	(924)
Gains/(losses) recognized in equity (2)	**37,475**	(14,485)	10,759	**(11)**	(20)	(1)	**36,027**	(15,480)	6,892	**1,701**	550	1,887
Employer's contributions	**8,588**	12,048	8,334	**42**	57	39	**4,532**	5,633	4,131	**817**	1,106	832
Benefits paid directly by the Company	**465**	374	191	**-**	-	-	**-**	-	-	**-**	-	-
Transfer from life annuity (Other obligations) (3)	**-**	(2,081)	(2,081)	**-**	-	-	**-**	-	-	**-**	-	-
Closing (liabilities), net (1)	**(236,115)**	(262,622)	(236,326)	**13**	-	7	**(113,570)**	(145,566)	(122,672)	**(17,526)**	(18,957)	(17,644)

(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 life annuity, which totaled R$5,277 at June 30, 2021 (R$7,262 at June 30, 2020).

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

c) Bank commitments on benefit plans (Continued)

i) *Changes in net actuarial liabilities* (Continued)

Amounts recognized in P&L

Expenses with defined benefit plans are detailed below:

	01/01/2021 to 09/30/2021				
	Pension plan - DB	**Pension plan - VC**	**Health Promotion Program PRÓ-SAÚDE**	**Group life insurance**	**Total**
Current service cost	**(5,410)**	**(20)**	**-**	**-**	**(5,430)**
Cost of interest, net	**(14,611)**	**2**	**(7,817)**	**(1,087)**	**(23,513)**
Expected contributions for administrative expenses	**-**	**-**	**(746)**	**-**	**(746)**
(Expenses) income recognized in profit or loss (1)	**(20,021)**	**(18)**	**(8,563)**	**(1,087)**	**(29,689)**

	01/01/2020 to 09/30/2020				
	Pension plan - DB	**Pension plan - VC**	**Health Promotion Program PRÓ-SAÚDE**	**Group life insurance**	**Total**
Current service cost	(6,300)	(32)	-	-	(6,332)
Cost of interest, net	(11,378)	1	(6,084)	(924)	(18,385)
Expected contributions for administrative expenses	-	-	(770)	-	(770)
(Expenses) income recognized in profit or loss (1)	(17,678)	(31)	(6,854)	(924)	(25,487)

(1) Expenses accounted for were segregated as follows: R$8,297 (R$8,589 in the period from 01/01/2020 to 09/30/2020) referring to benefits to be granted (active employees) and R$21,392 (R$16,898 in the period from 01/01/2020 to 09/30/2020) 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$451 (R$421 in the period from 01/01/2020 to 09/30/2020).

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

d) Actuarial studies

The actuarial liabilities were calculated by an independent actuary using the Projected Unit Credit method, and the studies prepared as of June 30, 2021 are in effect.

i) *Statement of calculation and changes in net actuarial liabilities*

	Pension plan - DB			Pension plan - VC			Health Promotion Program PRO-SAÚDE			Group life insurance		
	1H21	Year 2020	1H20	1H21	Year 2020	1H20	1H21	Year 2020	1H20	1H21	Year 2020	1H20
(Deficit)/surplus calculated												
Actuarial obligations determined on actuarial assessment	**(1,372,755)**	(1,456,645)	(1,349,342)	**(979)**	(1,112)	(978)	**(140,695)**	(172,570)	(147,768)	**(17,359)**	(18,957)	(17,669)
Fair value of plan assets	**1,045,518**	1,075,852	1,018,052	**2,325**	2,119	1,902	**28,732**	27,004	25,755	**-**	-	-
(Deficit)/surplus calculated	**(327,237)**	(380,793)	(331,290)	**1,346**	1,007	924	**(111,963)**	(145,566)	(122,013)	**(17,359)**	(18,957)	(17,669)
Asset ceiling effect, additional liabilities and risk sharing												
Asset ceiling effect	**-**	-		**(1,346)**	(1,007)	(924)	**-**	-	-	**-**	-	-
Risk sharing (Deficit to be shared x 50%)	**95,233**	118,171	96,958	**-**	-	-	**-**	-	-	**-**	-	-
Closing asset ceiling effect, additional liabilities and risk sharing	**95,233**	118,171	96,958	**(1,346)**	(1,007)	(924)	**-**	-	-	**-**	-	-
Net (liabilities)/assets determined ((deficit)/surplus determined less asset ceiling effect and additional liabilities) (1)	**(232,004)**	(262,622)	(234,332)	**-**	-	-	**(111,963)**	(145,566)	(122,013)	**(17,359)**	(18,957)	(17,669)
	-	-										
Opening fair value of assets	**1,075,852**	1,096,708	1,096,708	**2,119**	1,906	1,906	**27,004**	25,171	25,171	**-**	-	-
Benefits paid in the period using plan assets	**(36,622)**	(77,090)	(35,276)	**(14)**	(20)	(10)	**(3,557)**	(6,927)	(3,336)	**-**	-	-
Participant's contributions in the period	**2,681**	5,794	2,717	**28**	57	26	**-**	-	-	**-**	-	-
Employer's contributions in the period	**5,663**	12,048	5,571	**28**	57	26	**3,025**	5,633	2,794	**-**	-	-
Earnings expected from assets	**35,951**	66,220	37,763	**76**	123	67	**918**	1,578	861	**-**	-	-
Gains/(losses) on fair value of plan assets (2)	**(38,007)**	(27,828)	(89,431)	**88**	(4)	(113)	**1,342**	1,549	265	**-**	-	-
Closing fair value of assets	**1,045,518**	1,075,852	1,018,052	**2,325**	2,119	1,902	**28,732**	27,004	25,755	**-**	-	-

(In thousands of reais, unless otherwise stated)

18. 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**		
	1H21	**Year 2020**	**1H20**	**1H21**	**Year 2020**	**1H20**	**1H21**	**Year 2020**	**1H20**	**1H21**	**Year 2020**	**1H20**
Opening actuarial obligations	**(1,456,645)**	(1,429,560)	(1,429,560)	**(1,112)**	(1,049)	(1,049)	**(172,570)**	(152,012)	(152,012)	**(18,957)**	(19,439)	(19,439)
Cost of current service, net	**(4,041)**	(7,974)	(4,626)	**(18)**	(39)	(26)	**-**	-	-	**-**	-	-
Participant's contributions in the period	**(2,681)**	(5,794)	(2,717)	**(28)**	(57)	(26)	**-**	-	-	**-**	-	-
Interest on actuarial obligations	**(48,752)**	(87,017)	(49,252)	**(39)**	(64)	(36)	**(5,888)**	(9,375)	(5,233)	**(648)**	(1,174)	(673)
Benefits paid in the period	**36,926**	77,464	35,276	**14**	20	10	**3,078**	5,846	2,850	**545**	1,106	556
Gains/(losses) on actuarial obligations (2)	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Actuarial gain/(loss) - changes in assumptions (discount rate)	**137,228**	20,900	121,482	**208**	122	254	**18,721**	7,794	17,805	**1,599**	520	1,753
Actuarial gain/(loss) – change in HCCTR assumption from 3% to 3.75%	**-**		-	**-**		-	**-**	(15,520)	-	**-**		-
Actuarial Gain / (Loss) - Change in assistance costs different from expected	**-**	-	-	**-**	-	-	**14,003**	(8,785)	(11,035)	**-**	-	-
Actuarial gain/(loss) – experience adjustments	**(34,790)**	(22,583)	(17,864)	**(4)**	(45)	(105)	**1,961**	(518)	(143)	**102**	30	134
Transfer from life annuity (other obligations)	**-**	(2,081)	(2,081)	**-**	-	-	**-**	-	-	**-**	-	-
Closing actuarial obligations	**(1,372,755)**	(1,456,645)	(1,349,342)	**(979)**	(1,112)	(978)	**(140,695)**	(172,570)	(147,768)	**(17,359)**	(18,957)	(17,669)

(In thousands of reais, unless otherwise stated)

18. 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		
	1H21	Year 2020	1H20	1H21	Year 2020	1H20	1H21	Year 2020	1H20	1H21	Year 2020	1H20
Determination of deficit to be shared												
(Deficit)/surplus determined eligible for sharing (2)	**(321,960)**	(375,365)	(324,028)	**-**	-	-	**-**	-	-	**-**	-	-
Employer's obligation with future contributions (Regular contributions)	**112,914**	122,088	113,273	**-**	-	-	**-**	-	-	**-**	-	-
Employer's obligation with future contributions (ad hoc contributions - deficit restructuring 2015)	**18,580**	16,935	16,839	**-**	-	-	**-**	-	-	**-**	-	-
(Deficit) to be shared	**(190,466)**	(236,342)	(193,916)									
Asset ceiling, minimum funding requirements and risk sharing												
Opening asset ceiling effect, additional liabilities and risk sharing	**118,171**	97,001	97,001	**(1,007)**	(857)	(857)	**-**	-	-	**-**	-	-
Interest expected on asset ceiling effect, additional liabilities and risk sharing	**4,018**	6,144	3,385	**(36)**	(57)	(30)	**-**	-	-	**-**	-	-
Gains/(losses) on asset ceiling effect, additional liabilities and risk sharing (1)	**(26,956)**	15,026	(3,428)	**(303)**	(93)	(37)	**-**	-	-	**-**	-	-
Closing asset ceiling effect and additional liabilities	**95,233**	118,171	96,958	**(1,346)**	(1,007)	(924)	**-**	-	-	**-**	-	-

(1) Actuarial gains/(losses) are recorded in “Other equity adjustments” in equity, as mentioned in Note 13.bii.

(2) Portion of the deficit of the Defined Benefit Pension Plan before the inclusion of the actuarial obligation with the statutory retirees and life annuity, which totaled R$5,277 at June 30, 2021 (R$5,428 at December 31, 2020).

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

d) Actuarial studies (Continued)

ii) *Allocation of the fair value of plan assets*

The plan assets at June 30, 2021 and December 31, 2020 are allocated by category of assets, as follows:

Pension plan - DB	06/30/2021	12/31/2020
Available	**0.01%**	0.00%
Realizable – Pension plan management	**0.47%**	0.49%
Realizable – Administrative management	**0.75%**	0.68%
Government securities	**36.29%**	37.71%
Investment funds	**53.53%**	52.34%
Private credits	**0.55%**	0.43%
Real estate investments	**2.03%**	2.07%
Loans and financing	**0.76%**	0.77%
Judicial deposits	**5.61%**	5.51%
Total	**100.00%**	100.00%

Pension plan - VC	06/30/2021	12/31/2020
Available		
Realizable – Pension plan management		
Realizable – Administrative management	**1.23%**	1.12%
Investment funds	**98.25%**	97.57%
Loans and financing	**0.52%**	1.31%
Total	**100.00%**	100.00%

Health Promotion Program PRÓ-SAÚDE	06/30/2021	12/31/2020
Available	**0.17%**	0.07%
Investments linked to technical reserves	**6.46%**	6.66%
Unrestricted investments	**39.61%**	35.31%
Credits from health plan operation	**0.33%**	0.52%
Credits from operation not related to health plan of the operator	**0.18%**	0.21%
Government securities	**42.65%**	46.02%
Long-term receivables	**10.60%**	11.21%
Total	**100.00%**	100.00%

(In thousands of reais, unless otherwise stated)

18. Employee benefits (Continued)

d) Actuarial studies (Continued)

iii) *Key assumptions used in the actuarial valuation*

The actuarial studies that report BDMG's obligations at June 30, 2021 and December 31, 2020 are based on the following assumptions:

	06/30/2021	12/31/2020
Statutory discount rate for the actuarial liability		
Pension plan - DB	**10.51472%**	6.9148%
Pension plan - VC	**10.6667%**	7.2442%
Health Promotion Program PRÓ-SAÚDE	**10,5497%**	7.0035%
Group life insurance	**10.5468%**	7.0528%
Expected annual nominal rate of return on investments		
Pension plan - DB	**10.5147%**	6.9148%
Pension plan - VC	**10.6667%**	7.2442%
Health Promotion Program PRÓ-SAÚDE	**10.5497%**	7.0035%
Estimated future annual inflation rate	**5.97%**	3.32%
Nominal rate of future salary growth:		
BDMG (PCS)	**8.75%**	6.03%
BDMG (CC)	**6.69%**	4.02%
Health Care Cost Trend Rate - HCCTR (1)	**3.75%**	3.75%
Turnover:		
Up to 39 years of age	**4.00%**	4.00%
More than 39 years of age	**0.30%**	0.30%
General actuarial table	**AT-2012 Basic IAM downrated by 10%, segregated by gender.**	AT-2012 Basic IAM downrated by 10%, segregated by gender.
Disability table	**Adjusted Álvaro Vindas downrated by 70%.**	Adjusted Álvaro Vindas downrated by 70%.
Disability mortality table	**Winklevoss downrated by 50%.**	Winklevoss downrated by 50%.
Structure of surviving families	**Benefits to be granted: average family structure assumption:** • **percentage of married individuals (dependents): 86.30%;** • **Woman spouse five years younger than the policyholder;** • **age of youngest child (Z):** Z = 24 - MAX[(63-X)/2;0], where "x" is the policyholder's age **Benefits granted: Actual family.**	Benefits to be granted: average family structure assumption: • Percentage of married individuals (dependents): 86.30%; • Woman spouse five years younger than the policyholder; • Age of youngest child (Z): Z = 24 - MAX[(63-X)/2;0], where "x" is the policyholder's age Benefits granted: Actual family.

(1) Applicable solely to the Health Plan.

(In thousands of reais, unless otherwise stated)

18. 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% 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	Increase of 0.5% in medical cost trend rate	Decrease of 0.5% in medical cost trend rate
Pension plan - DB	-5.37%	5.97%	2.20%	-2.24%	1.03%	-0.96%	N/A	N/A
Pension plan - VC	-13.35%	16.30%	-1.11%	1.27%	9.06%	-8.91%	N/A	N/A
Health Promotion Program PRÓ-SAÚDE	-5.74%	6.34%	4.77%	-4.70%	-	-	6.47%	-5.91%
Group life insurance	-5.82%	6.39%	-2.80%	2.84%	-	-	N/A	N/A

V) *Projected cash flow*

The actuarial studies made as at June 30, 2021 included the following estimates for payment of benefits and contributions of the sponsor for the second half of 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	48,897	34	2,713	560	52,204
Expected benefit payments directly by the company	366	-	-	-	366
Expected employer contributions	6,731	41	3,016	560	10,348

(1) The expected sponsor contribution presented refers to contributions to benefits or risk of Pension Benefits, of the Variable Contribution (VC) type.

(In thousands of reais, unless otherwise stated)

18. 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
06/30/2021	**12.62**	**32.51**	**13.26**	**13.21**
12/31/2020	12.10	31.29	12.64	13.02

19. Other information

1. Actions to mitigate the effects of COVID-19

The Bank continues to maintain the main measures taken since the beginning of the COVID-19 pandemic: its operating activities continue to be carried out remotely and it continues to monitor operations that may adversely impact its results.

The most significant measures adopted to date are:

- Maintenance of support to customers in order to face the difficulties generated by the pandemic by making funds available for new operations and renegotiation of loans already granted;
- Possibility of renegotiation for all customer contracts under PRONAMPE (National Support Program for Micro and Small Enterprises), in accordance with the 2nd amendment to the FGO regulation carried out on June 25, 2021 and maintaining the new parameters for renegotiation with MSEs under financing of products from BDMG's own resources.

Management understands that, as a result of the measures adopted to date to face the pandemic, the Bank's assets and liabilities may be affected in the future in relation to the following items:

- Loan transactions - it is possible that there may be an increase in the level of late payments of loan transactions to the extent the amortization of renegotiated transactions granted during the crisis period begins, as well as due to the end of government aid;

19. Other information

1. <u>Actions to mitigate the effects of COVID-19</u> (Continued)

   - Provisions for civil contingencies - the volume of lawsuits may increase as a result of contracts and renegotiations carried out in the context of the urgent measures adopted;

   Due to the degree of uncertainty surrounding the effects of the pandemic, its impacts on assets and liabilities listed above have not yet been measured.

Executive Board	
Sergio Gusmão Suchodolski	Chairman
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