

## **Financial Statements**

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

December 31, 2022  
with Independent Auditor's Report

# BANCO DE DESENVOLVIMENTO DE MINAS GERAIS - BDMG

## 2022 Management Report

### EXECUTIVE SUMMARY

Based on the information contained in this report, we present below a summary of the significant issues:

- BDMG ended 2022 with net income of R\$141.8 million and equity of R\$2,184.2 million.
- In 2022, the disbursement totaled R\$2,422.8 million, representing an increase of 26% compared with 2021. Of this total, 41% were allocated to projects aligned with 13 of the 17 Sustainable Development Goals (SDGs) of the UN with emphasis on affordable and clean energy (SDG 7), decent work (SDG 8) and sustainable cities and communities (SDG 11).
- Releases for medium and large enterprises reached R\$1,879.5 million, a 25% growth compared with prior year. Resources for investment projects totaled R\$738.0 million, a 40% growth compared with prior year.
- Urban Infrastructure projects recorded an increase of 89% in disbursements, i.e., R\$173.7 million were released to support these projects, 62% of which are aligned with the Sustainable Development Goals (SDGs);
- The financing for renewable energy projects also stood out: R\$234.7 million were allocated to clean energy projects, 39% higher than in prior year;
- Based on the total disbursement for 2022 and the Input-Output analysis methodology, which measures the economic impacts of increased investments in the state of Minas Gerais, resulting from BDMG's activities, it is estimated that an amount of R\$4,557 million was generated in Minas Gerais' output, with 60,530 jobs encouraged and the generation of R\$147 million in State VAT (ICMS);
- BDMG's social, environmental and climate (SAC) risk management policy was approved, and its methodologies are in effect;
- The Social, Environment and Climate Responsibility Policy ("PRSAC") was approved;
- For the seventh year in a row, BDMG won the gold seal of the Brazilian GHG Protocol Program ("PBGHG"), the main methodology used globally to measure greenhouse gas (GHG) emissions.
- BDMG was authorized to take out funds from the New Development Bank (NDB) in the amount of US\$200 million, by a sovereign guarantee from the Government, becoming the first operation of this nature in the history of BDMG;
- BDMG was acknowledged as "Bank of the Year 2022" by the Latin American Association of Development Financing Institutions (ALIDE), an entity formed by 80 members from 22 countries.

## EXECUTIVE BOARD MESSAGE

The management of Banco de Desenvolvimento de Minas Gerais S.A. (BDMG), in compliance with the legal and regulatory requirements, presents the Financial Statements for 2022.

Upon completing 60 years, the institution has preserved its primary role as an inducer of economic development in the State of Minas Gerais, but with a restless spirit of adapting to contemporary challenges. Focusing on meeting the real needs of its thousands of public and private customers, which, in line with global agendas in the field of sustainability, have made BDMG an increasingly efficient means of generating value for society.

This performance has been reflected in the achievement of expressive results, despite 2022 having been a year of intense macroeconomic volatility. In the period, the volume of BDMG disbursements was 26% higher than the prior year and reached the amount of R\$2,422 million. It should be noticed that releases for investments grew 40%, contributing to the consolidation of Minas Gerais as a competitive hub for the implementation of long-term projects, with clear repercussions on local production chains.

BDMG's support for the urban infrastructure of the Minas Gerais municipalities as well as for the structuring of projects in this area have also increased. Through a more dynamic and more accessible performance, with a wide variety of products, BDMG increased the volume of disbursements to the public sector by 89%, reaching R\$173.7 million. It is worth highlighting that 62% of this amount was aligned with at least one of the UN Sustainable Development Goals (SDGs), which materializes the Bank's commitment to generating positive externalities with a direct impact on the population.

Also in this field, and aware of its role in an economy capable of materially responding to global climate challenges, BDMG increased its role in financing renewable energy projects in the State of Minas Gerais, disbursing R\$234.7 million in 2022, an amount 39% higher than the prior year.

The diversification of funding sources was also on the radar throughout 2022. The authorization to raise funds from the New Development Bank (NDB) was what stood out the most, with sovereign guarantee from the Government, the first operation of this nature in the history of BDMG. The success of the transaction will certainly open new liquidity opportunities for the State's economic development, always based on adequate risk and cost management to maintain BDMG's financial soundness.

Due to the results obtained and the degree of relevance in supporting economic, social and sustainable development in the State of Minas Gerais, BDMG was acknowledged as "Bank of the Year 2022" by the Latin American Association of Development Financing Institutions (ALIDE). This is a merit to be shared by its entire staff which, with professionalism and mobilization capacity, has made a difference in the lives of citizens of Minas Gerais.

The Bank arrives at 2023 optimistic, willing to face new challenges and further streamline its loan portfolio. In line with the State's public policies, BDMG will remain committed to the continuous progress of the business environment and to the consolidation of investments in Minas Gerais. Its teams will work with equal vigor and responsibility to improve public services and infrastructure in the cities, always based on the perspective of sustainable development in all their actions.

BDMG management thanks for the trust and support of its controlling shareholder, the Government of Minas Gerais, and of all employees, customers and partners who contributed to the results achieved in the year of its 60<sup>th</sup> anniversary. Being resilient, understanding the local realities and with the ability to build effective responses, the Institution will know how to constantly revive its historical purposes and help provide an even more prosperous future for all citizens of Minas Gerais, today and in coming years.

## 1 | ECONOMIC SCENARIO

In 2022, the external scenario was marked by a reduction in global economic activity. Inflation at a historically high level, the cycle of monetary tightening in the main global economies, the unequal impacts of the Covid-19 pandemic and the conflict in Eastern Europe caused a slowdown in the pace of economic expansion.

In the domestic scenario, economic activity was marked by the duality between credit and income, resulting, on the one hand, from the cycle of high interest rates and, on the other hand, by the good performance of the labor market. This dissimilarity was reflected in all sectors of the economy.

In the industrial sector, while the segments of consumer goods - more associated with income, such as food, beverages and fuel - showed growth in the year, the segments of durable and semi-durable goods - more associated with consumption via credit, such as vehicles, metal products and machinery and equipment - retreated. This duality was also present in the trade and services sectors. Consumer segments more dependent on credit - such as vehicles and construction material - showed limited performance or a retraction in sales volume, while segments more associated with income - such as fuel and supermarkets - showed growth. In the State of Minas Gerais, the economic activity showed similar dynamics, but with a performance superior to that of the country, justified by the better performance of trade and service activities, despite the weaker performance of industry.

For 2023, BDMG works with a scenario of challenges for the economic growth of the State of Minas Gerais and Brazil, justified by the slowdown of the global economy, which has reduced the demand for products exported from the state and the country, and by the lag of the contractionary monetary policy that begins to materialize on economic activity, especially in the labor market. Despite these factors, the Bank's projection is for GDP growth of 1.3% in the State of Minas Gerais and 0.65% in Brazil.

## 2 | OPERATING PERFORMANCE

In 2022, the amount of financing released by BDMG for municipalities and companies of different sizes was R\$2,422 million<sup>1</sup>, 26% higher than in 2021. It is worth highlighting the 25% increase in the number of transactions taken out in relation to 2022.

The total credit portfolio ended the period with a balance of R\$5,857 million<sup>2</sup>, with the Bank present in 802 (94%) of Minas Gerais cities. The total number of active customers in the portfolio grew, from 22,839 to 22,922. As for the number of customers served, there was an increase of 5.4% compared with 2021: 5,182 against 4,916 customers. Micro and Small Businesses (MSBs) continue to be the segment that accounts for the highest number of customers served: 4,630, or 89% of the total.

As for the origin of resources disbursed, 73% were own resources and/or arising from domestic and international funding; 25% derived from onlending and 2% from funds. Regarding onlending, 54% were resources arising from the Fund for the Defense of the Coffee Economy (FUNCAFÉ) and 33% from the National Development Bank (BNDES).

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<sup>1</sup> This includes contributions from the Equity Investment Funds (FIP).

<sup>2</sup> The total credit portfolio considers credits similar to loan transactions and Onlending (R\$57 million). In line with Note 6.3.a.

**Table 01 - Operating Indicators - Comparison 2022-2021**

Indicator	2021	2022	Variation (%)
Customers acquired (R\$ million)	2,199.7	2,755.8	25%
Disbursement (R\$ million)	1,929.7	2,422.8	26%
Customer Portfolio Balance (R\$ million)	5,828	5,800	-0.5%
Customers served (Unit)	4,916	5,182	5.4%
Active Customers (Unit)	22,839	22,922	0.4%

Source: BDMG

The amounts released in 2022 were intended for companies based in 562 municipalities, 83% of which had a Human Development Index (HDI) lower than the Brazilian average index<sup>3</sup>. Analyzing by size of companies, the disbursement for the micro and small business was R\$363.1 million, 20% higher than in 2021. For the medium and large-sized enterprises, BDMG disbursed R\$1,879.5 million, growth of 25% in relation to the prior year, highlighting 40% higher releases for investments.

As for the public sector, R\$173.7 million were disbursed in 2022, which represented a significant growth of 89% compared with 2021. Of this total, R\$157.2 million derived from own resources and R\$16.5 million from Renova Foundation<sup>4</sup> transfers.

Regarding regional distribution of the volume disbursed, R\$666.4 million (28%) were allocated to the Central macro-region, and R\$459.7 million (19%) to the Southern Minas Gerais macro-region, as follows:

**Table 02 - Disbursement per macro-region in 2022 (in R\$ million)**

Macro-region	2021	%	2022	%
Central	551.2	29%	666.4	28%
Southern Minas Gerais	447.9	23%	459.7	19%
Triângulo Mineiro	223.9	12%	219.3	9%
Alto Paranaíba	199.0	10%	201.7	8%
Northern Minas Gerais	93.6	5%	198.7	8%
Midwest of Minas Gerais	81.9	4%	190.3	8%
Zona da Mata	100.8	5%	141.2	6%
Northwest of Minas Gerais	69.7	4%	84.7	4%
Rio Doce	29.8	2%	75.0	3%
Jequitinhonha	19.8	1%	48.2	2%
<b>Subtotal</b>	<b>1,817.6</b>	<b>94%</b>	<b>2,285.1</b>	<b>94%</b>
Contribution in Equity Investment Funds ("FIP") and other States	112.0	6%	137.7	6%
<b>Grand total</b>	<b>1,929.7</b>	<b>100%</b>	<b>2,422.8</b>	<b>100%</b>

Source: BDMG

<sup>3</sup> The Human Development Index (HDI) measures a nation's progress considering three dimensions: income, health and education. Source: <https://www.br.undp.org/>

<sup>4</sup> The Renova Foundation is a private non-profit non-governmental organization, established in 2016, responsible for organizing efforts to repair the damage caused by the collapse of the Fundão dam, which occurred in November 2015. Since 2017, BDMG has worked with the Renova Foundation on social and economic programs related to the economic dynamism of the Rio Doce region.

When applying the Input-Output Matrix<sup>5</sup>, an econometric methodology that measures the impacts of BDMG's disbursements on the Minas Gerais state economy, an additional value of R\$4,557 million is estimated to have been generated in the Minas Gerais' output, with 60,530 stimulated jobs and State VAT (ICMS) generation of R\$147 million throughout 2022. The economic impacts on jobs and on ICMS collection are directly and indirectly associated with disbursements of R\$2,422.8 million by BDMG in 2022. The Input-Output analysis methodology measures the economic impacts of increased investments in the state arising from the performance of BDMG, using a matrix with breakdown of 67 economic sectors.

### 3 | FINANCIAL STATEMENTS

BDMG ended 2022 with net income of R\$141.8 million and equity of R\$2,184.2 million.

The Bank has portfolio securities classified as held to maturity, amounting to R\$248.5 million, for which management, in compliance with Circular Letter No. 3068/2001 issued by the Central Bank of Brazil (Bacen), states that it has the financial ability to hold them to maturity.

### 4 | PERFORMANCE HIGHLIGHTS

#### Agribusiness

In 2022, 42% of BDMG's disbursement was allocated to agribusiness segment, totaling R\$1.003 million released, a 12% increase compared with the same period last year.

The financing was made substantially through lines that use resources from Funcafé, Agribusiness Credit Bills (LCA) and BNDES. The disbursement tied to LCA lines totaled R\$579 million, or 58% of the total allocated to agribusiness, an increase of 33% in relation to 2021. Funcafé represented 32% of the total disbursed (R\$325.6 million).

Regarding resources for the 2022/2023 Crop Year, which began last July, the Ministry of Agriculture, Livestock and Supply (MAPA) allocated R\$257 million to BDMG to set up lines of credit to serve the coffee sector.

#### Partnership with agricultural cooperatives

- **Agro Repasse**

Working in partnership with cooperatives with a view to expanding its operations with rural producers, individuals or legal entities, BDMG prospected R\$176.3 million in contracts for the Agro Repasse product, distributed among 10 credit cooperatives that have a strong presence in the segment. As a highlight last year, R\$58.2 million have already been disbursed to 346 rural producers. This is the result of the first year of a new business model adopted by the Bank, with expectations of expanding the volume of onlending in the coming years.

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<sup>5</sup> The input-output analysis methodology mimics the productive structure of Minas Gerais and the Rest of Brazil and measures the economic impacts of increased investments in the state, resulting from BDMG's operations. The effects on the economic variables of revenue (Gross Value of Output), jobs (number of jobs), payroll, State VAT (ICMS) collection and gross value added (GDP), using a matrix with an opening of 67 sectors, calibrated for two regions (Minas Gerais and the Rest of Brazil) using year 2015 as a reference.

- **LabAgroMinas: Sustainable Agribusiness**

In April, LabAgroMinas was launched, a partnership between BDMG and Embrapa, the purpose of which is to encourage low carbon agriculture. It is a program to encourage the adoption of sustainable and climate-smart practices, through the adoption of new agricultural technologies that reduce greenhouse gas emissions, regenerate the soil and guarantee a high crop production.

In December, the first disbursement was made within the scope of LabAgroMinas, in the amount of R\$2 million. Through BDMG's performance as a "second tier bank" - in this case in partnership with Sicoob Credipontal - the supported project will convert animal waste into clean energy and biofertilizers for application in maize crops. In fact, it is estimated to generate, each year, the equivalent of R\$1.2 million in clean energy and avoid the emission of CO2 equivalent to 425 thousand kilometers driven by a heavy diesel truck.

### **BDMG Digital Financing for Micro and Small Enterprises (MSEs)**

The total volume of disbursements to SMEs increased by 20%, totaling R\$363.1 million in 2022. Of this amount, 93% originated from processes on the Bank's website, which provides access to the BDMG Digital platform designed to facilitate and streamline credit analysis and granting. A total of 4,630 customers obtained financing through the platform, 66% of which were served by banking agents and the remaining 34% originated from direct access to the digital platform.

### **BDMG Pronampe 2022**

In reference to BDMG's 60th anniversary and considering the permanent search for offering more competitive products to its customers, the Bank offered Pronampe<sup>6</sup> credit with differentiated conditions and lower rates than those practiced by the competition. Through the program, R\$137.9 million were disbursed, with emphasis on the *Pronampe Fidelidade* and *Pronampe Mulheres* lines, which together accounted for 63% of the releases of this product. The first line is intended for customers with a good history of relationship with the Bank. The second line values women's entrepreneurship, with the mandatory requirement of a women entrepreneur holding at least 50% of the company's share capital.

### **BDMG APL**

In June 2022, BDMG launched the BDMG APL, a line of credit aimed at strengthening small businesses that are part of the Local Productive Arrangements (APLs) in Minas Gerais.

### **Renegotiation campaigns**

At the beginning of June, BDMG, in partnership with Sebrae, launched a campaign for MSEs to be able to settle debts past due up to 180 days with the Bank. The program was only valid for customers with lines of credit guaranteed by FAMPE.

### **Banking Agents Network**

In 2022, the accreditation process for new banking agents was improved, enabling the Bank to operate more prospectively with this type of partner. There was a 30% increase in the number of accredited banking agents, reaching a total of 620 partners in Minas Gerais.

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<sup>6</sup> The National Support Program for Micro and Small Enterprises (Pronampe) was established by Law No. 13999, of May 19, 2020, to support small businesses during the COVID pandemic. The Program became permanent by Law No. 14161, of June 2, 2021.



Also in the last year, the Quality Control Plan was created, which establishes benchmark criteria for the performance of banking agents, through the improvement of processes and management of BDMG in the relationship with its partners. The Plan's main objective is to standardize the level of service provided to BDMG customers, through more robust periodic training, involving the General Personal Data Protection Law ("LGPD") and compliance principles, in addition to promoting capillarity gains with the increase of new customers.

## Medium and Large-sized Enterprises

In 2022, BDMG served 311 medium and large-sized enterprises, 236 of them medium-sized and 75 large-sized enterprises<sup>7</sup>. The amount of R\$576.9 million was disbursed for the medium-sized enterprises, while for large-sized enterprises, the amount disbursed totaled R\$1,302.6 million. Emphasis on agribusiness, which represented 59% of the amount disbursed for this segment, equivalent to R\$765.8 million.

The medium and large-sized enterprises that obtained financing in 2022 are located in 138 municipalities, and 56% of them have HDI below the Brazilian average index, contributing to the injection of resources in the belts of local suppliers.

## Clean Energy

Projects related to energy efficiency (EE) and renewable energy (RE) received R\$234.7 million, which represents an increase of 38% in relation to 2021. This amount was distributed to 77 customers in 66 municipalities. Photovoltaic solar energy projects should be highlighted, they represented 68% 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\$196 million were disbursed for projects involving photovoltaic plants, hydroelectric power plants (HPP) and biomass power plants. Since 2019, when the contract with the EIB was entered into, R\$442.6 million have already been taken out, with R\$387.2 million in disbursements.

## Public Sector

In 2022, BDMG guided its strategy to extend the permanent lines of financing for municipal infrastructure, in addition to news brought by the *Public Notice BDMG Municípios*, which offered credit to the public sector online, in a more agile and less bureaucratic manner, via the BDMG Digital platform.

Over the year, R\$173.7 million were disbursed to projects of 240 Minas Gerais cities and 1 intermunicipal consortium, of which R\$16.5 million were allocated to projects of the Program for the Collection and Treatment of Sewage and Disposal of Solid Waste in partnership with the Renova Foundation.

### Public Notice BDMG Municípios 2022

In March, the Bank disclosed a new financing Notice to the public sector, offering funds through five lines: *Urbaniza* (urban infrastructure); *Cidades Sustentáveis* (clean energy, modernization of public buildings); *Saneamento* (water, sewage and solid waste); *Estradas* (side road, bridges and viaducts); and *Maq* (machinery, equipment and vehicles).

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<sup>7</sup> Medium-sized companies are those with annual revenue between R\$4.8 million and R\$300 million. Companies with revenues above R\$300 million are considered large-sized enterprises.



The Public Notice BDMG Municípios 2022 brought the financing of roads and bridges, the extension of credit limits per municipality, the inclusion of infrastructure projects in tourism, culture and sport as financeable items in the *Cidades Sustentáveis* line, in addition to contracting 100% digitally.

A total of 120 municipalities were covered with new contracts, totaling a volume of R\$222 million in credit for investments in the improvement of urban infrastructure and public services at the local level. About 43% of the amount (R\$96 million) will be allocated to 57 municipalities with an HDI lower than the state average, with the additional benefit of a reduction of 1 p.p. in the interest rate when compared with interest rates defined for other customers.

In addition to the offer of credit through the Public Notice, the permanent financing lines were extended and reformulated:

- *BDMG Sustentabilidade*: for investments that adhere to the Sustainable Development Goals (SDGs);
- *BDMG Solidário*: for emergency investments due to a state of emergency or public calamity;
- *BDMG Mobilidade*: for the construction and renovation of side roads and bridges, in addition to urban mobility and drainage works;
- *BDMG Máquinas*: for acquisition of machinery and equipment;
- *BDMG Reurb*: line that finances the contracting, by the municipal government, of technical consultants for the execution of the land regularization process.

### **Training of City Administration's technicians**

In October, more than 250 managers of agreements from the city administrations of Minas Gerais participated in training sessions offered by BDMG on the efficient use of the digital platform for controlling works financed by the Bank. On that occasion, the main processes were addressed so that the technicians of the municipalities could apply for BDMG financing, in addition to the disclosure and provision of clarifications on the permanent lines of credit for the municipalities.

### **BDMG REURB**

In June, BDMG launched a new line of credit to support the city administrations of Minas Gerais in land property regularization projects, the BDMG REURB. This line is intended to finance the contracting - by the municipal government, via the bidding process - of technical consultants for the execution of all items necessary to structure the land regularization processes, such as: mapping, georeferencing, property cadastral survey, owners' registration, notarial expenses, among others. City administrations are also responsible for identifying the properties in the urban area that can be regularized, and to select the beneficiary families according to social criteria.

### **Public Sector Advisory**

In 2022, a specialized area was structured, bringing together teams that provide services to the public sector, aiming at advising the State Government on its privatization program, as well as the Minas Gerais municipalities, both to expand and to improve the quality of services rendered and infrastructure to the population.

## State Government Advisory

The main delivery in the execution of the service rendering agreement entered into with the Minas Gerais State Department of Economic Development (SEDE), whose purpose is to provide advisory and technical assistance services in the preparation and monitoring of procedures for divestment of CODEMGE assets, was the completion of the structuring of the divestment of shares held by Codemge in Companhia Brasileira de Lítio (CBL), IAS, Datora and Helibras. Also in 2022, the execution phase of the divestments began: in July 2022, the CBL Share Purchase and Sale Agreement (SPA) was entered into, and in September 2022, the transaction for the disposal of shares that Codemge held in the company was completed, both assisted by BDMG.

In July 2022, a service rendering agreement was entered into with the State Office for the Environment and Sustainable Development (SEMAD), aimed at structuring two modeling Projects for the concession of public services for the management of solid urban waste for two consortia in Minas Gerais. After a public call made by SEMAD, two projects were chosen - CIPAR (*Consórcio Público Intermunicipal de Desenvolvimento Sustentável do Alto Paranaíba*) and CISAB SUL (*Consórcio Intermunicipal de Saneamento Básico do Sul de Minas*), which were started in the second half of 2022. It should be noticed that CIPAR Project also has the support of the Inter-American Development Bank (IDB), under the cooperation agreement executed in April 2020 for sanitation projects in Minas Gerais, contributing \$300,000 (three hundred thousand dollars) to the project to engage advisory firms that will provide technical inputs to the modeling.

Under the cooperation 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 strengthen the State's logistical infrastructure - throughout 2022, updates were made to the modeling of the *Lote Ouro Preto* highway concession, whose studies had the first version completed in February 2022 and are still undergoing adjustments.

## Minas Gerais Cities Advisory

As part of the cooperation agreement entered into with the British Government, through the Brazil Green Finance Program - UK Pact, executed in June 2021, advisory services were made available to foster partnerships in the management and disposal of waste as a sustainable infrastructure project in the environmental and climate agenda of Minas Gerais. The support was directed towards the diagnosis stage, carried out under the modeling project for concession of management, treatment and final disposal of municipal solid waste services from a group of 31 cities belonging to *Consórcio Multisetorial Intermunicipal do Vale do Piranga* (CIMVALPI), whose service rendering agreement was entered into with BDMG in February last year.

In December, the city administration of Poços de Caldas executed a service concession arrangement, structured by BDMG, to manage and operate the city's Integrated Tourist Circuit, formed by the Cristo Redentor Tourist Complex, with its cable car and hang-gliding ramp, Fonte dos Amores, Recanto Japones, and Véu das Noivas Tourist Complex. The project was structured by BDMG and foresees around R\$36 million in minimum investments, as well as the generation of 250 direct and indirect jobs.

## Structuring actions for 2023 and coming years

In December 2022, a Letter of Intent was signed with the then Special Secretariat for the Investment Partnership Program ("PPI") of the Ministry of Economy, aiming to make the necessary institutional efforts to integrate and promote training actions and technical support for structuring and implementation of concession projects and public-private partnerships - PPPs. The partnership takes place in a context of seeking possibilities to leverage BDMG resources to structure a greater number of projects, reaching more municipalities in Minas Gerais.

## Economic Recovery After Disasters

Since 2017, BDMG has been working together with the Renova Foundation in social and economic programs for the economic dynamization of the Rio Doce region, in the 35 municipalities of the Minas Gerais area where Renova operates.

Fundo Desenvolve Rio Doce is a working capital financing product for companies, aimed at fostering economic activity in the municipalities affected by the Fundão dam burst. In 2022, R\$31 million were released to 452 customers, which represents a 318% growth in relation to 2021. Since the beginning of its operation in October 2017, the Desenvolve Rio Doce program has supported almost 7,600 jobs, in 1,994 operations carried out, totaling a disbursement of R\$80.6 million.

BDMG is also the financial agent for the Program for the Collection and Treatment of Sewage and Disposal of Solid Waste, in partnership with the Renova Foundation. A total of R\$45.1 million has been disbursed to 31 municipalities and 1 consortium since the program's start. Of this total, R\$16.5 million were released in 2022 to 26 customers, representing a 13.7% increase in disbursements compared with 2021.

### Business District of the municipality of Mariana

In November, a Cooperation Agreement was signed between BDMG, Fundação Renova and the Municipality of Mariana in the amount of R\$14.8 million for the implementation of the Business District of Mariana. The initiative aims to make the city more attractive for business investments, seeking to diversify the economic matrix. BDMG will be responsible for the onlending and monitoring of the work to be carried out by the municipality of Mariana.

Also within the scope of Mariana's economic diversification, BDMG will be the financial agent of the financing program for small and medium-sized enterprises in the city, offering interest rates and terms that are more accessible than the market average. This product should be available from March 2023.

### Operation of BDMG in *Recupera Minas*

BDMG made available budget of R\$366 million in emergency credit to support the resumption of activities that generate income and development for the population impacted by the rains that affected the state in early 2022. This initiative was part of an action plan announced by the Government of Minas Gerais, called *Recupera Minas*, and includes lines of financing with reduced rates and reasonable deadlines for city administrations (popular housing and related infrastructure) and small businesses of cities in state of emergency or calamity declared by the Civil Defense of Minas Gerais. Among these lines, the following are highlighted:

- **BDMG Habitação Municípios:** exclusive line of credit for municipalities impacted by the rains, which allowed city administrations to build housing on their own land and donate them to families that have lost their homes.
- **BDMG Solidário:** created with the purpose of supporting companies located in cities that declared emergency or public calamity due to floods.

## Innovation

To contribute to increasing the competitiveness of companies by encouraging innovation activities that generate value and greater productivity, in December, the Bank executed a new agreement with *Fundação de Amparo à Pesquisa do Estado de Minas Gerais (FAPEMIG)*, through the Pro-Innovation Program. FAPEMIG contributed with R\$50.4 million. BDMG will participate with 30% of this amount as the operations take place.

In 2022, BDMG disbursed R\$10.1 million, 72% of which coming from Projects Financing Agency (FINEP). The total disbursement was allocated to 14 innovative projects supported, with emphasis on activities related to the manufacturing of manure and fertilizers and the development and licensing of customizable computer programs.

## 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. Throughout 2022, R\$6.5 million were paid up in this portfolio, consisting of eight (8) Equity Investment Funds (FIPs) and a Venture Debt Fund. Together, these funds have already invested R\$153.6 million in 40 Minas Gerais companies.

The Bank holds equity interest in two (2) companies, with 6.5% of the shares of Unitec Semicondutores S.A. in the semiconductor industry being implemented in Ribeirão das Neves, State of Minas Gerais, of which it has been a shareholder since 2012, and 4.98% of Biom S.A. biopharmaceutical industry located in Nova Lima, State of Minas Gerais, of which it has been a shareholder since 2013.

## CORPORATE GOALS

Corporate goals reflect BDMG's impact commitments and seek to preserve its financial soundness, ensuring the necessary conditions for mobilizing resources for the development of the state.

The results of the goals agreed for the period of 2022 were achieved for the most part above expectations and a few close to full compliance, as shown in the table below:

**Table 03: Corporate Goals 2022 - Forecasted vs. Actual**

Indicator	Goal	Realized	%
Credit Portfolio Balance (R\$ million)	6,170.0	6,105.6	99%
Portfolio quality index	4.95	5.1	103%
Global Margin (Profitability on portfolio - %)	1.12%	1.28%	114%
% of disbursement in SDG	45%	41%	91%
CO2 emissions avoided (ton.)	8,000.0	15,906.6	199%
Funded clean energy potential (GWh/year)	100.0	157.3	157%
Contracted municipalities (unit)	150	157	105%
Jobs supported in SME (unit) <sup>8</sup>	20,000	28,217	141%

<sup>8</sup> Input-Output Matrix data differ from the target of supported SME jobs, since the latter considers data on the number of employees informed by SME customers.

## 5 | SOCIAL, ENVIRONMENT AND CLIMATE RESPONSIBILITY

### Social, Environment and Climate Responsibility Policy (“PRSAC”)

In compliance with Brazilian Monetary Council (CMN) Resolution No. 4945 of September 15, 2021, BDMG's Social, Environmental and Climate Responsibility Policy (PRSAC) was approved in August. PRSAC consists of a set of principles and guidelines of a social, environmental and climate nature to be observed by BDMG in conducting its strategy, its businesses, its activities and its processes, as well as in its relationship with stakeholders, to promote the sustainable social and economic development of Minas Gerais.

In order to facilitate the implementation of the PRSAC, an Action Plan was subsequently prepared, comprising four pillars which, in turn, cover actions such as decarbonization and expansion of the financing portfolio related to sustainability issues as well as the dissemination of culture of sustainability with stakeholders. The PRSAC and its related documents can be accessed through the link: <https://www.bdmg.mg.gov.br/sobre-bdmg/?responsabilidade>

### BDMG Cultural

In 2022, BDMG Cultural continued with the series of actions to promote, recognize and disseminate different artistic languages, contributing to boost cultural productions in Minas Gerais.

In addition to sponsor to 13 cultural projects, the main initiatives organized by BDMG Cultural were:

- Exhibition Cycle with four exhibitions and educational workshops;
- Guest Artist Exhibition “Bordados da Terra e do Céu” (Embroidery of earth and heaven), which presented, through embroidered works, the voice of women from rural communities and *quilombolas* (afro-descendants) in the Vale do Jequitinhonha region;
- Meetings with the presence of artists from Vale do Jequitinhonha, through the educational project “Mostra Bordadeiras”;
- 3<sup>rd</sup> edition of LAB Cultural, online Cultural Residency program;
- Two editions of the BDMG Cultural Magazine: No. 6 “Nas Curvas do Tempo” and No. 7 “Fazeres Locados”;
- 21<sup>st</sup> BDMG Instrumental Award, which promoted the individual concerts of the four winners of the competition;
- 10<sup>th</sup> Edition of the Marco Antônio Araújo Award: annual award for the best instrumental music album made in Minas Gerais;
- 20<sup>th</sup> Edition of the Young Musician BDMG: promotion of concerts by young students of classical music from Minas Gerais.
- 19<sup>th</sup> Edition of the *Jovem Instrumentista* BDMG (Young Musician): offers tutoring scholarships for teachers or Young Musician from Minas Gerais or residents in the state.

## **Instituto de Cidadania dos Empregados do BDMG (INDEC)**

Inspired by the National Campaign to Combat Hunger organized by sociologist Herbert de Souza, Betinho, in 1993, BDMG Employee Association (AFBDMG) created the Center to Combat Hunger and Poverty which, in 1998, originated Instituto de Cidadania dos Empregados do BDMG (BDMG Employee Citizenship Institute - INDEC). In addition to donations from the Bank employees, INDEC also counts on financial contributions from AFBDMG and BDMG's support.

INDEC technically and financially supports populations in situations of economic and social vulnerability in the state, developing projects in the education, sport, culture, professionalization, health and social assistance areas.

In all, there were 16 social projects supported by INDEC in 2022, 10 of which were of an emergency nature. Approximately 2 (two) thousand people were directly benefited by these projects, located in the municipalities of Belo Horizonte, Contagem, Ibirité, Betim, Montes Claros, Rio Manso, São João da Ponte and São João das Missões.

## **6 | INSTITUTIONAL POSITIONING**

### **Partnerships**

#### **Technical cooperation**

In 2022, activities contemplated in the terms of technical cooperation with the Inter-American Development Bank (IDB) and the French Development Agency (AFD) were carried out. Together with the IDB, the BDMG is part of a pilot project to test a physical climate risk assessment tool in the Bank's portfolio, developed by a specialized company.

Alignment with the ESG principles was also the scope of this technical cooperation with the Inter-American Development Bank (IDB) which, through *Resultante* consulting firm, prepared benchmarking, a diagnosis and a proposal for the structuring of ESG governance in BDMG. The implementation of the Social, Environment and Climate Responsibility Policy (PRSAC) was the central theme of the consultation.

With AFD, the cooperation includes the development of methodologies for measuring and mitigating climate, social and environmental risks, which will enable to improve assessments and monitoring of these risks in projects financed by the Bank.

#### **Global Compact**

After completing one year as a signatory of the UN Global Compact, in early March, BDMG renewed its commitment to support the ten principles of the Compact, which cover human rights, work, the environment and the fight against corruption.

The letter in which the Bank reaffirms its commitment is an integral part of the Communication on Progress (CoP). It describes BDMG's actions aimed at continuously improving the integration of the Compact's principles with BDMG's business strategy, culture and daily operations. The CoP is available at: <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/464593>



## **27<sup>th</sup> United Nations Conference on Climate Change (COP 27)**

BDMG was part of the delegation of the Minas Gerais State Government present at COP-27, in November, in Sharm El-Sheikh, Egypt, when leaders from all over the world discussed topics such as financing for the energy transition, and policies for mitigating and adapting to weather effects.

The Bank, together with the State Office for the Environment and Sustainable Development (SEMAD), participated in the table “The Imperative for Subnational Climate Financing”, an initiative of the Global Fund for Cities Development (FMDV) - a global network of local governments, created in 2010, to fund sustainable urban development - and ICLEI - Local Governments for Sustainability.

### **Post-COP 27 Conference**

In December, the “Post COP 27 Conference: global context and prospects for climate action in the State of Minas Gerais” was held at the Bank’s headquarters. Organized by SEMAD, it brought together renowned experts to discuss the challenges of the climate agenda. During the event, the Minas Gerais Climate Action Plan - Race to Zero - was presented, which aims to direct the state towards low-carbon sustainable development and resilience to the effects of climate change. In this process, BDMG will play a key role as a financial agent for sustainable projects.

### **BDMG as a knowledge platform and agent**

In order to strengthen the culture and qualification in evaluating results in development financial institutions, the Evaluation Training Network (ReDeCa), of which BDMG is a member of the steering committee, promoted a series of six (6) workshops on practical monitoring and evaluation tools. The BDMG Sustainability product was the case study during the training.

Aiming at aligning new infrastructure projects with the ESG (Environmental, Social and Governance) agenda, 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.

BDMG was present at the 2<sup>nd</sup> annual meeting of the Steering Committee of the Alliance of Subnational Development Banks in Latin America and the Caribbean, which is one of the co-founders. On the occasion, a workshop was organized with the theme “The role of Subnational Development Banks in financing an urban transition”.

### **Minas de Economia Award**

In 2022, the 34<sup>th</sup> Minas de Economia Award, sponsored by BDMG and carried out by the Regional Council of Economics-MG (Corecon-MG), awarded the best undergraduate theses related to the institution in the state.

The objective is to encourage excellence in the undergraduate theses of economics and international economic relations courses and contribute to improving analyses on aspects of development. The winners in 2022 were undergraduate theses that highlighted topics such as the role and impacts of mining; the evolution of public debt; youth work and social mobility and the creative economy analyzed in regional terms.



### **Inova Minas Award**

*Inova Minas Award* is an initiative of the Minas Gerais State Department of Planning and Management (SEPLAG-MG), coordinated jointly with BDMG and the State Ombudsman's Office (OGE), which aims to acknowledge and reward the best ideas and initiatives developed by public agents with the potential to contribute to improving the efficiency of the state.

In all, 18 theses participated in the final phase, with four theses in each category being awarded. The categories were "Implementable Innovative Ideas" and "Successfully Implemented Initiatives", under "Innovation in Public Policies" and "Innovation in Organizational Processes".

### **Awards received**

#### **ALIDE Award**

BDMG was elected "Bank of the Year 2022" by the Latin American Association of Development Financing Institutions (ALIDE), due to the social impact generated and the work carried out in favor of sustainable development. The award took place during the 52<sup>nd</sup> General Meeting of ALIDE, held in the city of Willemstad, in Curaçao, in May.

#### **O Equilibrista Award**

In December, BDMG received a tribute in *O Equilibrista Award*, from the Brazilian Institute of Finance Executives (IBEF-MG) in recognition of the Bank's 60 years of contribution to Minas Gerais society. The event honored the finance executives who stood out the most in 2022 and who made a difference in the state's economic scenario, based on efficient, innovative, ethical and responsible performance.

#### **Minas Award - Business Performance**

In November, BDMG was one of the institutions awarded the XXIV Minas Award - Business Performance - Best and Biggest Companies, by *Mercado Comum* magazine. The Bank was honored for its 60 years in the "Tradition and Perpetuity" category and the "50 Best and Biggest - Excellence Companies of Minas Gerais" award, in the Finance category.

#### **SAIN-ABDE Award**

In June 2022, BDMG was the runner-up in the SAIN-ABDE Award for Best Practices in International Funding during the 7<sup>th</sup> Development Forum. The award was for the International Funding Project with the Development Bank of Latin America (CAF), which opened a line of credit of US\$100 million for financing the operations of micro, small and medium-sized enterprises impacted by the Covid-19 pandemic, and for supporting the recovery of economic activities in Minas Gerais state.

## **7 | FINANCIAL SUSTAINABILITY**

### **Funding**

BDMG closed 2022 with 51.5% of its funding originating abroad and 48.5% executed in the domestic market, always focusing on adequate funding diversification within each of these markets.

Regarding external sources, BDMG has been making progress in the further development of multilateral partnerships, involving relevant players. Resources originating from the contract entered into with the European Investment Bank (EIB), in the approximate amount of US\$33.3 million, were nationalized, through two tranches (in March and November). These resources allowed the extension of the offer of credit to renewable energy generation and energy efficiency projects in the state.

In October, the External Financing Commission (Cofix) approved the preparation of the external loan transaction with the New Development Bank (NDB), which, once implemented, will be BDMG's first operation of this nature with guarantee from the Government, and the first direct loan transaction of the NDB in Minas Gerais state. The funds to be raised from the NDB, in the amount of up to USD200 million, will be used to support the financing of infrastructure and sustainable development of Minas Gerais state. In December, a Memorandum of Understanding was entered into in Belo Horizonte with the NDB, which covers, in addition to financing, the exchange of knowledge and technical expertise between the institutions.

Overall, at the end of the year ended December 2022, the resources from external sources were as follows:

- EIB - European Investment Bank: 33.6%
- CAF - Latin American Development Bank: 32.5%
- BID Invest<sup>9</sup>: 13.8%
- Fonplata - Development Bank: 10.1%
- AFD - French Development Agency: 10.0%

In terms of domestic funding, it is noteworthy that BDMG maintained the achievement of funds from the retail segment, raising a volume higher than R\$1 billion, through issues of Agribusiness Credit Bills (LCA), Bank Deposit Certificate (CDB) and Financial Bills (LF). Highlight for the resumption of issue of Financial Bills, in July 2022, in the total volume of R\$277.8 million at year end.

As for the balance of domestic funding, BDMG maintained the following composition at the end of the year ended December 2022:

- Agribusiness Credit Bills (LCA): 55.8%
- Bank Deposit Certificate (CDB): 22.7%
- Financial Bills (LF): 20.0%
- Time Deposits with Special Guarantee (DPGE): 1.5%

In line with the best market practices, BDMG implemented several improvements in its financial management systems in 2022, such as a new Enterprise Resource Planning (ERP) solution for Treasury and Operations Desk, automation of daily retail issues, structuring for issue of DPGE II and investment in the Asset and Liability Management (ALM) structure.

### **Brazilian Payment System (“SBP”)**

Since November 2022, all BDMG payments have been made using a new “Financial Management” system, an important step for the Bank’s future participation in the SPB.

The change enables BDMG to open an account with the Central Bank named “Bank Reserve Account”, allowing processes to become more agile and the schedule of settlement times to be expanded, in addition to greater efficiency in the allocation of resources, in the formatting of new products and greater profitability in cash flow management. The change will eliminate the need for intermediary banks in BDMG’s financial transactions.

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<sup>9</sup> IDB Invest, a member of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to the economic development of its member countries in Latin America and the Caribbean through the private sector.

## Rating

In June 2022, the risk rating agency Moody's América Latina (Moody's Local), raised BDMG's issuer rating (national scale) from BBB.br to BBB+.br, with a positive outlook. According to the agency, the rating assigned reflects BDMG's social mandate to support development in the state of Minas Gerais through financing for local companies, which results in geographic credit concentration, as well as per borrower.

The reasons for the rating upgrade, according to Moody's, are the improvement in the quality of BDMG's assets, which despite a high level of renegotiations, have been performing adequately, with a strong profitability. In addition, the rating assessment indicates that the funding structure has been showing positive changes, with dispersion of sources and a reduction in the concentration of onlending, even though it has a high participation. The positive outlook is based on the expectation that the Bank will maintain good asset quality levels and increase the share of funds raised in retail, such as Agribusiness Credit Bills (LCAs) and Bank Deposit Certificates (CDBs).

Globally, in July 2022, Moody's Investor Services ratified BDMG's global rating at B2, with a stable outlook. According to the risk rating agency, the global rating reflects operations focused on the regional market, the volume of renegotiations, the robust capitalization, which provides a cushion against the risk of credit deterioration, and the successful efforts to diversify funding with multilateral agencies and other domestic instruments.

In November 2022, the risk rating agency Standard & Poor's (S&P) reaffirmed BDMG's rating at B (global scale) and brA- (national scale), both with stable outlook. In its report, the risk rating agency pointed out that, despite the portfolio concentrated in the State of Minas Gerais and the increased Brazil's Central Bank benchmark rate (SELIC) in the period, BDMG has diversified its customer base through new commercial partnerships and the expansion of its digital channels. S&P expects the Bank's net income to continue to recover, due to gradual credit growth. The analysis also highlighted as positive points the higher capitalization levels than peers, prudent liquidity management, with well-defined policies to mitigate asset-liability mismatches and solid relationship with international multilateral credit agencies.

As for ESG credit indicators, S&P indicated social factors as a positive consideration, recognizing the very important role of BDMG for the local economy, access to credit by micro, small and medium-sized enterprises, long-term investments and financing of the infrastructure sector from the State of Minas Gerais. According to the report, S&P expects the Bank to maintain an adequate financial performance, continue to diversify its funding sources and maintain its prudent liquidity management.

## 8 | INTEGRATED RISK MANAGEMENT

BDMG manages and monitors credit, market, liquidity, operational and social, environmental and climate 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, Executive Risk, Capital and Sustainability Committee, Chief Risk Officer (CRO), and the unit responsible for risk management.

## Risk Appetite Statement

Among the objectives most directly related to the Risk Appetite statement, the following should be highlighted:

1. Balancing levels of profitability and risk to achieve results;
2. Performing balanced funding management to enable strategic objectives;
3. Ensuring high quality standards, achieving technical and operational excellence.

The Statement is structured in four dimensions, which include indicators related to the main risks involved, in order to allow monitoring of exposures and adequate capital structuring:

- **Capital and Profitability Dimension:** determines that BDMG demonstrates diligence in the management of its resources through systematic monitoring that ensures allocation of resources; minimum profitability aiming at financial sustainability; and maintenance of a capital structure that, in addition to complying with regulatory requirements, also has a safety margin to cover unexpected events, in accordance with the Capital Management Policy.
- **Liquidity Dimension:** establishes the need to maintain minimum liquidity reserves for short, medium and long term thresholds and a diversified funding structure, aimed at protecting the institution against prolonged periods of funding stress.
- **Business Diversification and Sustainability Dimension:** determines the reasonable level of risk that the Bank can assume in the execution of its business model, aiming at low volatility of results and financial sustainability of the institution, as well as meeting strategic objectives. For this purpose, concentration limits are established for the largest customers/economic groups and monitoring of defaults. Furthermore, to mitigate possible losses due to changes in the marked-to-market value, the mismatch between the Bank's assets and liabilities must be monitored.
- **Operational and Complementary Aspects Dimension:** seeks to protect the Bank against the exposure to operational risks that could adversely impact the Institution's internal processes, compliance, financial performance, and image, should they occur.

The monitoring of Risk Appetite is reported to Senior Management and guides the taking of preventive measures to ensure that exposures are within established limits.

In 2022, the Risk Appetite Statement was calibrated in line with the current economic and financial scenario and with the profile of the Bank's strategic guidelines throughout the year.

## Integrated Stress Testing Program

The Stress Test Program, as defined by CMN Resolution No. 4557, aims to assess the impact of potential adverse events and circumstances on the institution or on a specific portfolio, identifying possible vulnerabilities. Its results are documented and used in the identification, measurement, monitoring and control of risks at BDMG, being considered in the reviews of the Risk Appetite Policy, in the assessment of the Bank's capital and liquidity levels, and in the preparation of contingency plans.

## Credit Risk

Credit risk management includes the stages of identification, measurement, monitoring of the credit portfolio and the credit risk classification system, preparation and updating of credit risk classification methodologies, support in the preparation of credit policies and reports to Senior Management.

In monitoring the credit portfolio, the following instruments are used, among others:

- Stress Testing Report
- Indicators of risk appetite and credit portfolio quality (troubled assets, default, coverage, portfolio composition, concentration risk).

In 2022, BDMG improved the policy for managing this risk, giving continuity to actions for portfolio diversification, reducing the maximum level of exposure to a single economic group, reviewing the process for monitoring relevant customers and the process for granting credit to micro and small companies with a good track record at the institution. In addition, the criteria for calculation of expected loss for pricing purposes were improved.

At the end of 2022, default was maintained at levels compatible with those of the financial market.

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

The identification, measurement and control of IRRBB is carried out based on methodologies consistent with the characteristics of the portfolio, considering the maturity, liquidity and risk sensitivity of the instruments classified in that portfolio. Interest rate shocks and stress scenarios are used to verify the impacts on economic value and income, through indicators Economic Value of Equity (EVE) and Net Interest Income (NII).

In addition to the operational limits established in the Risk Appetite Declaration ("RAS"), aiming at maintaining exposure to market risk at levels considered acceptable, additional limits are also established by the Executive Board. The adequacy of the limits is monitored in a timely manner and in case of extrapolation, there is a report to the competent authorities that decide on the measures to be adopted.

In 2022, the adequacy of the IRRBB indicators stands out with a review of the policy and definition of the limit for the NII.

## Liquidity risk

In 2022, the liquidity risk management policy was reviewed. Therefore, the criteria for establishing net assets for the medium term were improved as well as the methodology for the short-term liquidity risk indicator, consistent with the Bank's business strategies. Also, in compliance with the policy for managing this risk, the calculation parameters were updated and the adequacy of the established levels of financial reserve were evaluated. It should be observed that the liquidity indicators remained adequate throughout the year's monitoring, as well as in the projections for the new strategic planning scenario.

## Social, Environment and Climate Risks

The social and environmental risk methodology was implemented in 2016 and, since then, the Bank has been monitoring the information generated by the system, with a view of promoting the continuous improvement of the methodology and identifying more sustainable business opportunities. All companies that request financing from BDMG undergo a social and environmental risk assessment, and most of the customers served are classified under low risk.

In August 2022, in line with CMN Resolution No. 4943/2021, the Board of Directors approved the Social, Environmental and Climate Risk Management Policy, which aims to define the management structure and the guidelines, roles and responsibilities that must be observed in managing these risks by BDMG in order to keep them within the organization's appetite.

In September 2022, also in line with the new requirements of the Brazilian Monetary Council and the Central Bank, the Executive Board approved new methodologies for managing social, environmental and climate risks.

Throughout 2022, BDMG continued technical cooperation to improve the management and methodologies of physical and transitional social, environmental and climate risks.

It should be noticed that BDMG must ensure that all operations follow social and environmental criteria in accordance with the state and national environmental policies, and also with its Social, Environmental and Climate Responsibility Policy, seeking to avoid and minimize possible risks and negative impacts to the environment and society.

As actions to mitigate social and environmental risks, the criteria established in the policies and processes of analysis, contracting and monitoring were observed in accordance with the specificities of each loan transaction of BDMG. The analysis criteria are guided by lists of restricted and prohibited activities, sector of activity, company size, social and environmental criteria for setting up real estate guarantees, inclusion of social and environmental clauses in contracts, evaluation of compliance with social and environmental legislation and best practices for social and environmental risk management. Also noteworthy is the continuous training of employees and the social and environmental risk assessment process for the approval of new products, which ensures compliance within the scope of the portfolio made available by the Bank.

## Operational risk

In 2022, the Bank launched an Operating Incident Communication Channel to receive reports on process failures, operational issues, relevant risks, records of non-compliance with conduct standards, with internal or external policies, or even external events that may cause losses to the Bank<sup>9</sup>. Freely accessible by all employees, interns and outsourced personnel, the information can be shared with the manager responsible for the process, in order to correct any failures. The creation of this Channel complies with CMN Resolution No. 4968/2021.

In addition, BDMG completed the review of its Process Architecture, updating the list of macro processes, processes and subprocesses in order to provide a systemic view of the organization and implemented the GRC system (Governance, Risks and Compliance) to integrate compliance, auditing, risk and process management practices.

<sup>9</sup> It is worth highlighting that BDMG also has a whistleblowing hotline, anonymously, regarding information on evidence of fraud, violation of legislation or regulations and internal Code of Conduct, Ethics and Integrity, which may affect the members of statutory boards, in addition to evidence of illegality. Whistleblowing is received on the BDMG website through the Audit Committee and the State Ombudsman's Office (OGE/MG).



**Risk Management, Internal Controls, Compliance and Integrity** BDMG has areas dedicated to risk management, internal controls, compliance and integrity, with independent operations, directly linked to the Chief Executive Officer, which may be managed by another Executive Officer who is not responsible for the Bank's business activities. These are attributions of the areas responsible for risk management, internal controls, compliance and integrity, in addition to others provided for in the legislation and in the BDMG regulations:

- Advising the Board of Directors on integrated risk management, internal controls, compliance and integrity, proposing policies and strategies;
- Disseminating the culture of risk management, internal controls, compliance and integrity;
- Forwarding periodic reports to the Audit Committee regarding the activities carried out.

The areas responsible for risk management, internal controls, compliance and integrity report directly to the Board of Directors in situations where the involvement of a member of the Executive Board in irregularities is suspected or when a member evades the obligation to adopt necessary measures in relation to the situation of irregularity reported to him/her.

### **Integrity and Compliance**

In 2022, various internal rules were reviewed and updated, including those related to credit policy, risks, people management, social, environmental and climate responsibility policy (PRSAC), information security and cybernetics policy, prohibitions and impediments, transactions with related parties and compliance policy.

As part of promoting a culture of compliance and integrity, compliance and integrity training was carried out for members of the Executive Board, Audit Committee and employees, in addition to sending reports on the aforementioned topics to all Bank employees.

Annual training was promoted, including one for members of the Executive Board and Board of Directors, Advisory Board and the Audit Committee on Governance, Risks and Compliance, including the main points of Law No. 13303/2016, which provides for the legal statute of government business enterprises. Also noteworthy is the training on Prevention of Money Laundering and Terrorism Financing, in compliance with the Central Bank regulations, for members of the Executive Board, Audit Committee and employees.

### **Pillar 3 Report**

In compliance with Bacen Resolution No. 54/2020, BDMG publishes the Pillar 3 Report - Market Discipline, providing information on capital and risk management. This report can be found on the following website: <https://www.bdmg.mg.gov.br/relacao-investidores/?relatorios-financeiros>.

## **9 | FINAL CONSIDERATIONS**

This Management Report, in accordance with Law No. 13303 of June 30, 2016, item VI of article 8, provides transparency to the operational and financial data of activities related to the achievement of purposes of collective interest or national security.



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

## **Financial statements**

December 31, 2022

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**A free translation from Portuguese into English of the Independent Auditor's Report on the 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**

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

To the Shareholders and Officers of

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

Belo Horizonte - MG

### **Opinion**

We have audited the financial statements of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG ("Bank"), which comprise the statement of financial position as at December 31, 2022, and the related statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG as at December 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

### **Basis for opinion**

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

### **Key audit matters**

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



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

#### Provision for expected credit losses

As mentioned in Notes 3.11 and 6.3, the Bank rates the level of risk of loans, taking into account the economic scenario, experience, related guarantees, delays, and the history of renegotiations, according to parameters established by Resolution No. 2682/99 of the National Monetary Council (CMN). This was considered a key audit matter in view of the materiality of the total amount of allowance for expected credit losses in connection with credit risks as at December 31, 2022, totaling R\$595,686 thousand, and the fact that the classification of the customers’ risk level and the assessment of guarantees involve the executive board’s judgment.

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

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

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

### Post-employment benefit plans

The Bank records significant liabilities related to post-employment benefit plans, which include retirement, health and life insurance benefits, as mentioned in Notes 3.19 and 17. This was considered a key audit matter given the significance of the provision recorded as at December 31, 2022, totaling R\$375,205 thousand, and the complexity of the actuarial liability assessment models, which include the use of long-term assumptions, such as: general mortality, disability, medical costs, salary growth, family structure, discount rate, and inflation.

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

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

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

### Realization of tax credits

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

This was considered a key audit matter given the materiality of the amount recorded, totaling R\$609,891 thousand as at December 31, 2022, and because the analysis of realization of these assets involves a high degree of judgment to determine the assumptions about the Bank's future performance, as described in Notes 3.18, 4.4 and 14.b.

*How our audit addressed this matter*

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

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

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

The executive board is responsible for such other information, which comprises the Management Report.

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

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

**Responsibilities of the executive board and those charged with governance for the financial statements**

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

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

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

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



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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, February 28, 2023.

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

A handwritten signature in blue ink, appearing to read 'Rogério', is placed above the printed name and title.

Rogério Xavier Magalhães  
Accountant CRC-MG080613/O



A free translation from Portuguese into English of the 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

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

Statement of financial position  
December 31, 2022 and 2021  
(In thousands of reais)

	Note	12/31/2022	12/31/2021
Assets			
Current assets		<b>3,539,804</b>	3,778,303
Cash and banks	5	<b>12,814</b>	15,249
Financial instruments		<b>3,522,358</b>	3,759,628
Interbank investments	5.1	<b>999,016</b>	1,487,445
Marketable securities	6.1	<b>211,807</b>	182,236
Derivative financial instruments	6.2	<b>9,291</b>	1,473
Onlending	6.3	<b>17,620</b>	336
Loans and similar credit transactions	6.3	<b>2,572,820</b>	2,186,994
Other financial assets	6.4	<b>68,249</b>	19,986
Allowances for expected losses associated with credit risk		<b>(356,445)</b>	(118,842)
Marketable securities	6.1	<b>(167)</b>	(15)
Loans and similar credit transactions	6.3	<b>(356,149)</b>	(118,824)
Onlending	6.3	<b>(129)</b>	(3)
Other assets	8	<b>4,632</b>	3,426
Noncurrent assets		<b>4,654,467</b>	4,634,543
Long-term receivables		<b>4,614,306</b>	4,598,735
Financial instruments		<b>3,970,745</b>	3,912,924
Interbank investments	5.1	<b>39,625</b>	1,834
Marketable securities	6.1	<b>891,937</b>	550,003
Derivative financial instruments	6.2	<b>22,214</b>	85,145
Onlending	6.3	<b>39,899</b>	2,041
Loans and similar credit transactions	6.3	<b>3,226,779</b>	3,640,906
Other financial assets	6.4	<b>139,615</b>	203,918
Allowances for expected losses associated with credit risk		<b>(389,324)</b>	(570,923)
Marketable securities	6.1	<b>(149,916)</b>	(112,508)
Loans and similar credit transactions	6.3	<b>(239,134)</b>	(458,394)
Onlending	6.3	<b>(274)</b>	(21)
Other assets	8	<b>33,670</b>	51,756
Deferred tax assets	14.b	<b>609,891</b>	634,055
Property and equipment in use	7.a	<b>15,539</b>	16,075
Properties and other fixed assets		<b>58,753</b>	58,291
(Accumulated depreciation)		<b>(43,214)</b>	(42,216)
Intangible assets	7.b	<b>24,622</b>	19,733
Intangible assets		<b>60,616</b>	46,613
(Accumulated amortization)		<b>(35,994)</b>	(26,880)
Total assets		<b>8,194,271</b>	8,412,846

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

### Statement of financial position

December 31, 2022 and 2021

(In thousands of reais)

	Note	12/31/2022	12/31/2021
Liabilities and equity			
Current liabilities		<b>2,037,693</b>	2,387,423
Financial liabilities		<b>1,849,416</b>	2,136,805
Deposits	9.1	<b>171,157</b>	594,727
Funds from acceptance and issue of securities	9.1	<b>642,777</b>	223,909
Borrowings and onlending	9.2	<b>1,035,482</b>	1,318,169
Domestic onlending	9.2.b	<b>702,040</b>	1,054,606
Foreign borrowings	9.2.a	<b>333,442</b>	263,563
Provisions	10	<b>24,436</b>	23,052
Obligations with defined post-employment benefits	10.a	<b>23,549</b>	22,293
Other contingencies	10.c	<b>887</b>	759
Other liabilities	11	<b>163,841</b>	227,566
Noncurrent liabilities		<b>3,972,337</b>	3,944,754
Long-term liabilities		<b>3,972,337</b>	3,944,754
Financial liabilities		<b>3,146,094</b>	3,219,077
Deposits	9.1	<b>188,198</b>	175,429
Funds from acceptance and issue of securities	9.1	<b>480,758</b>	255,618
Borrowings and onlending	9.2	<b>2,370,926</b>	2,771,667
Domestic onlending	9.2.b	<b>1,150,821</b>	1,275,419
Foreign borrowings	9.2.a	<b>1,220,105</b>	1,496,248
Derivative financial instruments	6.2	<b>106,212</b>	16,363
Provisions	10	<b>592,187</b>	593,373
Obligations with defined post-employment benefits	10.a	<b>351,656</b>	360,475
Tax, labor and civil contingencies	10.b	<b>234,362</b>	226,039
Other contingencies	10.c	<b>6,169</b>	6,859
Other liabilities	11	<b>212,599</b>	105,310
Deferred tax obligations	14.c	<b>21,457</b>	26,994
Equity	12	<b>2,184,241</b>	2,080,669
Capital	12.a	<b>2,218,407</b>	2,111,184
Other comprehensive income	12.b	<b>(119,481)</b>	(128,604)
Income reserves	12.c	<b>85,315</b>	98,089
Total liabilities and equity		<b>8,194,271</b>	8,412,846

See accompanying notes.

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

### Statement of profit or loss

Six-month period and years ended December 31, 2022 and 2021

(In thousands of reais, unless otherwise stated)

		2022	2021
	Note	Six-month period	Year
Trading revenues		569,239	1,203,963
Loan transactions	13.a	451,285	872,910
Gains on marketable securities	13.b (i)	117,908	240,245
Income (loss) from foreign exchange transactions	13.b (i)	46	90,808
Trading expenses		(298,962)	(662,291)
Loans and onlending	13.b (ii)	(220,775)	(515,737)
Market funding transactions	13.b (ii)	(78,187)	(146,554)
Gains (losses) on expected credit losses	6.3.e	(20,205)	(56,981)
Allowance for loans and similar credit transactions		(19,965)	(56,602)
Provision for interbank onlending		(240)	(379)
Gross profit from trading transactions		250,072	484,691
Other operating income/expenses		(130,133)	(217,761)
Service revenues		20,347	41,016
Other operating income	13.c (iv)	5,057	14,964
Personnel expenses	13.c (iii)	(66,631)	(126,838)
Other administrative expenses	13.c (ii)	(33,990)	(57,641)
Tax expenses	13.c (i)	(13,013)	(26,840)
Other operating expenses	13.c (v)	(41,903)	(62,422)
Expenses with provisions	13.c (vi)	(33,652)	(59,398)
Tax, labor and civil		(3,845)	(6,767)
Actuarial		(29,645)	(51,808)
Other		(162)	(823)
Operating income (expenses)		86,287	207,532
Nonoperating income (expenses)		1,897	3,858
Income before income taxes and profit sharing		88,184	211,390
Income and social contribution taxes	14.a	(7,178)	(59,906)
Provision for income tax		(2,803)	(25,740)
Provision for social contribution tax		(3,362)	(21,871)
Deferred tax assets		(1,013)	(12,295)
Statutory profit sharing		(4,687)	(9,672)
Net income for the six-month period/year		76,319	141,812
Basic earnings per share		0.00102	0.00190

See accompanying notes.

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

### Statement of comprehensive income

Six-month period and years ended December 31, 2022 and 2021

(In thousands of reais, unless otherwise stated)

	<b>2022</b>		<b>2021</b>
	<b>Six-month period</b>	<b>Year</b>	<b>Year</b>
Net income for the six-month period/year	<b>76,319</b>	<b>141,812</b>	231,177
Items to be subsequently reclassified to profit or loss	<b>(1,506)</b>	<b>(11,043)</b>	(5,103)
Financial assets available for sale	<b>(3,416)</b>	<b>(23,208)</b>	(11,835)
Tax effect on losses on financial assets	<b>1,696</b>	<b>11,523</b>	5,876
Losses transferred to profit or loss	<b>369</b>	<b>1,107</b>	1,477
Tax effects	<b>(155)</b>	<b>(465)</b>	(621)
Items that will not be subsequently reclassified to P&L	<b>25,392</b>	<b>20,166</b>	35,314
Actuarial assessment	<b>46,167</b>	<b>36,666</b>	64,207
Tax effects	<b>(20,775)</b>	<b>(16,500)</b>	(28,893)
Other comprehensive income	<b>23,886</b>	<b>9,123</b>	30,211
Comprehensive income for the six-month period/year	<b>100,205</b>	<b>150,935</b>	261,388

See accompanying notes.

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

### Statement of changes in equity

December 31, 2022 and 2021

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

	Income reserves		Other comprehensive income		Retained earnings	
	Capital	Legal	Other	Equity adjustment - marketable securities	Other equity adjustments	(accumulated losses)
						Total
Balance at December 31, 2020	2,111,184	-	-	10,409	(169,224)	(15,088)
Other comprehensive income	-	-	-	(5,103)	35,314	-
Equity adjustments	-	-	-	(10,358)	64,207	-
Tax effect on other comprehensive income	-	-	-	5,255	(28,893)	-
Net income for the year (Note 12.d)	-	-	-	-	-	231,177
Reserves (Note 12.c)	-	10,805	87,284	-	-	(98,089)
Interest on equity	-	-	-	-	-	(118,000)
Balance at December 31, 2021	2,111,184	10,805	87,284	5,306	(133,910)	-
Capital increase	107,223	-	-	-	-	-
Other comprehensive income	-	-	-	(11,043)	20,166	-
Equity adjustments	-	-	-	(22,101)	36,666	-
Tax effect on other comprehensive income	-	-	-	11,058	(16,500)	-
Net income for the year (Note 12.d)	-	-	-	-	-	141,812
Reserves (Note 12.c)	-	7,090	67,420	-	-	(74,510)
Interest on equity and dividends	-	-	(87,284)	-	-	(67,302)
Balance at December 31, 2022	2,218,407	17,895	67,420	(5,737)	(113,744)	-
Balance at June 30, 2022	2,218,407	14,079	-	(4,231)	(139,136)	62,219
Other comprehensive income	-	-	-	(1,506)	25,392	-
Equity adjustments	-	-	-	(3,047)	46,167	-
Tax effect on other comprehensive income	-	-	-	1,541	(20,775)	-
Net income for the second half of 2022 (Note 12.d)	-	-	-	-	-	76,319
Reserves (Note 12.c)	-	3,816	67,420	-	-	(71,236)
Interest on equity	-	-	-	-	-	(67,302)
Balance at December 31, 2022	2,218,407	17,895	67,420	(5,737)	(113,744)	-

See accompanying notes.

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

### Statement of cash flows

Six-month period and years ended December 31, 2021 and 2020

(In thousands of reais)

	2022	2021
Six-month period	Year	Year
Cash flows from operating activities		
Income before taxes and profit sharing	88,184	309,396
Adjustments:		
Depreciation and amortization	5,894	8,898
Recognition of provisions and liabilities, net	33,854	51,368
Recognition of allowance for loan losses	20,205	110,547
Recognition of provision for losses	33,116	4,080
Allocation of deferred revenue	(10,396)	(17,901)
Foreign exchange gains (losses), net	9,836	43,221
Recovery of loans written down to loss	(7,809)	(17,340)
Gains on monetary restatement of noncurrent loans	(6,386)	(56,232)
Market value adjustment of derivative instruments and hedged items	102,708	283
Loss on financial assets available for sale	(84,894)	(27,926)
Loss on financial assets held to maturity	(20,231)	(19,740)
Income from court decisions	(832)	(72,636)
Adjusted net income	163,249	316,018
Changes in working capital	(524,824)	(275,077)
Interbank investments	18,658	11,152
Interbank accounts	(36,114)	(2,377)
Derivative financial instruments	(101,998)	3,973
Loan transactions	(238,163)	191,171
Other receivables	18,460	9,232
Other assets	11,790	22,016
Deposits	(339,040)	(38,532)
Financial bills	497,074	23,749
Foreign borrowings	(177,239)	47,487
Onlending	(163,110)	(511,845)
Other liabilities	(3,299)	(6,884)
Provisions	(11,843)	(24,219)
Cash from (used in) operating activities	(361,575)	40,941
Income and social contribution taxes paid	(21,416)	(38,880)
Net cash from (used in) operating activities	(382,991)	2,061
Cash flows from investing activities		
Acquisition of permanent assets	(6,922)	(11,623)
Acquisition of financial assets available for sale	(192,119)	(91,199)
Receipt of financial assets available for sale	90,184	24,008
Acquisition of financial assets held to maturity	52,335	(93,008)
Receipt of financial assets held to maturity	21,901	55,648
Net cash from (used in) investing activities	(34,621)	(116,174)
Dividends paid out	-	-
Interest on equity	(9,161)	-
Net cash from (used in) financing activities	(9,161)	-
Increase (decrease) in cash and cash equivalents, net	(426,773)	(114,113)
Cash and cash equivalents at beginning of year	1,394,905	1,556,641
Foreign exchange gains (losses) on cash	46	60,165
Cash and cash equivalents at end of year	968,178	1,502,693
Non-cash transactions		
Capital increase with amounts received as interest on equity	-	-
Credit of interest on equity to shareholders	(67,221)	(118,000)

See accompanying notes.

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

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of reais, unless otherwise stated)

### **1. Operations**

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (hereinafter referred to as “BDMG” or “Bank”) is a privately held corporation run by the state of Minas Gerais, which holds 99.19% 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 Federal Constitution, and also with the provisions of Law No. 13303/2016 and State Decree No. 47154/2017, which regulates it. BDMG is engaged in the promotion of the economic, social and environmental development of the State of Minas Gerais by exercising banking activities and the rendering of services related to its institutional purposes, among which the following stand out:

- activities specific to development banks under the terms of the prevailing laws and regulations;
- by delegation of the State of Minas Gerais, management of resources of programs and projects of interest to the economic and social development of the State;
- rendering of advisory, consulting, technical assistance, administration and management services related to its area of expertise, to public administration and private companies;
- rendering of structuring services for privatization projects related to assets of the State of Minas Gerais or other Public Administration entities and bodies;
- rendering of technical services in projects that promote economic and social development in concessions, permissions, authorizations, public-private partnerships and other forms of partnership or disposal of assets;
- management of third-party resources, including through funds of a public or private nature, in accordance with the related applicable regulations;
- rendering of custody and settlement services for financial operations of Public Administration entities and bodies;
- as an entity that is part of the National Financial System, carrying out operations in the financial or capital markets, in accordance with the rules and guidelines of the Brazilian Monetary Council and the Central Bank of Brazil;
- carrying out complementary activities to those of development banks, such as insurance intermediation, in order to foster a culture of business protection;
- encouraging the development of initiatives and investments that promote social and environmental sustainability and the mitigation of climate risks; and



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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### **1. Operations (Continued)**

- encouraging scientific, technological, economic and social research, and supporting and promoting social, environmental and cultural activities, directly or in partnership with other entities.

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 financial statements**

These 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 Brazilian Monetary Council (CMN) and of the Central Bank of Brazil (Bacen), and disclose all the applicable significant information related to the financial statements, which is consistent with the information used by management in the performance of its duties.

In compliance with BCB Resolution No. 2/2020, the statement of financial position accounts is stated by order of liquidity and maturity, and the balances are presented in comparison with the balances of the immediately preceding year.

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

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

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

- CPC 00 (R2) - Conceptual Framework for Financial Reporting - CMN Resolution No. 4924/2021.
- CPC 01 (R1) - Impairment of Assets - CMN Resolution No. 4924/2021.
- 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. 4818/2020.
- CPC 04 (R1) - Intangible Assets - CMN Resolution No. 4534/2016.
- CPC 05 (R1) - Related Party Disclosures - CMN Resolution No. 4818/2020.
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors - CMN Resolution No. 4924/2021.
- 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.
- CPC 41 - Earnings per Share - CMN Resolution No. 4818/2020.
- CPC 46 - Fair Value Measurement - CMN Resolution No. 4748/2020.
- CPC 47 - Revenue from Contracts with Customers - CMN Resolution No. 4924/2021.

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

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

The preparation of these financial statements takes into consideration the following rules issued by the Brazilian Monetary Council (CMN) or by the Central Bank with application as of January 1, 2022:

- BCB Resolution No. 92/2021, which provides for the use of the Chart of Accounts for Institutions of the National Financial System (COSIF) for other institutions regulated by the Central Bank. For financial institutions, this resolution determined the extinction of group 5 - Deferred Income by reclassifying its balance to the subgroup "Other Obligations".
- CMN Resolution No. 4966/2021, as amended by CMN Resolution No. 5019/2022, which provides for the accounting criteria and concepts applicable to financial instruments, as well as for the designation and recognition of hedging relationships (hedge accounting) by financial institutions and other institutions authorized to operate by Bacen, seeking to reduce the asymmetries of accounting standards provided for in COSIF in relation to international accounting standards.

This Resolution takes effect as of January 1, 2025. However, its article 76, item II, determines the summarized disclosure of the implementation plan of the accounting regulation established in the financial statements as of December 31, 2022 (Note 18 iii).

BDMG has already started the necessary procedures for the adoption of the regulation as of January 1, 2025, as well as for the evaluation of its impacts, which must be presented in the financial statements of December 2024.

Management represents that these financial statements, which show all the relevant information used in managing the Bank, are based on 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.

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
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### **2. Presentation of the financial statements (Continued)**

The Bank adopts information security practices to guarantee the confidentiality, integrity, availability, and authenticity of the information necessary for maintenance of its business. The Bank has an accounting technology structure that uses a number of operating systems that are integrated to the accounting system, and any non-computerized information is entered manually. The main operating systems, which control credit transactions, financial management and assets, account for the largest number of entries and were developed internally. Systems contracted from third parties that are necessary for the execution and control of complementary activities are also used.

On February 28, 2023, the Board of Directors approved the financial statements and authorized their disclosure.

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

The accounting practices adopted by the Bank are consistently applied for the years presented in these financial statements.

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

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

The Brazilian real (R\$) is the Bank's functional and presentation currency. The 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 month.

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

For the translation of asset and liability balances of transactions in foreign currencies into the domestic currency (R\$), at December 31, 2022, the following exchange rates were used: US\$ 1.00 = R\$5.2177 (12/31/2021: US\$1.00 = R\$5.5805); and € 1.00 = R\$5.5694 (12/31/2021: € 1.00 = R\$6.3210)

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

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

#### **3.2. Determination of profit or loss (P&L)**

Profit or loss for the year is determined on an accrual basis and adjusted by the attributable income and social contribution tax installments 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 changes in assets and liabilities matched against equity, which may or may not affect future income.

Nonrecurring income

As defined by BCB Resolution No. 2/2020, nonrecurring income is that not related or only incidentally related to the typical activities of the institution, not expected to occur frequently in future years. Information on recurring and nonrecurring income is provided in Note 12.f.

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

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

- Noncash 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.

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

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

#### **3.4. Statement of cash flows (Continued)**

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 within three months from the investment date.

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

The classification into current and noncurrent complies with the prevailing legislation, which establishes that assets that are realizable within twelve months after the statement of financial position date should be recorded in current assets.

Exceptions to this rule are the marketable securities classified as trading securities that are presented in current assets, since they are acquired with the objective of being frequently and actively traded, and tax credits that are presented in noncurrent assets as defined by BCB Resolution No. 02/2020.

#### **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 and interbank investments readily convertible into cash or with original maturities within three months from the investment date (Note 5).

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

Repurchase agreements, carried out under a free movement agreement, are adjusted to market value. Other assets are stated at acquisition cost, plus earnings accrued up to the reporting date, net of provision for impairment, where applicable (Note 5.1).

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

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

#### **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 accounting criteria established by the Circular Letter (Note 6.1):

- (a) Trading securities: include 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 6.1 (a)).
- (b) Securities available for sale: include marketable securities used as part of the cash flow management strategy. These securities are accounted for 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 cost (Note 6.1(b)).
- (c) Securities held to maturity: include securities for which management has the intention 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 6.1(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 6.1).

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

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

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

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

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

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

In accordance with BACEN Circular Letter No. 3082/2002 and subsequent regulations, derivative financial instruments are classified based on management's intention 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 6.2, derivatives are measured at fair value and recorded as assets, when positive, and as liabilities, when negative, and changes in fair value are recognized in profit or loss, and, due to their nature, are classified as 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 or 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.



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

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

#### **3.11. Loan portfolio and allowance for losses associated 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 on overdue loans are recorded in profit or loss for the year up to the 59th day and, as of the 60th day, they are no longer accrued, and are recognized in profit or loss only when the installments are effectively received, as established in 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 allowance after being classified at this risk level for six months and start to be controlled in memorandum accounts. When renegotiated, these transactions return to the statement of financial position accounts classified at "H" risk level.

The allowance for losses associated 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 6.3).

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

In accordance with the accounting practices established by the Central Bank of Brazil, prior to the effectiveness of CMN Resolution No. 3533/2008, credits assigned, with or without guarantee, to other financial institutions and funds were written off from the portfolio at the time of disposal, with gains immediately recognized in the statement of profit or loss, and assignments with guarantee were recorded in memorandum accounts. The Bank has recorded, in memorandum accounts, loan transactions assigned with guarantee prior to the effectiveness of CMN Resolution No. 3533/2008, for which an allowance for expected credit losses is recorded. (Note 6.3.g).

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

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

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

CMN Resolution No. 3533/2008 currently in effect changed, as of January 1, 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.

CMN Resolution No. 2836/2011 is also in effect and authorizes the assignment of credits arising from loan and financing transactions to persons who are not members of the National Financial System, provided that these assignments are made in cash, carried out without guarantee of the assignor institution, which is not allowed to repurchase assigned credits.

#### **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 6.4).

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

Other assets are recorded as assets not intended for use, received in accord and satisfaction or arising from the execution of guarantees, which are initially recognized at the lower of the value of the item received or the measurement value. The assets are adjusted annually to fair value considering the lower of the measurement value for the year and the carrying amount. For the assets sold at auctions in the year, the fair value is determined using the lower of the amount recorded after the last asset valuation and the amount offered at the auction.

Other assets include prepaid expenses arising from brokerage commissions for the trading of securities issued by the Bank; expenses classified in assets relating to outsourced services that, pursuant to CMN Resolution No. 4924/2021, will be allocated to profit or loss only after the performance obligation established in the contract is satisfied; and expenses related to rental of software to be used for more than one year (Note 8).

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

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

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

##### Current and deferred tax assets and liabilities

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

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

Property and equipment in use and intangible assets are recorded at the cost of acquisition, net of the related accumulated depreciation and amortization, and adjusted for impairment when there is proven evidence that these assets are accounted for at an amount greater than their recoverable amount (Note 7).

Depreciation and amortization are accounted for using the straight-line method under Provisions and Equity Adjustments. Gains and losses on disposals, determined by comparing the results with their book value, are recognized as Nonoperating income in the statement of profit or loss.

#### **3.16. Current and noncurrent liabilities**

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

##### Deposits and funding

Deposits, funding, foreign borrowings and domestic financing are stated at the amounts of the liabilities (amortized cost) and include, when applicable, the restated charges payable.

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

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

#### **3.16. Current and noncurrent liabilities**

##### Deposits and funding (Continued)

For foreign borrowings whose interest rate risk and foreign currency risk are borne by the Bank, it takes out swaps to hedge the exchange of foreign currencies for the Brazilian real and contracted 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.

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

##### Other liabilities

They are stated at known and estimated amounts plus applicable charges, if any. They are evaluated, recognized and disclosed in accordance with CMN Resolution No. 3823, dated December 16, 2009, which approves Accounting Pronouncement CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, issued by the CPC, and BACEN Circular Letter No. 3429, dated February 11, 2010.

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.

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 possible losses, except those related to tax obligations, challenging their constitutionality, are not accounted for and are disclosed in the notes to the financial statements when the amounts involved are individually significant. Provisions are not recognized for contingent liabilities assessed as remote losses, nor are they disclosed, except for those related to tax obligations, challenging their constitutionality (Note 10(b)).

As determined by Bacen Circular Letter No. 3429/2010, tax obligations derive from legal proceedings related to tax obligations, challenging their constitutionality, and are fully recognized in the financial statements, regardless of the likelihood of a favorable outcome (Note 10).

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

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

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

As of January 1, 2023, BCB Regulatory Instruction No. 319 of November 4, 2022 revokes Bacen Circular Letter No. 3429 of February 11, 2010. Note 19 addresses the effects from the revocation of this regulation as of January 1, 2023 regarding the accounting record of tax obligations under legal discussion.

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

Provision for income tax is recorded at the base rate of 15% of taxable profit, plus a 10% surtax, while the provision for social contribution tax on adjusted net income is recorded at the rate of 20% for the period from January 1, 2022 to August 31, 2022 and, for the period from September 1, 2022 to December 31, 2022, it is recorded at the rate of 21%, pursuant to Provisional Executive Order No. 1115/2022 of April 28, 2022, signed into Law No. 14446 of September 2, 2022 (Note 14).

In the period from January 1, 2021 to June 30, 2021, the provision for social contribution tax on net profit was recorded at the rate of 20%, and for the period from July 1, 2021 to December 31, 2021, at the rate of 25%, in compliance with Provisional Executive Order No. 1034 of March 1, 2021, signed into Law No. 14183 of July 14, 2021, which changed the current rate from 20% to 25% for that period.

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) Corporate Income Tax (IRPJ): rate of 15% of taxable profit, plus a 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 (rates of 25% and 20%, respectively) are also accrued.

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.

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.

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

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

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

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.
- (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 of February 22, 2018, is ensured to active employees and pensioner members who were already entitled to 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.

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

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

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

- (iv) 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 the aforementioned Resolution 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 effective rates used to discount the post-employment benefit obligations to present value are calculated by interpolation of the indicative rates of the IMA-B index, published by ANBIMA, considering the maturity durations of the NTN-B securities that make up the mentioned index and using the calculated duration of the actuarial obligations of each post-employment benefit plan as parameter.

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

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

Profit sharing is defined through a collective agreement and the related provision is recorded based on a percentage of the profit 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 12(a)).

#### **3.22. Equity remuneration**

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

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

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

#### **3.23. Earnings per share**

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

Thus, the profit presented in the Bank's financial statements refers to basic earnings per share, calculated by dividing net profit by the total number of common shares. Information on earnings per share is presented in Note 12 (e).

#### **3.24. Income and expenses**

Income and expenses are recognized on an accrual basis in profit or loss for the respective periods, except for part of income from loan transactions, as described in Note 3.11.

#### **3.25. Related parties**

The related party disclosures included in the notes to the financial statements are in accordance with CMN Resolution No. 4818/2020, which requires the disclosure of transactions between the Bank and its related parties that impacted the financial position and profit or loss.

The legal entities and individuals considered to be the Bank's related parties are specified in BDMG Resolution No. 209-B/2019, which addresses the Policy on Transactions with Related Parties, and those with which the Bank conducted transactions in the period are presented in Note 15.

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

The preparation of the financial statements requires management to use judgments and estimates that impact the book balances of assets and liabilities held 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.



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

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

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.

#### **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.

Management accepts as evidence of impairment loss the condition in which the value offered in the auction for sale of the asset is lower than the book value of that asset.

#### **4.2. Allowances for expected losses associated with credit risk**

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

Allowances for expected losses in the loan portfolio comply with the determinations contained in CMN Resolution No. 2682/1999, as stated in Note 6.3. The assessment of expected losses with the portfolio is made using a model that involves various estimates and judgments, since they consider the characteristics of the credit and quality of the customer, the payment history and the existing guarantees, which may lead to a reduction in the estimated amount of future cash flow receipts.

Management's judgments are made mostly in relation to factors considered in the model in which internal and external information may point to the possibility of losses during the lifetime of the instrument.

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

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

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

#### **4.3. 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 projected future taxable profits.

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.

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

Notes to the financial statements (Continued)

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

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

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

A provision for tax proceedings for which the constitutional grounds are discussed, in compliance with Bacen Circular Letter No. 3429/2010, is recognized for the amount of tax obligation in dispute, even when the likelihood of loss is not assessed as probable, while the provision for labor and civil contingencies corresponds to the estimated disbursement (Note 3.17).

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 10-b.

#### **4.6. Obligations with defined post-employment benefits**

The defined benefit plan, healthcare plan and life insurance, sponsored by the Bank, generate obligations, the amounts of which are obtained by actuarial calculations that consider various assumptions and are partly based on current market conditions.

In measuring the actuarial liability of these plans, management uses judgments to determine the assumptions to be used.

#### **4.7. Provisions for loan commitments and guarantees**

To support losses arising from the possible need to honor obligations arising from the provision of guarantees for contracts loan commitments not recorded in the statement of financial position, the Bank sets up a provision for expected losses, and this amount is recognized as a liability against profit or loss for the period. To calculate the estimated amount of expected losses, the same parameters compatible with those used to calculate the expected loss in the customer loan portfolio are used.

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

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### 5. Cash and cash equivalents

Breakdown of cash and cash equivalents

	2022	2021
Cash and banks	1,718	2,284
Cash and banks in foreign currency	11,096	12,965
Interbank investments (i)	955,364	1,487,444
	<b>968,178</b>	<b>1,502,693</b>

(i) Interbank investments considered cash equivalents are the repurchase agreement maturing within 90 days.

#### 5.1. Interbank investments

	2022	2021
Investments in repurchase agreements (own portfolio):		
Financial Treasury Bills	938,417	1,487,444
National Treasury Notes	16,947	-
Investments in interbank deposits, net of provision (i)	83,277	1,835
	<b>1,038,641</b>	<b>1,489,279</b>
Current	999,016	1,487,445
Noncurrent	39,625	1,834

(i) Investments in interbank deposits refer to deposits to cover a clause contained in derivative contracts.

Interbank investments mature as follows:

	Overdue	Within 30 days	From 31 to 60 days	From 61 to 180 days	More than 180 days	Total
Financial Treasury Bills	-	938,417	-	-	-	938,417
National Treasury Notes	-	16,947	-	-	-	16,947
Interbank deposits	6,388	-	2,228	41,424	39,625	89,665
Provision for losses	(6,388)	-	-	-	-	(6,388)
Balance at 12/31/2022	-	955,364	2,228	41,424	39,625	1,038,641
Balance at 12/31/2021	-	1,487,444	-	1	1,834	1,489,279

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### 6. Financial instruments

#### 6.1. Marketable securities

	2022			2021		
	Number	Curve value	Market value	Number	Curve value	Market value
<b>Securities available for sale (b)</b>		<b>866,607</b>	<b>855,213</b>		431,762	443,576
<b>Government securities</b>	<b>73,650</b>	<b>611,755</b>	<b>611,749</b>	20,850	233,795	231,965
LFT (Unrestricted)	33,055	415,420	414,831	20,850	233,795	231,965
LFT (Contingent on guarantee)	3,795	47,845	47,729	-	-	-
NTN-B (Unrestricted)	36,800	148,490	149,189	-	-	-
<b>Corporate bonds</b>	-	<b>254,852</b>	<b>243,464</b>	-	197,967	211,611
Investment fund shares	128,178,156	158,968	158,968	47,635,840	102,094	102,094
Floating income securities	4,043,845	95,884	84,496	4,043,845	95,873	109,517
<b>Securities held to maturity (c)</b>		<b>248,531</b>	<b>248,531</b>		289,771	288,663
<b>Government securities - National Treasury Notes (NTN-B) (Unrestricted)</b>	-	-	-	21,000	83,162	82,054
<b>Corporate bonds</b>	-	<b>248,531</b>	<b>248,531</b>	-	206,609	206,609
Debentures	67,144	92,795	92,795	67,144	79,257	79,257
Agribusiness Receivables Certificates (CRA)	30,157	25,877	25,877	30,157	30,667	30,667
Investments in <i>Commodities</i> - CPR	-	129,859	129,859	-	96,685	96,685
	-	<b>1,115,138</b>	<b>1,103,744</b>	-	721,533	732,239
Current			<b>211,807</b>			182,236
Noncurrent			<b>891,937</b>			550,003

#### Provisions for marketable securities

The balances of provisions recorded on the market value of the marketable securities portfolio are as follows:

	2022	2021
<b>Securities available for sale</b>	<b>(57,028)</b>	(57,028)
Provision for losses on floating income securities	(57,028)	(57,028)
<b>Securities held to maturity</b>	<b>(93,055)</b>	(55,495)
Provision for debenture credit risk	(92,795)	(55,480)
Provision for credit risk - Agricultural Commodities Note (CPR)	(260)	(15)
	<b>(150,083)</b>	(112,523)
Current	(167)	(15)
Noncurrent	<b>(149,916)</b>	(112,508)

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

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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

##### a) Trading securities

BDMG does not have securities classified under this category as at December 31, 2022 and 2021.

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

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

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

	<b>Unrealized gains (losses)</b>	<b>Tax effects</b>	<b>Mark to market</b>
Balance at 12/31/2021	10,707	(5,401)	5,306
Adjustment in the period	<b>(22,101)</b>	<b>11,058</b>	<b>(11,043)</b>
Balance at <b>12/31/2022</b>	<b>(11,394)</b>	<b>5,657</b>	<b>(5,737)</b>

Variable income securities classified as securities available for sale refer to shares recorded at fair value and reduced due to impairment.

Investments in investment fund shares are considered in this category at the share prices informed by the fund managers by means of monthly statements.

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

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### 6. Financial instruments (Continued)

#### 6.1. Marketable securities (Continued)

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

*Maturity of securities available for sale*

	<b>2022</b>			
	<b>From 31 to 60 days</b>	<b>From 91 to 180 days</b>	<b>From 181 to 360 days</b>	<b>More than 360 days</b>
	<b>Total</b>			
<b>Government securities</b>	-	61,607	-	550,142
LFT	-	-	-	462,560
NTN	-	61,607	-	87,582
<b>Corporate bonds</b>	218	9,483	18,493	215,270
Investment fund shares	218	9,483	18,493	130,774
Floating income securities	-	-	-	84,496
<b>Total</b>	<b>218</b>	<b>71,090</b>	<b>18,493</b>	<b>765,412</b>

	<b>2021</b>		
	<b>From 91 to 180 days</b>	<b>From 181 to 360 days</b>	<b>More than 360 days</b>
	<b>Total</b>		
<b>Government securities</b>	-	-	231,965
LFT	-	-	231,965
<b>Corporate bonds</b>	250	27,496	183,865
Investment fund shares	250	27,496	74,348
Floating income securities	-	-	109,517
<b>Total</b>	<b>250</b>	<b>27,496</b>	<b>415,830</b>

##### c) Securities held to maturity

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

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

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

#### 6.1. Marketable securities (Continued)

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

*Maturities of securities held to maturity*

	2022					
	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
Corporate bonds						
Debentures	-	-	-	-	92,795	92,795
Agribusiness Receivables Certificate - (CRA)	2,737	-	2,701	5,304	15,135	25,877
Investments in <i>Commodities</i> - CPR	-	3,302	30,288	77,674	18,595	129,859
Total	2,737	3,302	32,989	82,978	126,525	248,531

	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	-	-	-	-	82,054	-	82,054
NTN - Unrestricted	-	-	-	-	82,054	-	82,054
Corporate bonds	483	278	1,862	11,162	58,651	134,173	206,609
Debentures	-	-	-	-	-	79,257	79,257
Agribusiness Receivables Certificate - (CRA)	193	-	-	185	5,373	24,916	30,667
Investments in <i>Commodities</i> - CPR	290	278	1,862	10,977	53,278	30,000	96,685
Total	483	278	1,862	11,162	140,705	134,173	288,663



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

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

#### 6.1. Marketable securities (Continued)

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

##### i) *Debentures*

The securities were acquired for credit purposes 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	2022	2021
Acquisition in January 2019	67,144	01/11/2024	92,795	79,257
Provision for credit risk			(92,795)	(55,480)
Balance net of provision			-	23,777

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### **6. Financial instruments (Continued)**

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

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

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

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

In accordance with BACEN Circular Letter No. 3082/2002, 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 documented identification of the hedged risk with detailed information about the transaction; and
- Hedge effectiveness is maintained as a percentage within the range established in said Circular Letter.

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

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### 6. Financial instruments (Continued)

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

At the beginning of the transaction, as established in BACEN Circular Letter No. 3082/2002, 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 they exceed the contractual limits.

	2022	2021
Guarantees in effect:		
Interbank deposits	83,277	1,836
Funding in interbank deposits	-	39,414

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

				2022		2021	
	Commencement date	End date	Funding	Balance (foreign currency)	Curve	Balance (foreign currency)	Curve
CAF 1	09/27/2013	09/27/2023	US\$ 15,000	1,801	9,395	3,564	19,892
CAF 2	10/21/2013	10/23/2023	US\$ 30,000	3,587	18,714	7,112	39,684
CAF 3	12/19/2013	12/19/2023	US\$ 30,000	3,539	18,463	7,067	39,435
AFD3	02/02/2017	11/28/2025	€\$ 15,000	3,667	20,412	4,877	30,818
BEI	03/02/2020	02/20/2030	US\$ 9,301	8,844	46,140	9,322	52,014
FONPLATA	05/21/2020	05/19/2025	US\$ 36,000	30,286	158,007	36,141	201,662
BEI 2	12/03/2020	12/03/2030	US\$ 11,241	11,249	58,687	11,250	62,773
BEI 3	12/03/2020	12/03/2030	US\$ 35,703	35,729	186,400	35,732	199,379
CAF6	01/08/2021	12/18/2026	US\$ 40,000	35,639	185,931	40,034	223,388
CAF6	03/11/2021	12/18/2026	US\$ 60,000	53,458	278,895	60,052	335,081
BID INVEST	03/09/2021	12/19/2027	US\$ 50,000	41,660	217,346	50,012	279,064
AFD4	07/08/2021	07/30/2032	€\$ 17,500	17,851	99,369	17,767	112,264
BEI4	07/16/2021	07/09/2031	US\$ 11,633	11,820	61,664	11,659	65,058
CARGILL	09/24/2021	09/19/2022	US\$ 10,000	-	-	7,583	42,314
BEI5	03/22/2022	03/16/2032	US\$ 24,854	25,028	130,572	-	-
BEI6	11/18/2022	11/18/2032	US\$ 8,454	8,497	44,331	-	-
					1,534,326		1,702,826
Market value adjustment					(18,101)		636
Market value					1,516,225		1,703,462

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### 6. Financial instruments (Continued)

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

##### c) Swap amounts recorded

	2022		2021
	Notional value (memorandum account)	Amount receivable / payable (asset/liability account)	Net effect (profit or loss account)
(US\$ + Libor + Rate) vs. (BRL + %CDI) (1)	30,090	16,424	(11,199)
(EUR + Euribor + Rate) vs. (BRL + % CDI) (1)	18,428	8,739	(4,541)
(USD + Libor + Rate) vs. (BRL + Rate) (1)	39,032	6,342	(5,731)
(USD + Rate) vs. (BRL + %CDI) (1)	-	-	-
(US\$ + Libor + Rate) vs. (BRL + %CDI) (2)	960,944	(63,792)	(205,813)
(EUR + Euribor + Rate) vs. (BRL + % CDI) (2)	109,665	(6,318)	(15,972)
(USD + Rate) vs. (BRL + %CDI) (2)	410,127	(36,102)	(77,770)
	<u>1,568,286</u>	<u>(74,707)</u>	<u>(321,026)</u>
			<u>(1,744)</u>

(1) Difference receivable

(2) Difference payable

Notes: The amounts of difference receivable and difference payable are shown in Note 6.2.e.

##### d) Swaps by maturity

	From 181 to 360 days	More than 360 days	Total
<b>Long position – Difference receivable</b>			
Foreign currency	16,423	15,082	31,505
Total - 12/31/2022	<u>16,423</u>	<u>15,082</u>	<u>31,505</u>
Total - 12/31/2021	1,473	85,145	86,618
<b>Short position – Difference payable</b>			
Foreign currency	-	(106,212)	(106,212)
Total - 12/31/2022	<u>-</u>	<u>(106,212)</u>	<u>(106,212)</u>
Total - 12/31/2021	-	(16,363)	(16,363)
Net exposure - 12/31/2022	<u>16,423</u>	<u>(91,130)</u>	<u>(74,707)</u>
Net exposure - 12/31/2021	1,473	68,782	70,255

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### 6. Financial instruments (Continued)

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

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

	Notional value	Curve value	Mark to market	Market value
<b>Long position – Difference receivable</b>				
(US\$ + Libor + Rate) vs. (BRL + %CDI)	30,090	15,752	672	16,424
(EUR + Euribor + Rate) vs. (BRL + %CDI)	18,428	6,774	1,965	8,739
(US\$ + Libor + Rate) vs. (BRL + Rate)	39,032	6,304	38	6,342
Long position - 12/31/2022	<u>87,550</u>	<u>28,830</u>	<u>2,675</u>	<u>31,505</u>
Long position - 12/31/2021	1,019,988	87,869	(1,251)	86,618
<b>Short position – Difference payable</b>				
(US\$ + Libor + Rate) vs. (BRL + %CDI)	960,944	(69,182)	5,390	(63,792)
(EUR + Euribor + Rate) vs. (BRL + %CDI)	109,665	(18,911)	12,593	(6,318)
(USD + Rate) vs. (BRL + %CDI)	410,127	2,661	(38,763)	(36,102)
Short position - 12/31/2022	<u>1,480,736</u>	<u>(85,432)</u>	<u>(20,780)</u>	<u>(106,212)</u>
Short position - 12/31/2021	602,699	(18,249)	1,886	(16,363)
Net exposure - 12/31/2022	<u>1,568,286</u>	<u>(56,602)</u>	<u>(18,105)</u>	<u>(74,707)</u>
Net exposure - 12/31/2021	1,622,687	69,620	635	70,255

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

#### 6.3. Credit portfolio

The credit portfolio is composed of: i) credit transactions that include loans, financing and debtors for the purchase of goods and are taken out directly by the Bank, which is responsible for the credit risks of these transactions; ii) onlending through the transfer of Bank resources to partner institutions and accredited credit cooperatives. Onlending constitutes indirect operations since the partner institution that receives the resource is the one which negotiates the financing conditions and assumes the risk of credit granted.

The accounting treatment of loan transactions, onlending and the allowance for expected credit losses follows the criteria established by CMN Resolution No. 2682/1999 and, when applicable, a supplementary allowance is set up to cover possible additional risks.

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### 6. Financial instruments (Continued)

#### 6.3. Credit portfolio (Continued)

##### a) Breakdown of credit portfolio

	2022		2021			
	Gross balance	Allowance	Net balance	Gross balance	Allowance	Net balance
Loan transactions	5,797,279	(595,245)	5,202,034	5,819,553	(577,058)	5,242,495
Credits similar to loans	2,320	(38)	2,282	8,347	(160)	8,187
Onlending	57,519	(403)	57,116	2,377	(24)	2,353
Total	5,857,118	(595,686)	5,261,432	5,830,277	(577,242)	5,253,035
Current	2,590,440	(356,278)	2,234,162	2,187,330	(118,827)	2,068,503
Noncurrent	3,266,678	(239,408)	3,027,270	3,642,947	(458,415)	3,184,532

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

	2022	2021
<b>Loans</b>	<b>1,609,805</b>	1,766,914
Manufacturing	584,827	705,977
Trade	517,741	556,952
Other services	507,237	503,985
<b>Financing to the private sector</b>	<b>3,679,249</b>	3,503,320
Manufacturing	1,134,426	1,013,044
Trade	280,632	225,182
Other services	1,273,140	1,100,529
Agricultural and agro-industrial	987,461	1,154,705
Individuals	1,270	1,513
Other	2,320	8,347
<b>Financing to the public sector (direct and indirect municipal administrations)</b>	<b>510,545</b>	557,666
<b>Total loans and similar credit transactions</b>	<b>5,799,599</b>	5,827,900
<b>Onlending</b>	<b>57,519</b>	2,377
<b>Total</b>	<b>5,857,118</b>	5,830,277

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### 6. Financial instruments (Continued)

#### 6.3. Credit portfolio (Continued)

##### c) Maturities of credit portfolio transactions

Risk level	Loan transactions		Falling due (in days)						2022	2021
	Overdue (in days)									
	More than									
	From 15 to 90	90	Up to 90	From 91 to 360	From 361 to 1081	From 1081 to 1800	From 1800 to 5400	More than 5400	Total	Total
AA	-	-	252,782	597,731	684,946	329,558	285,931	13,480	2,164,428	2,117,778
A	6,910	-	144,886	293,532	268,696	108,810	100,314	-	923,148	1,455,540
B	13,102	-	192,905	307,326	335,094	133,454	224,466	-	1,206,347	824,404
C	16,538	8,591	86,096	206,659	310,209	64,037	17,842	-	709,972	651,934
D	13,348	6,727	10,695	31,339	57,829	28,161	9,682	-	157,781	163,393
E	7,550	3,676	13,519	36,526	50,662	4,566	8,278	-	124,777	112,014
F	147	3,338	300	680	208	-	-	-	4,673	6,535
G	9,449	7,903	255	627	1,625	1,547	1,210	-	22,616	26,542
H	38,951	31,201	13,001	216,530	38,956	28,041	22,981	96,196	485,857	469,760
	105,995	61,436	714,439	1,690,950	1,748,225	698,174	670,704	109,676	5,799,599	5,827,900

  

Risk level	Onlending		Falling due (in days)		2022	2021
	Up to 90	From 91 to 360	From 361 to 1080	From 1081 to 1800	Total	Total
AA	-	-	1,015	504	1,519	-
A	6	9,488	19,837	2,101	31,432	-
B	377	7,749	14,670	1,772	24,568	2,377
	383	17,237	35,522	4,377	57,519	2,377

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

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

#### 6.3. Credit portfolio (Continued)

##### d) Classification of credit portfolio transactions by risk level and allowance

Loan transactions						
Risk level	%	2022			2021	
		Portfolio	Allowance for expected credit losses based on minimum required percentages	Allowance for expected credit losses	Portfolio	Allowance for expected credit losses
AA	0	2,164,428	-	-	2,117,778	(12)
A	0.5	923,148	(4,616)	(4,616)	1,455,540	(7,297)
B	1	1,206,347	(12,063)	(12,063)	824,404	(8,244)
C	3	709,972	(21,299)	(21,368)	651,934	(20,005)
D	10	157,781	(15,778)	(15,778)	163,393	(16,449)
E	30	124,777	(37,433)	(37,433)	112,014	(33,604)
F	50	4,673	(2,337)	(2,337)	6,535	(3,268)
G	70	22,616	(15,831)	(15,831)	26,542	(18,579)
H	100	485,857	(485,857)	(485,857)	469,760	(469,760)
		<b>5,799,599</b>	<b>(595,214)</b>	<b>(595,283)</b>	<b>5,827,900</b>	<b>(577,218)</b>

  

Onlending						
Risk level	%	2022			2021	
		Onlending	Allowance for expected credit losses based on minimum required percentages	Allowance for expected credit losses	Onlending	Allowance for expected credit losses
AA	0	1,519	-	-	-	-
A	0.5	31,432	(157)	(157)	-	-
B	1	24,568	(246)	(246)	2,377	(24)
		<b>57,519</b>	<b>(403)</b>	<b>(403)</b>	<b>2,377</b>	<b>(24)</b>



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### 6. Financial instruments (Continued)

#### 6.3. Credit portfolio (Continued)

##### e) Changes in the allowance for expected credit losses

	2 <sup>nd</sup> half	2022	2021
Allowance for loans and similar credit transactions			
Opening balance	589,400	577,218	564,836
(+) Recognition of allowance, net of reversals	19,965	56,602	110,523
(-) Reduction in allowance due loans written down to loss	(14,082)	(38,537)	(98,141)
Closing balance	595,283	595,283	577,218
Provision for onlending			
Opening balance	163	24	-
(+) Allowance set up	240	379	24
Closing balance	403	403	24
Total allowance for loan portfolio	595,686	595,686	577,242

##### f) Loan transactions per type of fund

	2022	2021
Own funds	3,670,362	3,367,529
Third-party funds (onlending from financial institutions to the original transaction)	2,129,237	2,460,371
Total	5,799,599	5,827,900

The balance of the renegotiated loan transactions totals R\$1,432,479 (R\$1,856,225 at December 31, 2021).

##### g) Loan transactions assigned with guarantee

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

	2022	2021
Guarantees pending settlement	11,542	13,730
Transactions settled to be transferred	2,100	1,848
	13,642	15,578

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### 6. Financial instruments (Continued)

#### 6.3. Credit portfolio (Continued)

##### g) Loan transactions assigned with guarantee (Continued)

In 2022, the Bank, under the terms of CMN Resolution No. 2836/2001, assigned loans to persons who are not members of the National Financial System, in the amount of R\$5,110, with a result of R\$2,227, since the transactions assigned were recorded at the book value of R\$2,883.

##### h) Credit risk exposure (gross amounts)

The table above considers exposures of the Bank to credit risk in extended portfolio, which comprises the loan portfolio as at 12/31/2022 with a balance of R\$5,799,599 (R\$5,827,900 at 12/31/2021), as well as other exposures related to the following assigned and/or authorized credits: guarantees - R\$11,542 at 12/31/2022 (R\$13,730 at 12/31/2021); credit notes - R\$248,529 at 12/31/2022 (R\$206,609 at 12/31/2021); and credits to be released up to 360 days - R\$554,251 at 12/31/2022 (R\$344,956 at 12/31/2021).

The table below does not include onlending.

	2022		2021	
	Balance	%	Balance	%
Range				
Major customer	204,302	3	202,061	3
10 major customers	1,055,823	16	1,015,063	16
20 major customers	1,694,522	26	1,640,218	26
50 major customers	2,775,082	42	2,680,660	42
100 major customers	3,641,137	55	3,468,447	54
Other	2,972,784	45	2,924,748	46

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### 6.4. Other financial assets

	2022	2021
Customers - escrow deposits (a)	135,378	128,530
Taxes and contributions to be offset (b)	46,616	72,938
Sundry customers - domestic (c)	14,521	13,252
Prepaid salaries and advances (d)	3,744	967
Securities and credits receivable (e)	2,019	2,278
Income receivable (f)	1,418	1,693
Other	4,168	4,246
	<b>207,864</b>	<b>223,904</b>
Current	<b>68,249</b>	<b>19,987</b>
Noncurrent	<b>139,615</b>	<b>203,917</b>

(a) Customers - escrow deposits

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

Breakdown	2022	2021
Deposits for tax suits filed	132,075	125,661
Deposits for labor claims	3,210	2,782
Deposits for civil suits	93	87
Total	<b>135,378</b>	<b>128,530</b>
Current	-	-
Noncurrent	<b>135,378</b>	<b>128,530</b>

- (b) The balance of R\$46,616 (R\$72,938 at December 31, 2021) referring to prepaid taxes to be offset includes the amount of R\$46,600 (R\$72,928 at December 31, 2021) of credit recognized by court decision arising from a lawsuit filed by BDMG against the Federal Government on September 12, 1995, seeking to rule out the payment of PIS/PASEP. Pursuant to the decision handed down by the Regional Court (TRF) - 1st Chapter, BDMG was granted the right to pay PASEP based on Supplementary Law No. 8/70. The final an unappealable decision on this suit was granted on December 3, 2021 according to the Certificate issued by the TRF - 1st Chapter. In May 2022, after the credits were validly reported before the Brazilian IRS, the Bank began to offset this credit.
- (c) The balance of R\$14,521 (R\$13,252 at December 31, 2021) refers to the amount to be refunded by the National Treasury Office (STN) 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.
- (d) The balance of advances and salary advances of R\$3,744 (R\$967 at December 31, 2021) refers to advances for vacation pay and other payroll items.
- (e) The notes and credits receivable balance refers to income of R\$2,019 (R\$2,278 at December 31, 2021) to be refunded by the National Treasury Office (STN), in accordance with the legal determinations applicable to agricultural loans financed with funds from the STN and subsequent renegotiations of these operations.
- (f) The balance of income receivable arises from: i) commissions for services provided by the Bank as a financial agent/representative in contracting loans granted with resources from the development funds made available to BDMG for such purposes, and totals R\$1,268 (R\$1,564 at December 31, 2021), net of the respective provisions. The income is payable upon maturity of the contracted installments, and a provision is recorded based on the percentage of the risk level under which the transaction generating the income is classified. This risk classification is in line with the Bank's policy, which extended to the transactions funded by resources from the administered funds the same criteria established in CMN Resolution No. 2682/1999 for loans of BDMG's own portfolio; and ii) R\$150 (R\$129 at December 31, 2021) referring to other income receivable.

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

#### a) Property and equipment in use

	2022		2021	
	Cost	Accumulated depreciation	Net amount	Net amount
Real estate	44,598	(29,909)	14,689	14,963
Facilities, furniture and equipment	6,398	(5,894)	504	426
Data processing equipment	7,298	(6,988)	310	505
Other	453	(423)	30	28
Construction in progress	6	-	6	153
	<b>58,753</b>	<b>(43,214)</b>	<b>15,539</b>	<b>16,075</b>

No indications of impairment losses were identified in connection with the aforementioned assets.

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\$50,000 at December 31, 2021).

#### b) Intangible assets

	2022		2021	
	Cost	Accumulated amortization	Net amount	Net amount
Data processing system (software)	60,616	(35,994)	24,622	19,733

### 8. Other assets

	2022	2021
Nonfinancial assets held for sale (i)	30,532	50,297
Provision for nonfinancial assets held for sale	(5,499)	(7,816)
Prepaid expenses (ii)	12,760	12,166
Other	509	535
	<b>38,302</b>	<b>55,182</b>
Current	4,632	3,426
Noncurrent	33,670	51,756

- (i) Refer to assets received in liquidation of financial instruments, whose collection of related amounts was characterized as doubtful or difficult, and own assets no longer in use and intended for sale;
- (ii) Refers mainly to: 1) 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; and ii) ongoing service expenses, recorded in accordance with CMN Resolution No. 4924/2021.

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### 9. Financial liabilities

#### 9.1. Deposits and funding

	2022	2021
Deposits		
Interbank deposits (a)	22,695	490,702
Time deposits (b)	336,660	279,454
Funding		
Financial bills (c)	296,310	-
Agribusiness Credit Bills (LCA)	827,225	479,527
	<b>1,482,890</b>	<b>1,249,683</b>
Current	813,934	818,636
Noncurrent	668,956	431,047

#### Deposits

##### (a) Interbank deposits:

- R\$22,695 (R\$451,288 at December 31, 2021) - funding from financial institutions for Time Deposits with Special Guarantee (DPGE).  
At December 31, 2021 there was a deposit in the amount of R\$39,414 to cover the clause contained in the derivative contracts.

##### (b) Time deposits - the balance includes securities issued for:

- Market funding: R\$336,660 (R\$193,709 at December 31, 2021).
- Funding with guarantee of DPGE - R\$0 (R\$85,745 at December 31, 2021).

##### (c) Financial bills: In 2022, the Bank resumed issuing financial bills with an average rate of 114.52% of the Interbank Deposit and an average issue term of 2.22 years.

#### Deposit maturities

							2022	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	Total
<b>Interbank deposits</b>	-	-	-	-	22,695	-	22,695	490,702
Guarantee margin	-	-	-	-	-	-	-	39,415
DPGE	-	-	-	-	22,695	-	22,695	451,287
<b>Time deposits</b>	950	1,217	2,098	52,607	91,590	188,198	336,660	279,454
With certificate	950	1,217	2,098	52,607	91,590	188,198	336,660	193,709
DPGE	-	-	-	-	-	-	-	85,745
	<b>950</b>	<b>1,217</b>	<b>2,098</b>	<b>52,607</b>	<b>114,285</b>	<b>188,198</b>	<b>359,355</b>	<b>770,156</b>
Current							171,157	594,727
Noncurrent							188,198	175,429

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

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

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

##### 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.

##### Maturities

							2022	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	Total
Private financial bills	-	-	-	-	-	296,310	296,310	-
Agribusiness Credit Bills (LCA)	5,545	24,609	33,903	352,826	225,894	184,448	827,225	479,527
Total	5,545	24,609	33,903	352,826	225,894	480,758	1,123,535	479,527
Current							642,777	223,909
Noncurrent							480,758	255,618

#### 9.2. Borrowings and onlending

##### a) Foreign borrowings

	12/31/2022		12/31/2021	
	Curve	Market	Curve	Market
Institution:				
CAF	511,398	515,554	657,480	661,015
BEI	527,794	487,818	379,224	373,729
BID INVEST	217,346	219,324	279,064	280,949
AFD	157,104	171,663	199,431	200,241
FONPLATA	158,007	159,188	201,662	201,634
CARGILL	-	-	42,314	42,243
		1,553,547		1,759,811
Current		333,442		263,563
Noncurrent		1,220,105		1,496,248

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.

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### 9. Financial liabilities (Continued)

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

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

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

The Bank represents that all conditions contained in these contracts, including those provided for in additional agreements (waivers), have been met.

*Funds by institution of origin*

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

The current balance of funds raised from CAF refers to the following tranches:

Tranche	Date of release	Final maturity	2022			2021		
			Release (US\$)	Current balance US\$	Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
CAF 1	09/27/2013	09/27/2023	15,000	1,801	9,395	9,515	19,892	20,017
CAF 2	10/21/2013	10/23/2023	30,000	3,587	18,714	18,959	39,684	39,912
CAF 3	12/19/2013	12/19/2023	30,000	3,539	18,463	18,769	39,435	39,822
CAF 6	12/18/2020	12/18/2026	100,000	89,097	464,826	468,311	558,469	561,264
			175,000	98,024	511,398	515,554	657,480	661,015

The financial charges on these agreements correspond to interest at the 6-month Libor rate plus a fixed rate that range depending on the tranche.

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

The tranches that make up the balance of funds released by AFD are as follows:

Tranche	Date of release	Final maturity	Release €	Current balance €	2022		2021	
					Curve R\$	Market R\$	Curve R\$	Market R\$
AFD 1(*)	07/22/2014	11/28/2025	9,000	3,011	16,762	16,762	25,306	25,306
AFD 2(*)	10/13/2014	11/28/2025	7,000	2,342	13,037	13,037	19,683	19,683
AFD 3(**)	02/02/2017	11/28/2025	15,000	5,019	27,936	29,901	42,178	42,959
AFD 4	02/03/2021	07/30/2032	17,500	17,851	99,369	111,963	112,264	112,293
			48,500	28,223	157,104	171,663	199,431	200,241

(\*) 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 AFD 3 was used to back a loan transaction to a customer under the same financial conditions as contracted, plus the Bank's remuneration. The remaining balance is hedged by swap.

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### 9. Financial liabilities (Continued)

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

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

*Funds by institution of origin* (Continued)

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

The above tranches refer to two contracts executed with AFD, with maturities of up to 11 years and financial charges corresponding to the 6-month Euribor rate plus a percentage that ranges depending on the tranche.

##### iii) European Investment Bank (EIB)

The current balance of funds raised from the EIB to finance Renewable Energy and Energy Efficiency projects is made up of the following tranches:

Tranche	Date of release	Final maturity	Release (US\$)	Current balance US\$	2022		2021	
					Curve (R\$)	Market (R\$)	Curve (R\$)	Market (R\$)
BEI 1	03/02/2020	02/20/2030	9,301	8,844	46,140	46,179	52,014	53,018
BEI 2	12/03/2020	12/03/2030	11,241	11,249	58,687	51,495	62,773	61,217
BEI 3	12/03/2020	12/03/2030	35,703	35,729	186,400	163,559	199,379	194,435
BEI 4	07/09/2021	07/09/2031	11,633	11,820	61,664	60,412	65,058	65,059
BEI 5	03/16/2022	03/16/2032	24,854	25,028	130,572	120,846	-	-
BEI 6	11/18/2022	11/18/2032	8,454	8,497	44,331	45,327	-	-
			<b>101,186</b>	<b>101,167</b>	<b>527,794</b>	<b>487,818</b>	<b>379,224</b>	<b>373,729</b>

The payment term of the contract entered into with EIB is effective for 10 years from the date of release of each tranche, and the contractual charges range according to the tranches. For tranches 1 and 4, interest corresponds to the 6-month Libor rate plus a percentage that ranges according to the tranche. Interest on the other tranches was agreed at fixed rates.



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

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### 9. Financial liabilities (Continued)

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

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

*Funds by institution of origin* (Continued)

##### iv) Inter-American Investment Corporation - IDB Invest

Tranche	Date of release	Final maturity	Release (US\$)	Current balance US\$	Curve (R\$)	2022		2021	
						Market R\$	Curve R\$	Market (R\$)	Curve (R\$)
1	12/29/2020	12/29/2027	50,000	41,660	217,346	219,324	279,064	280,949	

This funding resulted in the issue by BDMG of sustainable bonds in the amount of US\$50 million, registered with the New York Stock Exchange, which were fully acquired by IDB Invest. These bonds have a maturity of up to 7 years and bear interest at the 3-month USD Libor rate plus a fixed rate.

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

Tranche	Date of release	Final maturity	Release (US\$)	Current balance US\$	Curve (R\$)	2022		2021	
						Market (R\$)	Curve (R\$)	Market (R\$)	Curve (R\$)
FONPLATA	05/21/2020	05/17/2025	36,000	30,286	158,007	159,188	201,662	201,634	

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.

The agreement has a maturity of 5 years, which can be extended up to 8 years and bears interest at the 6-month Libor rate plus a fixed rate.

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

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### 9. Financial liabilities (Continued)

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

##### b) Domestic onlending

The onlending refers to obligations arising from resources obtained from funds and official programs to be onlent to finance projects in the state of Minas Gerais. The principal and related charges mature by 2038, and financial charges are defined in the operating policies of each agency or fund that is transferring the resources. The BNDES/FINAME system is the main source of onlending from BDMG to its customers.

The balances of obligations are as follows:

	2022	2021
BNDES (1)	658,245	820,579
FINAME	615,642	673,781
Funcafé (2)	329,275	406,369
Fungetur (3)	84,274	310,269
FINEP	67,161	88,915
FNDE – SUDENE (4)	72,043	-
CEF	13,416	13,847
National treasury	7,444	8,430
BNB	5,361	7,835
	<b>1,852,861</b>	<b>2,330,025</b>
Current	702,040	1,054,606
Noncurrent	1,150,821	1,275,419

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

	2022	2021
BNDES FINEM	226,380	230,070
BNDES Automático	177,811	231,223
Other lines	254,054	359,286
	<b>658,245</b>	<b>820,579</b>

(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).

(4) Resources from the contract entered into with Northeast Development Fund (FDNE) in 2022 are intended for onlending for investments in the areas covered by the Supervisory Authority for Development of the Northeast (SUDENE), in Minas Gerais.

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### 10. Provisions

	2022	2021
Actuarial obligations (a)	375,205	382,768
Contingent liabilities: tax, labor and civil (b)	234,362	226,039
Provision for other contingencies	7,056	7,618
Total	616,623	616,425
Current	24,436	23,052
Noncurrent	592,187	593,373

#### a) Actuarial obligations

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

	12/31/2022	12/31/2021
Actuarial liability related to the Pension Plan - defined benefit (DB) and variable contribution (VC)	238,186	247,147
Actuarial liability related to the Health Promotion Program (PRO-SAÚDE), and healthcare and dental care plan	123,084	120,812
Actuarial liability related to life insurance	13,935	14,809
Total	375,205	382,768
Current	23,549	22,293
Noncurrent	351,656	360,475

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

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

Provisions are also recorded, under the terms established by Bacen Circular Letter No. 3429/2010, for tax proceedings for which the constitutionality of laws that instituted them has been challenged in court (Note 19).

Contingent liabilities accrued, by nature, and related changes for the period are as follows:

	2021	Provisions recorded	Restatement	(Write-offs)	2022
Tax (b.1)	197,305	41	11,085	-	208,431
Civil (b.2)	10,512	287	-	(3,700)	7,099
Labor (b.3)	18,222	1,677	-	(1,067)	18,832
Total	226,039	2,005	11,085	(4,767)	234,362
Current liabilities	-	-	-	-	-
Noncurrent	226,039	-	-	-	234,362

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### 10. Provisions (Continued)

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

##### b.1) *Tax contingencies*

Changes in provisions for tax contingencies, by proceeding, are as follows:

	2021	Provision	Restatement	2022
Change in COFINS tax base - Law No. 9718/1998	128,027	-	7,706	<b>135,733</b>
Change in PIS/PASEP tax base - Law No. 9718/1998	66,321	-	3,267	<b>69,588</b>
Other contingencies	2,957	41	112	<b>3,110</b>
	<b>197,305</b>	<b>41</b>	<b>11,085</b>	<b>208,431</b>

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), whose likelihood of loss was assessed as probable or which constitute tax obligations.

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

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### 10. Provisions (Continued)

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

##### b.1) Tax contingencies (Continued)

The following table lists the tax proceedings with the related assessments, provisions and deposits:

Proceeding	Likelihood of loss	Tax obligation	Balance	Provision	Judicial deposit
Change in COFINS tax base - Law No. 9718/1998	Probable	Yes	60,523	60,523	60,523
	Possible	Yes	75,210	75,210	-
		No	67,276	-	-
Change in PIS/PASEP tax base - Law No. 9718/1998	Probable	Yes	12,044	12,044	12,044
		No	57,544	57,544	57,544
Other contingencies	Probable	No	3,110	3,110	1,668
	Possible	No	41,002	-	298
<b>Total at 12/31/2022</b>	-	-	<b>316,709</b>	<b>208,431</b>	<b>132,077</b>
Total at 12/31/2021	-	-	361,839	197,305	125,691

With the issue of BCB Regulatory Instruction No. 319/2022 on November 4, 2022, which revokes Bacen Circular Letter No. 3429/2010 as of January 1, 2023, the provisions set up based on this regulation must be reversed, if the lawsuits covered by it are assessed as possible or remote risk of loss.

According to the survey carried out, in January 2023, provisions for tax contingencies amounting to R\$75,210 (R\$70,588 at December 31, 2021) will be reversed against the P&L account. These provisions were set up regarding the lawsuit in which the COFINS tax base is challenged. There are no taxes levied on the amount to be reversed.

##### b.2) Civil contingencies

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.

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

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

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

##### b.2) *Civil contingencies* (Continued)

To cover the risks associated with these proceedings, the Bank made judicial deposits recorded in the subaccount "Customers - escrow deposits", in the amount of R\$61 (R\$57 at December 31, 2021).

##### b.3) Labor contingencies

Labor contingencies whose likelihood 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 Consolidated Labor Laws ("CLT"), and the applicable bank divider for calculation of overtime. There are also cases involving subsidiary liability brought against service providers of the Bank. The provisions are restated by reference to the SELIC rate plus interest of 1% per month.

Judicial deposits of R\$3,210 (R\$2,782 at December 31, 2021) to appeals associated with labor claims are recorded in the subaccount "Customers - escrow deposits".

##### b.4) *Tax, labor and civil contingencies whose likelihood 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:

	2022		2021	
	Number	Balance	Number	Balance
Tax (i)	12	108,278	10	96,847
Labor (ii)	3	5,255	-	-
Civil	38	4,449	29	1,600
	52	116,678	39	98,447

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

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### Provisions (Continued)

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

##### b.4) *Tax, labor and civil contingencies whose likelihood of loss has been assessed as possible* (Continued)

- (i) Tax proceedings assessed as possible loss and for which no provision was set up are as follows:

Proceeding	2022	2021
Change in COFINS tax base - Law No. 9718/1998	67,276	62,192
• Automatic fine	43,528	40,062
• PGFN Charges	23,748	22,130
Sundry proceedings	41,002	34,655
• IRPJ and CSLL	30,443	29,278
• INSS	5,961	2,197
• ISSQN	1,329	-
• Sundry	3,269	3,180-
<b>Total</b>	<b>108,278</b>	<b>96,847</b>

- (ii) Three (3) lawsuits filed by employees of UNITEC, in which BDMG holds 6.5% interest, are assessed as possible loss. Due to this equity interest, the Bank appears in the labor claim as joint and severally liable in relation to the percentage held by the other shareholders.

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

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### 11. Other liabilities

#### Balance breakdown

	2022	2021
Financial and development funds (a)	222,612	115,259
Social and statutory obligations (b)	67,221	118,000
Current tax liabilities (c)	20,159	39,053
Sundry creditors - domestic (d)	35,741	36,631
Provision for payments to be made (e)	28,397	23,014
Other	2,310	919
Total	376,440	332,876
Current	163,841	227,566
Noncurrent	212,599	105,310

- (a) Financial and development funds - the balance of R\$222,612 (R\$115,259 at December 31, 2021) 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/representative of these funds.

The various funds in which the Bank operates as a financial agent/representative are controlled by means of individualized accounting groups, held in memorandum accounts (unaudited), which record the balances of financing receivable as well as the total cash available, which includes the amounts transferred by the funds for the granting of new financing, plus the total of installments already received, net of the remuneration paid to the Bank.

It is observed that the installments received net of the remuneration are transferred to the funds as they enter the Bank's cash.

Fund assets (unaudited)	2022	2021
State funds	3,846,114	3,827,273
Private funds	43,836	42,424
Other funds	90,525	84,857
	3,980,475	3,954,554



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

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### 11. Other liabilities (Continued)

#### Balance breakdown (Continued)

- (b) Social and statutory obligations - the balance of R\$67,221 refers to the amount of interest on equity credited to shareholders, as decided by the Special General Meeting held on December 23, 2022.

On February 1, 2022, the shareholder State of Minas Gerais paid up, using its IOE share in the amount of R\$107,223, a capital increase in the Bank, as approved by the shareholders at the SGM held on the same date.

- (c) Current tax liabilities

	2022	2021
Taxes and social contributions on salaries	5,688	5,039
Other taxes and social contributions payable	3,088	6,374
Provision for taxes and contributions	11,383	27,640
	<b>20,159</b>	<b>39,053</b>

- (d) Sundry creditors - balance breakdown

	2022	2021
Deferred revenue	17,518	16,779
Receivables from customers to be offset	10,730	9,023
Amounts to be transferred to INDI	2,976	2,058
Attorney's fees payable (received from customers)	2,628	2,436
3ACEN Compulsory-Enrollment with the Non-Tax Debt Settlement Program (PRD)	-	3,591
Sale of payroll	181	421
Other	1,708	2,323
	<b>35,741</b>	<b>36,631</b>

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

	2022	2021
Vacation pay, 13th monthly salary and other charges	15,289	14,321
Employee profit sharing	8,272	7,138
Other	4,836	1,555
	<b>28,397</b>	<b>23,014</b>

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

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### 12. Equity

#### a) Capital

The subscribed capital of BDMG comprises 74,775,621,386 (71,093,757,547 at 12/31/2021) registered common shares with no par value, totaling R\$2,218,407 (R\$2,111,184 at 12/31/2021).

At the BDMG's Special General Meeting held on December 23, 2022, it was unanimously decided to comply with the resolution at the SGM of Companhia de Desenvolvimento de Minas Gerais - CODEMGE, held on November 4, 2022, whereby the 5,890,944,550 common shares of the Bank, owned by that company, were transferred to the shareholder State of Minas Gerais.

The Bank's shareholding composition, in relation to the capital amount, is presented below:

#### (i) Position at December 31, 2022

Shareholder	Capital breakdown		(%) Equity interest
	Amount	Number of shares	
State of Minas Gerais	2,199,587	74,173,276,182	99.19
MGI - Minas Gerais Participações	18,820	602,345,163	0.81
Departamento de Edificações e Estradas de Rodagem do Estado de Minas Gerais-DEER-MG	-	41	-
<b>Total</b>	<b>2,218,407</b>	<b>74,775,621,386</b>	<b>100.00</b>

#### (ii) Position at December 31, 2021

Shareholder	Capital breakdown		(%) Equity interest
	Amount	Number of shares	
State of Minas Gerais	1,908,303	64,600,467,793	90.87
Companhia de Desenvolvimento de Minas Gerais - CODEMGE	184,061	5,890,944,550	8.28
MGI - Minas Gerais Participações	18,820	602,345,163	0.82
Departamento de Edificações e Estradas de Rodagem do Estado de Minas Gerais-DEER-MG	-	41	-
<b>Total</b>	<b>2,111,184</b>	<b>71,093,757,547</b>	<b>100.00</b>

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

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

#### b) Equity adjustments

	2022	2021
Mark to market (i)	(5,737)	5,306
Other equity adjustments (ii)	(113,744)	(133,910)
Total	(119,481)	(128,604)

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

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

#### c) Income reserves

Income reserve amounting to R\$85,315 (R\$98,089 at December 31, 2021) comprising the legal reserve of R\$17,895 (R\$10,805 at December 31, 2021) calculated based on 5% of net income for the period, limited to 20% of capital; and special income reserve amounting to R\$67,420 (R\$87,284 at December 31, 2021).

In December 2021, the special income reserve was allocated for the payment of dividends to shareholders, as resolved at the Annual General Meeting held on April 28, 2022.

#### d) Retained earnings

In 2022, a positive result of R\$141,812 was recorded (R\$231,177 at December 31, 2021), of which R\$76,319 in the second half of the year (R\$177,046 in the second half of 2021).

#### e) Earnings per share

	2022		2021
	Six-month period	Year	Year
Net income	76,319	141,812	231,177
Number of shares (lot of 1000 shares)	74,775,621	74,775,621	71,093,757
Basic earnings per share	0.00102	0.00190	0.00325

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

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

#### f) Recurring and nonrecurring income

The breakdown of recurring and nonrecurring income for the second half of 2022 and for the 12-month periods ended December 31, 2022 and 2021 is prepared in accordance with BDMG's internal policy, pursuant to BCB Resolution No. 2/2020:

	<b>2022</b>		<b>2021</b>
	<b>Six-month period</b>	<b>Year</b>	<b>Year</b>
<b>Recurring income</b>	<b>76,319</b>	<b>141,812</b>	142,012
<b>Nonrecurring income (1)</b>	-	-	89,165
• Recognition of tax credit	-	-	74,820
• Reversal of allowances for expected credit losses associated with credit risk - Note 7.3 (2)	-	-	75,553
• Allowances for expected losses associated with credit risk	-	-	(68,406)
• Mark to market of investment in an Equity Investment Fund (FIP) (3)	-	-	7,198
	<b>76,319</b>	<b>141,812</b>	<b>231,177</b>

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

(2) Reversal of allowance arising from credit assignment with substantial transfer of risks and rewards.

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

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

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### 13. Statement of profit or loss accounts

#### a) Income from loans

		2022	2021
	Six-month period	Year	Year
Income from loans and financing (1)	371,821	746,290	570,515
Credits recovered	79,464	126,620	208,221
Sale or transfer of financial assets	-	-	2,092
	<b>451,285</b>	<b>872,910</b>	<b>780,828</b>

(1) The growth in income from loans and financing derived from the increase in the SELIC rate, which comprises the charges on loan transactions.

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

##### i) *Gains (losses) on marketable securities and foreign exchange transactions*

		2022	2021
	Six-month period	Year	Year
Gains on repurchase agreements (1)	82,701	161,316	63,689
Income (loss) from foreign exchange transactions	46	90,808	60,165
Gains on fixed income securities	18,464	48,551	29,209
Gains on investment funds	11,206	19,467	17,334
Other	5,537	10,911	879
	<b>117,954</b>	<b>331,053</b>	<b>171,276</b>

(1) The increase in these gains was due to the increase in the interest rate in the period, as well as in the average balance of these transactions.

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

Notes to financial statements (Continued)  
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### 13. Statement of profit or loss accounts (Continued)

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

		2022	2021
	Six-month period	Year	Year
Expenses on borrowings and onlending	(220,775)	(515,737)	(316,733)
Foreign borrowing expenses, net of the effect of gains (losses) on derivative transactions - swap (1)	(140,325)	(339,904)	(157,400)
BNDES and FINAME onlending expenses	(42,041)	(103,755)	(121,200)
Onlending expenses - other institutions (3)	(28,840)	(56,148)	(34,840)
Expenses with financial and development fund obligations	(9,569)	(15,930)	(3,293)
Expenses on open market funding	(78,187)	(146,554)	(73,249)
Interbank deposit and repurchase agreement expenses (2)	(24,172)	(69,156)	(42,392)
Agribusiness credit bill expenses (4)	(35,599)	(58,982)	(30,857)
Financial bill expenses	(18,416)	(18,416)	-
	(298,962)	(662,291)	(389,982)

(1) The increase in these expenses derived from: (a) classification of foreign exchange gains on obligations due to foreign borrowings, such as Gain on marketable securities and exchange transactions (Note 13 A (i)) and (b) increase in the CDI rate.

(2) The increase in expenses is mainly related to the increase in the CDI rate.

(3) Onlending expenses - other institutions - growth due to the increase in the SELIC rate that restates the balance of funds held by the Bank.

(4) The growth in expenses with Agribusiness Credit Bills resulted from the higher volume of notes issued and the high CDI rate that remunerates a significant part of these notes.

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

##### i) *Tax expenses*

		2022	2021
	Six-month period	Year	Year
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	(11,947)	(23,968)	(22,274)
Service Tax (ISSQN)	(1,019)	(2,053)	(1,922)
Other	(47)	(818)	(787)
	(13,013)	(26,840)	(24,983)

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

Notes to financial statements (Continued)  
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### 13. Statement of profit or loss accounts (Continued)

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

ii) *Administrative expenses*

	2022		2021
	Six-month period	Year	Year
Outsourced services and expert technicians	(7,722)	(13,988)	(12,668)
Depreciation and amortization	(5,894)	(11,409)	(8,898)
Data processing	(9,246)	(13,855)	(8,221)
Advertising and communication	(4,024)	(5,751)	(7,160)
Registration	(1,978)	(3,727)	(3,711)
Maintenance and materials	(2,211)	(3,848)	(3,291)
Rent and infrastructure	(522)	(1,160)	(894)
Travel and transportation	(999)	(1,304)	(669)
Other	(1,394)	(2,599)	(2,106)
	<b>(33,990)</b>	<b>(57,641)</b>	<b>(47,618)</b>

iii) *Personnel expenses*

	2022		2021
	Six-month period	Year	Year
Salaries	(40,548)	(78,296)	(68,693)
Social charges	(15,332)	(28,715)	(25,087)
Benefits	(5,716)	(10,686)	(9,602)
Officer and Board member fees	(2,662)	(5,151)	(4,515)
Intern compensation	(1,507)	(2,915)	(3,093)
Training	(848)	(1,045)	(748)
Other	(18)	(30)	(43)
	<b>(66,631)</b>	<b>(126,838)</b>	<b>(111,781)</b>

iv) *Other operating income*

	2022		2021
	Six-month period	Year	Year
Income from court decisions	832	1,764	72,636
Reversal of sundry provisions	2,138	9,015	3,628
Income from restatement - STN	76	354	2,025
Income from equalization - STN	232	534	733
Other	1,779	3,297	6,004
	<b>5,057</b>	<b>14,964</b>	<b>85,026</b>

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

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

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

v) *Other operating expenses*

		2022	2021
	2 <sup>nd</sup> half	Year	Year
Expenses with agreement - Institute of Integrated : of Minas Gerais (INDI)	(4,375)	(8,253)	(6,449)
Expenses with BDMG Cultural agreement	(2,238)	(4,494)	(4,335)
Expenses with discounts granted on renegotiations (1)	(25,019)	(33,012)	(5,277)
Fees/commissions on foreign borrowings	(4,398)	(6,067)	(3,221)
Expenses with bonus and discount on loans	(1,059)	(1,407)	(1,814)
Indemnities	(553)	(3,479)	(217)
Other	(4,261)	(5,710)	(5,288)
	<b>(41,903)</b>	<b>(62,422)</b>	<b>(26,601)</b>

(1) The amount of the discounts granted derives, in part, from agreements entered into within the scope of the 2022 campaign for renegotiating debts with cash payments.

vi) *Expenses with provisions*

		2022	2021
	Six-month period	Year	Year
Post-employment benefit - private pension plan - VB and VC	(19,521)	(34,173)	(27,885)
Post-employment benefits - health and life insurance	(10,124)	(17,635)	(13,132)
Expense with provision for tax obligations	(2,637)	(4,803)	(4,422)
Expense with provision for labor obligations	(921)	(1,677)	(2,289)
Expense with provision for civil obligations	(287)	(287)	(3,047)
Provisions for agricultural transactions with guarantee	(30)	(577)	(325)
Other	(132)	(246)	(471)
	<b>(33,652)</b>	<b>(59,398)</b>	<b>(51,571)</b>



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### 14. Income and social contribution taxes

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

		2022	2021
	Six-month period	Year	Year
<b>Income before IRPJ, CSLL and profit sharing</b>	<b>88,184</b>	<b>211,390</b>	309,396
Profit sharing	(4,687)	(9,672)	(10,656)
<b>Income before income and social contribution taxes</b>	<b>83,497</b>	<b>201,718</b>	298,740
Current rates	45%	45%	45%
Income and social contribution taxes at current rates	(37,574)	(90,774)	(134,433)
Effects on tax calculation:			
Interest on equity	30,286	30,286	44,330
Nondeductible expenses and nontaxable income	(249)	26	24,615
Tax incentives	833	1,080	1,478
Other amounts (1)	(474)	(524)	(3,553)
<b>Income and social contribution tax expenses</b>	<b>(7,178)</b>	<b>(59,906)</b>	(67,563)
Deferred tax assets	(1,013)	(12,295)	(951)
Current income and social contribution taxes payable	(6,165)	(47,611)	(66,612)

(1) In 2021, under "Other amounts", the amount of R\$2,941 is highlighted, 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 signed into Law No. 14186/2021.

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

#### 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 expected 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.

#### *Origin of tax credits*

	2021	Recognition	Realization	2022
Doubtful receivables	300,511	217,227	(237,673)	<b>280,065</b>
Post-employment benefit	172,247	22,960	(26,364)	<b>168,843</b>
COFINS (change in tax base established by Law No. 9718/1998)	43,527	2,090	-	<b>45,617</b>
Devaluation of marketable securities	50,635	16,911	(8)	<b>67,538</b>
Change in PIS/PASEP tax base established by Law No. 9718/1998	11,465	-	-	<b>11,465</b>
Civil, labor and tax contingencies	15,944	1,009	(2,319)	<b>14,634</b>
Guarantee with STN	1,161	260	(372)	<b>1,049</b>
Other	4,278	72,821	(74,605)	<b>2,494</b>
<b>Total temporary differences</b>	<b>599,768</b>	<b>333,278</b>	<b>(341,341)</b>	<b>591,705</b>
IRPJ tax loss - 25%	18,218	-	(11,540)	<b>6,678</b>
CSLL tax loss - 20%	14,695	-	(9,192)	<b>5,503</b>
<b>Subtotal</b>	<b>632,681</b>	<b>333,278</b>	<b>(362,073)</b>	<b>603,886</b>
Mark to market of securities available for sale	1,374	-	4,631	<b>6,005</b>
<b>Total tax credits</b>	<b>634,055</b>	<b>333,278</b>	<b>(357,442)</b>	<b>609,891</b>

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

#### b) Tax credits (Continued)

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

	<b>Nominal value</b>	<b>Present value</b>
Year:		
2023	160,657	150,487
2024	104,808	86,910
2025	66,574	48,872
2026	91,893	59,719
2027	30,977	17,821
2028	35,401	18,030
2029	36,089	16,272
2030	29,254	11,677
2031	28,930	10,222
2032	25,308	7,917
<b>Total</b>	<b>609,891</b>	<b>427,927</b>

The present value of tax credits is obtained by discounting the future flow of recovery at the average rate of the funding taken out by BDMG.

#### c) Deferred tax obligations

	<b>2022</b>	<b>2021</b>
Deferred revenue	<b>21,110</b>	20,220
Mark to market of securities available for sale	<b>347</b>	6,774
<b>Total</b>	<b>21,457</b>	26,994

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### 15. Related parties

Pursuant to CMN Resolution No. 4818/2020, the Bank's internal regulations, Law No. 13303/2016, and State Decree No. 47154/2017 regarding this issue, BDMG carried out the following ongoing transactions with related parties:

#### a) Legal entities

Entity	Transaction base	Balances and/or income/expenses allocated
Estado de Minas Gerais	<u>Contracts entered into with the managing agencies of state funds</u> Rendering of services as a financial agent/representative of state funds upon receipt of a commission included in the finance charges of financing taken out with resources from the funds	<u>Balance of financing</u> Year 2022 - R\$614,652 Year 2021 - R\$656,076 <u>Revenues</u> 2 <sup>nd</sup> half of 2022 - R\$3,504 Year 2022 - R\$6,506 Year 2021 - R\$6,636
	<u>Contracts entered into through SEDE</u> - Minas Gerais State Department of Economic Development for rendering of advisory and technical assistance services	Revenues 2 <sup>nd</sup> half of 2022 - R\$2,372 Year 2022 - R\$7,559 Year 2021 - R\$4,573
	i) Preparation of the disinvestment system of CODEMGE's assets. Contract execution - February 2021 Deadline as from the agreement effectiveness date: 105 weeks, and may be extended until completion of the subject matter. Total remuneration: R\$19,989 (annual readjustment of the outstanding balance, by the IPCA).	Expenses: 2 <sup>nd</sup> half - R\$1,314 Year 2022 - R\$2,233 Year 2021 - R\$0
	ii) Structuring of the Real Estate Investment Fund - FII, into which Cohab Minas' real estate assets will be paid up Contract execution: February 2021 Deadline: 75 weeks, extendable until the agreement's expiration date Remuneration: fixed amount of R\$1,590 (annual readjustment of the outstanding balance, by the IPCA).	Revenues Year 2022 - R\$0 Year 2021 - R\$523 Expenses: Year 2022 - R\$0 Year 2021 - R\$0
	iii) Advisory and technical assistance services for corporate restructuring, aiming at the future privatization of Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG. Contract execution: September 2020. Contract amicably terminated in November 2022.	There was no allocation of revenues and expenses in 2022 and 2021. Note: Expenses incurred by the Bank, not yet allocated, will be calculated and reimbursed.

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

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

#### a) Legal entities (Continued)

Entity	Transaction base	Amounts insured
Estado de Minas Gerais	<u>Contract executed through SEINFRA</u> - Minas Gerais Infrastructure and Mobility State Office Rendering of structuring service for the concession project for the road lot Ouro Preto - Brumadinho Contract execution: April 2020 Remuneration according to the success or failure of the project that is the subject matter of the service rendering, with the amounts annually restated by the IPCA. Success: R\$5,665 and Failure: R\$3,600 Deadline as from the agreement effectiveness date: 36 months, and may be extended until completion of the subject matter.	Revenues 2nd half of 2022 - R\$272 Year 2022 - R\$272 Year 2021 - R\$0 Expenses 2nd half of 2022 - R\$272 Year 2022 - R\$272 Year 2021 - R\$0
	<u>Contract executed through SEMAD</u> - State Office for the Environment and Sustainable Development Rendering of specialized technical modeling services aimed at structuring concession projects for the rendering of collection, transportation, treatment and final disposal of urban solid waste services Contract execution: July 2022 Deadline as from the agreement effectiveness date: 21 months, and may be extended until completion of the subject matter. Total remuneration: R\$6,888 (annual readjustment of the outstanding balance, by the IPCA)	Revenues 2nd half of 2022 - R\$272 Year 2022 - R\$272 Year 2021 - R\$0 Expenses 2nd half of 2022 - R\$272 Year 2022 - R\$272 Year 2021 - R\$0
State Agriculture, Livestock and Supply Department (SEAPA)	<u>Assignment of employee</u> The Bank has an employee assigned to SEAPA which is responsible for the assignment charges.	-
State Department of Planning and Management (SEPLAG)	<u>Assignment of government employees</u> In 2021, SEPLAG assigned 4 government employees, whose charges are borne by the Bank. Two of these government employees returned to SEPLAG in November 2021 and the other two remain at the Bank.	Expenses 2nd half of 2022 - R\$424 Year 2022 - R\$807 Year 2021 - R\$568
Fundação João Pinheiro, public institution linked to the State Department of Planning and Management - SEPLAG.	<u>Donation of resources</u> 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. <u>Assignment of employee</u> The Bank has an employee assigned to the Foundation which is responsible for the employee's charges.	There was no donation in 2022 and 2021.

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

Notes to financial statements (Continued)  
December 31, 2022 and 2021  
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### 15. Related parties (Continued)

#### a) Legal entities (Continued)

Company	Transaction data	Amounts insured
Invest Minas, a nonprofit private legal entity linked to the Minas Gerais State Department of Economic Development (SEDE).	<u>Contributions of resources</u> As established by state Law No. 22287 of September 14, 2016, the Bank holds 50% of the units of interest of Invest Minas (formerly Institute of Integrated Development of Minas Gerais - INDI) and is responsible for 50% of the company's expenses recorded annually, through contributions of resources.	Expenses 2nd half of 2022 - R\$4,375 Year 2022 - R\$8,254 Year 2021 - R\$6,450
DESBAN - BDMG Social Security Foundation (a nonprofit privately-held supplementary pension plan entity).	<u>Disbursements</u> To meet the pension and health benefits of its employees, the Bank makes disbursements to DESBAN for the management of these benefits. The breakdown of disbursements and expenses with Post-Employment Benefits can be found in Note 18.  <u>Assignment of employee</u> BDMG has an employee assigned to DESBAN which is responsible for the charges of this assignment.	Expenses with post-employment benefits 2nd half of 2022 - R\$28,261 Year 2022 - R\$49,334 Year 2021 - R\$38,845  Expenses with active employees without Post-employment and Defined Contribution portion, VC plan 2nd half of 2022 - R\$1,669 Year 2022 - R\$3,187 Year 2021 - R\$3,095
AFBDMG - BDMG Employee's Association (nonprofit association)	<u>Contribution</u> The Bank makes a contribution of part of the Group Life Insurance for employees, which is managed by AFBDMG. The breakdown of this contribution expense can be found in Note 18.	Expenses 2nd half of 2022 - R\$962 Year 2022 - R\$1,725 Year 2021 - R\$568
Instituto Cultural Banco de Desenvolvimento de Minas Gerais - BDMG Cultural (nonprofit civil association).	<u>Disbursements</u> The Bank incurs expenses through contributions so that the Institute can carry out its cultural activities.  <u>Assignment of employees</u> The Bank maintains, at its own cost, five employees assigned to the Institute.	Expenses 2nd half of 2022 - R\$2,238 Year 2022 - R\$4,494 Year 2021 - R\$1,526

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

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

### 15. Related parties (Continued)

#### a) Legal entities (Continued)

Company	Transaction data	
Biommm S.A.: publicly-traded company incorporated on 10/03/2001	<p><u>Equity interest</u></p> <p>The Bank holds 4.97% equity interest in Biommm's capital. This equity interest was acquired in September 2018, when the Bank, upon merging its wholly-owned subsidiary BDMGTEC, extinguished at that time, assumed the shares that the subsidiary held in Biommm.</p> <p>Under the terms of CMN Resolution No. 4636/2018, Biommm is constituted as a related party, since it has on its Board of Directors a member of the BDMG's executive board.</p> <p><u>Financing</u></p> <p>The Bank has financing that was granted to the company before becoming its shareholder.</p>	<p>Balance of financing at:</p> <p>12/31/2022 - R\$20,130</p> <p>12/31/2021 - R\$18,357</p>

#### b) Individuals

Members of Board of Directors, Supervisory Board, Audit Committee and Executive Board	<p><u>Fees</u></p> <p>Salaries, social charges and benefits.</p>	<p>Expenses</p> <p>2nd half of 2022 - R\$3,206</p> <p>Year 2022 - R\$6,523</p> <p>Year 2021 - R\$6,180</p>
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## **Banco de Desenvolvimento de Minas Gerais S.A. - BDMG**

Notes to financial statements (Continued)  
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### **16. Capital and risk 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.

#### **16.1. Capital management**

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

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

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

BDMG's capital management structure is as follows:

- Board of Directors;
- Risk and Capital Committee;
- Executive Risk, Capital and Sustainability 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 Core Capital at levels compatible with the risks incurred;
- Capital management systems, routines and procedures;



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

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### **16. Capital and risk management (Continued)**

#### **16.1. Capital management (Continued)**

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

- 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, Capital and Sustainability 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.

##### **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:

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

Notes to financial statements (Continued)  
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### 16. Capital and risk management (Continued)

#### 16.1. Capital management (Continued)

	12/31/2022	12/31/2021
Equity	2,184,241	2,080,669
Capital requirement (Tier I) or Core capital (a)	2,063,951	1,954,801
Capital for operations with the public sector (b)	200,000	400,000
Capital requirement (a-b)	1,863,951	1,554,801
Total risk weighted assets (RWA)	6,764,486	6,252,503
Credit risk	5,866,379	5,384,629
Market risk	198,154	191,737
Operational risk	699,953	676,137
Portion of capital for coverage of interest rate risk of non-negotiable portfolio (RWA RBAN)	71,957	69,591
Minimum capital requirement	748,406	694,841
Basel ratio (Capital Requirement/RWA)	27.55%	24.87%
Extended Basel ratio (Core Capital/(RWA + R <sub>BAN</sub> ))	27.26%	24.59%

#### c) Sensitivity analysis

In compliance with article 35 of BCB Resolution No. 2/2021, BDMG performs a sensitivity analysis to recognize the carrying amounts that may change as a result of changes in the methods, assumptions and estimates considered for the next fiscal year. Based on the projection prepared within the scope of the 2022 financial statements, the variables whose fluctuations have a more immediate impact on profit or loss for the current year, i.e. allowance for loan losses, credit recovery and service revenue, were stressed.

Sensitized variable	Impact on P&L (net of taxes)			
	10% worse	20% worse	30% worse	40% worse
Allowance for loan losses	(5,302)	(10,604)	(15,906)	(21,208)
Credit recovery	(4,125)	(8,250)	(12,375)	(16,500)
Service revenues	(1,156)	(2,313)	(3,469)	(4,626)

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

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Notes to financial statements (Continued)  
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### **16. Capital and risk management (Continued)**

#### **16.2. 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 Accords 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, environmental and climate risks in order 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 Risk and Capital Committee, Credit and Risk Board, Planning, Operations and Risk Board, Internal Control, Compliance 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 decisions 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.

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

Notes to financial statements (Continued)  
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### **16. Capital and risk management (Continued)**

#### **16.2. 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, operational 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, Environment and Climate Risks

The social, environment and climate risks management policy establishes the management structure and the guidelines, roles and responsibilities that must be observed in managing these risks by BDMG in order to keep them within the organization's appetite.

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](http://www.bdmg.mg.gov.br;)).

##### Sensitivity analysis for market risk

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

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

Notes to financial statements (Continued)  
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### 16. Capital and risk management (Continued)

#### 16.2. Risk management (Continued)

##### Sensitivity analysis for market risks (Continued)

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 book.

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 an interest rate shock scenario.

The table below summarizes the sensitivity values for the parallel scenario of increase and the parallel scenario of decrease, calculated by Delta EVE, referring to the banking portfolio position at December 31, 2022.

##### Sensitivity analysis for market risks (Continued)

December 2022	$\Delta$ EVE	$\Delta$ EVE
	Parallel shock increase	Parallel shock decrease
Coupon rate DOLLAR	421	-446
Coupon rate EURO	396	-491
Fixed rate	25,703	-28,310
Coupon rate IPCA	13,144	-15,762
Coupon rate IGPM	9,052	-9,457
Coupon rate TJLP	8,638	-11,370
Coupon rate TLP	6,176	-7,542
Coupon rate TRD	8,426	-20,890
TOTAL BRL	<b>71,139</b>	<b>-93,332</b>
$\Delta$ EVE	<b>71,957</b>	<b>0</b>

Note: Variation measures have losses represented by positive values, as per paragraph 3, article 13 of BACEN Circular No. 3876/2018, 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 200bps for Dollar and Euro Coupon rates.

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

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

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 financial statements of December and actuarial restatement for the financial statements of June, considering 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.

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

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

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

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

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

BDMG's defined benefit plan in 2021 had the following technical deficit to be restructured. Regarding this plan, it is also necessary to comply with article 14 of Resolution No. 30 of October 10, 2018, issued by the Brazil's Supplementary Pension Board ("CNPC"), which establishes 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:

DB Plan - Deficit Restructuring Plan 2015 ("PED 2015")	Desban Restructuring in 2015	Balance of Sponsor Restructuring in 2021 (*)	Balance of Sponsor Restructuring in 2022 (**)
Amount of the restructuring	28,136	34,794	31,574
Sponsor's share	14,068	17,397	15,787
Share of active employees and pensioner members	14,068	17,397	15,787
Deadline for restructuring	20 years	2022 to 2036	2023 to 2036
DB Plan - Deficit Restructuring Plan 2021 ("PED 2021")	Desban Restructuring in 2021	Balance of sponsor Restructuring in 2022 (**)	
Amount of the restructuring	157,886	154,800	
Sponsor's share	78,943	77,400	
Share of active employees and pensioner members	78,943	77,400	
Deadline for restructuring	18 years and 11 months	2023 to 2042	

(\*) 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 2021.

(\*\*) 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 2022.

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.

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

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

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

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

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

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 Deficit Restructuring Plan 2021 ("PED 2021") was approved at the 423<sup>rd</sup> meeting of the DESBAN's Decision Making Committee held on November 30, 2022. The deficit will be restructured upon payment of 50% by sponsors and the remaining 50% by active employees and pensioner members.

The lifetime annuity benefits granted to a former pensioner member and retirement benefits granted to two former retired government 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).



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

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

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

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

###### 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.

In 2021, the BDMG's variable contribution plan presented technical deficit to be restructured. Regarding this plan, article 14 of Resolution No. 30 of October 10, 2018, issued by the Brazil's Supplementary Pension Board ("CNPB"), in force at that time, was observed, which established the mandatory restructuring of the plan's deficit between the participants 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:

<b>VC Plan - Deficit Restructuring Plan (PED Plan VC 2021)</b>	<b>Desban Restructuring in 2021</b>
Amount of the restructuring	38
Sponsor's share	19
Share of assisted employees	19
Deadline for restructuring	22 years and 4 months

At the 425<sup>th</sup> meeting held on December 28, 2022, the DESBAN's Decision Making Committee approved the Deficit Restructuring Plan calculated in 2021 of the BDMG's VC Plan ("PED CV Plan 2021"), which establishes that 50% of the restructured deficit is borne by the sponsor and the remaining 50% borne by the pensioner member.

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

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

##### 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 employees, while in this condition, to retirees 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*

The Bank sponsors post-employment group life insurance exclusively to the retirees 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.

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

The number of participants is distributed as follows:

	12/31/2022	12/31/2021
Plans:		
Defined benefit (DB) - pensioner members	535	534
Defined benefit (DB) - active employees	217	221
Variable contribution (VC) - active employees	71	69
Defined benefit (DB) - self-sponsored participants	10	8
Benefits paid directly by the Entity (1)	3	3
Variable contribution (VC) - pensioner members	1	1
Total	837	836

(1) Refers to life annuity granted to a former pensioner member and retirement benefits granted to two former retired government employees, for not having been hired under the Consolidated Labor Laws (CLT) regime at the time the Bank was still an autonomous government agency, as explained in Note 3.19 (v).

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

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### 17. Employee benefits (Continued)

#### 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:

	2022	2021
Pension plan - DB	13,837	12,658
Health Promotion Program PRÓ-SAÚDE	8,588	8,332
Group life insurance	1,158	1,163
Pension plan benefits - VC	878	743
Total	24,461	22,896

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

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

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

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

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

	Pension plan - DB		Pension plan - VC		Health Promotion Program - PRO-SAÚDE		Group life insurance	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
<b>Reconciliation (liabilities)/assets recognized</b>								
Opening (liabilities), net	<b>(364,264)</b>	(380,793)	-	-	<b>(120,812)</b>	(145,566)	<b>(14,809)</b>	(18,957)
Participant's portion in surplus (-) / deficit (+)	<b>117,117</b>	118,171	-	-	-	-	-	-
Opening (liabilities), net (1)	<b>(247,147)</b>	(262,622)	-	-	<b>(120,812)</b>	(145,566)	<b>(14,809)</b>	(18,957)
(Expenses)/income recognized in profit or loss for the period	<b>(33,400)</b>	(27,219)	<b>(24)</b>	(20)	<b>(15,910)</b>	(11,606)	<b>(1,725)</b>	(1,526)
Gains/(losses) recognized in equity (2)	<b>27,767</b>	29,346	<b>(51)</b>	(43)	<b>7,433</b>	30,319	<b>1,517</b>	4,586
Employer's contributions	<b>13,837</b>	12,658	<b>75</b>	63	<b>6,205</b>	6,041	<b>1,082</b>	1,088
Benefits paid directly by the company	<b>757</b>	690	-	-	-	-	-	-
<b>Closing (liabilities), net (1)</b>	<b>(238,186)</b>	(247,147)	-	-	<b>(123,084)</b>	(120,812)	<b>(13,935)</b>	(14,809)

(1) Refers to the portion of actuarial responsibility of the sponsor, after calculating the risk sharing effect with the active employees and pensioner members.

(2) Actuarial gains/(losses) are recorded in "Other equity adjustments" in equity, as mentioned in Note 12.b.ii.

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
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### 17. Employee benefits (Continued)

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

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

##### Amounts recognized in P&L

Expenses with defined benefit plans are detailed below:

	Year 2022			
	Pension plan - DB	Pension Plan - VC	Health Promotion Program - PRÓ-SAÚDE	Group life insurance
Current service cost	(2,770)	(29)	-	-
Cost of interest, net	(30,630)	5	(14,991)	(1,725)
Expected contributions for administrative expenses	-	-	(919)	-
(Expenses) income recognized in the statement of profit or loss (1)	(33,400)	(24)	(15,910)	(1,725)
				(51,059)
	First Half of 2022			
	Pension plan - DB	Pension Plan - VC	Health Promotion Program - PRÓ-SAÚDE	Group life insurance
Current service cost	(1,135)	(10)	-	-
Cost of interest, net	(17,955)	3	(8,706)	(962)
Expected contributions for administrative expenses	-	-	(458)	-
(Expenses) income recognized in profit or loss (1)	(19,090)	(7)	(9,164)	(962)
				(29,223)

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

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

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

##### Amounts recognized in P&L (Continued)

	Year 2021			
	Pension plan - DB	Pension Plan - VC	Health Promotion Program - PRÓ-SAÚDE	Group life insurance
Current service cost	(6,779)	(23)	-	-
Cost of interest, net	(20,440)	3	(10,665)	(1,526)
Expected contributions for administrative expenses	-	-	(941)	-
(Expenses) income recognized in the statement of profit or loss (1)	(27,219)	(20)	(11,606)	(1,526)
				(40,371)

(1) Expenses accounted for in 2022 were segregated as follows: R\$8,206 (R\$10,741 in 2021 and R\$4,336 in 2H22) referring to benefits to be granted (active employees) and R\$42,853 (R\$29,630 in 2021 and R\$24,887 in 2H22) 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\$785 (R\$678 in 2021 and R\$442 in 2H22).

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. 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 at December 31, 2022 and 2021 are in effect.

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

	Pension plan benefits - DB		Pension plan benefits - VC		Health Promotion Program - PRO-SAÚDE		Group life insurance	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
<b>(Deficit)/surplus calculated</b>								
Actuarial obligations determined on actuarial assessment	(1,177,437)	(1,302,218)	(708)	(833)	(149,653)	(150,202)	(13,935)	(14,809)
Fair value of plan assets	901,129	937,954	2,486	2,188	26,569	29,390	-	-
(Deficit)/surplus calculated	(276,307)	(364,264)	1,778	1,355	(123,084)	(120,812)	(13,935)	(14,809)
<b>Asset ceiling effect, additional liabilities and risk sharing</b>	-	-	-	-	-	-	-	-
Asset ceiling effect	-	-	(1,778)	(1,355)	-	-	-	-
Risk sharing (Deficit to be shared vs. 50%)	38,121	117,117	-	-	-	-	-	-
Closing asset ceiling effect, additional liabilities and risk sharing	38,121	117,117	(1,778)	(1,355)	-	-	(13,935)	-
<b>Net (liabilities)/assets determined ((deficit)/surplus determined less asset ceiling effect and additional liabilities) (1)</b>	(238,186)	(247,147)	-	-	(123,084)	(120,812)	(13,935)	(14,809)
Opening fair value of assets	937,954	1,075,852	2,188	2,119	29,390	27,004	-	-
Benefits paid in the period using plan assets	(89,159)	(81,147)	(39)	(29)	(7,893)	(6,732)	-	-
Participant's contributions in the period	6,661	6,040	75	63	-	-	-	-
Employer's contributions in the period	13,837	12,658	75	63	6,205	6,041	-	-
Earnings expected from assets	108,657	88,555	279	198	3,498	2,390	-	-
Gains/(losses) on fair value of plan assets (2)	(76,820)	(164,004)	(92)	(226)	(4,631)	687	-	-
<b>Closing fair value of assets</b>	901,130	937,954	2,486	2,188	26,569	29,390	-	-

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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

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

	Pension plan - DB		Pension plan - VC		Health Promotion Program - PRO-SAÚDE		Group life insurance	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Opening actuarial obligations	<b>(1,302,218)</b>	(1,456,645)	<b>(833)</b>	(1,112)	<b>(150,202)</b>	(172,570)	<b>(14,809)</b>	(18,957)
Cost of current service, net	<b>(2,770)</b>	(6,779)	<b>(29)</b>	(23)	-	-	-	-
Participant's contributions in the period	<b>(6,661)</b>	(6,040)	<b>(75)</b>	(63)	-	-	-	-
Interest on actuarial obligations	<b>(154,838)</b>	(117,895)	<b>(98)</b>	(89)	<b>(18,489)</b>	(13,055)	<b>(1,725)</b>	(1,526)
Benefits paid in the period	<b>89,916</b>	81,837	<b>39</b>	29	<b>6,974</b>	5,791	<b>1,082</b>	1,088
Gains/(losses) on actuarial obligations (2)	-	-	-	-	-	-	-	-
Actuarial gain/(loss) - changes in financial assumptions	<b>103,006</b>	307,099	<b>219</b>	480	<b>12,162</b>	33,419	<b>1,107</b>	3,820
Actuarial gain/(loss) - changes in demographic assumptions	<b>2,502</b>	(27,567)	<b>36</b>	19	-	(7,223)	-	540
Actuarial gain/(loss) - changes in ad hoc contributions by participants and pensioner members	<b>77,400</b>							
Actuarial gain/(loss) - experience adjustments	<b>16,227</b>	(76,228)	<b>33</b>	(74)	<b>(98)</b>	3,436	<b>410</b>	226
<b>Closing actuarial obligations</b>	<b>(1,177,437)</b>	(1,302,218)	<b>(708)</b>	(833)	<b>(149,653)</b>	(150,202)	<b>(13,935)</b>	(14,809)



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

Notes to the financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

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

	Pension plan - DB		Pension plan - VC		Health Promotion Program - PRÓ-SAÚDE		Group life insurance	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
<b>Determination of deficit to be shared</b>								
(Deficit)/surplus determined eligible for sharing (1)	(271,088)	(358,877)	-	-	-	-	-	-
Employer's obligation with future contributions (Regular contributions)	101,729	107,246	-	-	-	-	-	-
Employer's obligation with future contributions (ad hoc contributions - deficit restructuring 2015)	93,117	17,397	-	-	-	-	-	-
<b>(Deficit) to be shared</b>	<b>(76,242)</b>	<b>(234,234)</b>	-	-	-	-	-	-
<b>Asset ceiling, minimum funding requirements and risk sharing</b>								
Opening asset ceiling effect, additional liabilities and risk sharing	117,117	118,171	(1,355)	(1,007)	-	-	-	-
Interest expected on asset ceiling effect, additional liabilities and risk sharing	15,551	8,900	(176)	(106)	-	-	-	-
Gains/(losses) on asset ceiling effect, additional liabilities and risk sharing (2)	(94,547)	(9,954)	(247)	(242)	-	-	-	-
<b>Closing asset ceiling effect and additional liabilities</b>	<b>38,121</b>	<b>117,117</b>	<b>(1,778)</b>	<b>(1,355)</b>	-	-	-	-

(1) Portion of the deficit of the Defined Benefit Pension Plan before the inclusion of the actuarial obligation with the statutory retirees and lifetime annuity, which totaled R\$5,219 in 2022 (R\$5,387 in 2021).

(2) Actuarial gains/(losses) are recorded in "Other equity adjustments" in equity, as mentioned in Note 12.bii.

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

Notes to financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

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

The plan assets at December 31, 2022 and 2021 are allocated by category of assets, as follows:

<b>Pension plan - DB</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
Available	0.01%	0.01%
Realizable - Pension plan management	0.68%	0.55%
Realizable - Administrative management	0.81%	0.82%
Government securities	51.43%	42.12%
Investment funds	36.68%	46.81%
Private credits	0.40%	0.51%
Real estate investments	2.85%	2.17%
Loans and financing	0.73%	0.78%
Judicial deposits	6.41%	6.23%
Total	100.00%	100.00%
<b>Pension plan - VC</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
Available	0.01%	0.01%
Realizable - Administrative management	1.65%	1.41%
Government securities	3.75%	-
Investment funds	92.84%	97.33%
Loans and financing	1.75%	1.25%
Total	100.00%	100.00%
<b>Health Promotion Program - PRÓ-SAÚDE</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
Available	0.07%	0.08%
Investments linked to technical reserves	10.78%	6.70%
Unrestricted investments	32.47%	39.39%
Credits from health plan operation	0.44%	0.48%
Credits from operation not related to health plan of the operator	0.35%	0.37%
Government securities	43.67%	41.67%
Long-term receivables	12.21%	11.31%
Tax and social security credits	0.01%	-
Total	100.00%	100.00%

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

Notes to financial statements (Continued)  
December 31, 2022 and 2021  
(In thousands of reais, unless otherwise stated)

### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### iii) *Key assumptions used in the actuarial valuation*

The actuarial studies that report BDMG's obligations at December 31, 2022 and December 31, 2021 are based on the following assumptions:

	12/31/2022	12/31/2021
Statutory discount rate for the actuarial liability		
Pension plan - DB	11.7734%	10.7199%
Pension plan - VC	11.8153%	10.7360%
Health Promotion Program - PRÓ-SAÚDE	11.8065%	10.7888%
Group life insurance	11.8088%	10.7839%
Expected annual nominal rate of return on investments		
Pension plan - DB	11.7734%	10.7199%
Pension plan - VC	11.8153%	10.7360%
Health Promotion Program - PRÓ-SAÚDE	11.8065%	10.7888%
Estimated future annual inflation rate	5.31%	5.03%
Nominal rate of future salary growth:		
BDMG (PCS)	7.38%	7.78%
BDMG (CC)	5.70%	5.74%
Health Care Cost Trend Rate - HCCTR (1)	4.10%	4.10%
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 20%, segregated by gender.	AT-2012 Basic IAM downrated by 20%, segregated by gender.
Disability table	Adjusted Álvaro Vindas downrated by 70%.	Adjusted Álvaro Vindas downrated by 70%.
Disability mortality table	Winklevoss downrated by 25%. 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): $Z = 24 - \text{MAX}[(63-X)/2; 0]$ , where "x" is the policyholder's age	Winklevoss downrated by 50%. 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): $Z = 24 - \text{MAX}[(63-X)/2; 0]$ , where "x" is the policyholder's age
Structure of surviving families	Benefits granted: Actual family.	Benefits granted: Actual family.

(1) Applicable solely to the Health Plan.

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

Notes to financial statements (Continued)  
December 31, 2022 and 2021  
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### 17. Employee benefits (Continued)

#### d) Actuarial studies (Continued)

##### iv) *Sensitivity of the defined benefit obligation*

Changes in assumptions underlying actuarial studies may have effects on the value of the defined benefit obligation.

The table below shows, in percentages, how the defined benefit obligation is affected if changes occur in the following actuarial assumptions:

	Altered assumption							
	Increase of 0.5% 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 HCCTR	Decrease of 0.5% in HCCTR
Pension plan - DB	-4.47%	4.91%	1.83%	-1.88%	0.76%	-0.67%	N/A	N/A
Pension plan - VC	-10.75%	12.94%	-0.72%	0.89%	6.63%	-5.09%	N/A	N/A
Health Promotion Program - PRÓ-SAÚDE	-5.05%	5.52%	4.35%	-4.31%	-	-	5.73%	-5.28%
Group life insurance	-5.13%	5.59%	-3.76%	3.84%	-	-	N/A	N/A

##### v) *Projected cash flow*

The actuarial study made for the December 31, 2022 reporting date included the following estimates for payment of benefits and contributions of the sponsor:

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	104,962	78	7,555	1,179	113,774
Expected benefit payments directly by the company	776	-	-	-	776
Expected employer contributions	21,061	83	6,651	1,179	29,878

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

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

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

#### d) Actuarial studies (Continued)

##### v) *Projected cash flow* (Continued)

The weighted average duration of actuarial obligations is as follows:

	Pension plan - DB	Pension plan - VC	Health Promotion Program - PRÓ- SAÚDE	Group life insurance
12/31/2022	<b>10.10</b>	<b>25.33</b>	<b>11.32</b>	<b>11.46</b>
12/31/2021	11.96	31.12	13.13	13.04

### 18. Other information

#### i) Resignation from the position of CEO

Mr. Marcelo Ângelo de Paula Bomfim presented a letter of resignation from the position of Chief Executive Officer (CEO). According to the sole paragraph of article 31 of BDMG's Charter, the Deputy CEO, Gabriel Viegas Neto, will temporarily exercise the Presidency of the institution.

#### ii) External fundraising

In a meeting of External Financing Commission of the Ministry of Economy ("Cofix") held in September 2022, a BDMG's letter of interest was approved, in full and without reservations, for taking out a loan in the amount of R\$1,000,000 (one billion reais) from New Development Bank (NDB), backed by the National Treasury.

In order to complete negotiations with the NDB and execute the contract, the Bank awaits the completion of other procedures provided for by law and the submission of the letter of interest to the Federal Senate.

#### iii) Summary of the Implementation Plan for the procedures established by CMN Resolution No. 4966/2021

In compliance with article 76 of CMN Resolution No. 4966/2021, below is presented a summary of the structured plan to enable BDMG's accounting to carry out, as of January 1, 2025, the accounting records of financial assets and hedge accounting, in accordance with the accounting procedures established by the Resolution.

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

Notes to financial statements (Continued)

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### **18. Other information (Continued)**

(iii) Summary of the Implementation Plan for the procedures established by CMN Resolution No. 4966/2021 (Continue)

The Plan covers three stages for which the actions to be carried out, the deadlines and the administration units that will be responsible for their execution were defined.

#### Stage 1: Planning and diagnosis

This stage comprises the set of activities necessary for the preparation of the preliminary diagnosis and detailing of the Plan's actions. Two working groups were created, one of a strategic nature with the purpose of coordinating all actions and the other of a technical nature to enforce the Implementation Plan. The Bank will engage a consulting firm to advise the areas regarding the changes that should be implemented in the routines, processes and computerized systems for the adoption of the new procedures.

#### Stage 2: Adequacy of methodologies, policies, processes and system

The actions listed below, which constitute this stage, should be detailed based on the results determined in the Preliminary Internal Diagnosis. In the surveys previously carried out, it was found that the systems, methodologies, processes and policies adopted by the Bank will have to be adapted and/or reviewed due to the following regulatory aspects of the Resolution:

- a) Development of the SPPI test (Solely Payment of Principal and Interest) to assess whether the future cash flows of financial assets contractually provided for are solely payments of principal and interest on the principal amount, on specified dates.
- b) Preparation and approval of the Business Model for the management of financial assets and classification of financial assets based on the SPPI test and the Business Model.
- c) Review of the regulation that addresses the classification of troubled assets (characterization and mischaracterization) and adequacy of the systems for the new rules of interruption of accounting appropriation of revenues (stop accrual).
- d) Adequacy of systems to calculate the present value of restructured operations and calculation of accounting impacts.

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

Notes to financial statements (Continued)  
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### **18. Other information (Continued)**

(iii) Summary of the Implementation Plan for the procedures established by CMN Resolution No. 4966/2021 (Continue)

- e) Adoption of the effective interest rate methodology for calculating accounting balances and appropriation of revenues. Financial assets will be measured at fair value and should be increased by transaction costs and reduced by amounts received in advance upon issue or origination of the financial asset or liability.
- f) Allocation of financial assets in one of the three (3) risk stages defined by the Resolution for the purpose of calculating the allowance for losses associated with credit risk.
- g) The adequacy of the credit risk classification methodologies currently adopted by the Bank will be reviewed to estimate the likelihood of the financial instrument being characterized as a financial asset with a credit recovery problem in the 12 months subsequent to the assessment date (12-month expected loss) or throughout its expected lifetime (Lifetime expected loss), including the effect of adverse changes in macroeconomic aspects.
- h) Development of internal policies for write-off of financial assets to loss and adequacy of systems.
- i) Calculation and accounting for allowance for expected losses on instruments recorded in memorandum accounts (off balance).
- j) Review and adequacy of effectiveness tests for hedge accounting purposes.

#### Step 3: Determination of the effects of the new accounting criteria

For the 2024 financial statements, the Resolution determines the disclosure of the impacts on P&L and financial position, arising from the implementation of the accounting procedures established by it and, as of January 2025, it determines that all adjustments that may be necessary should be implemented whether in processes, routines, systems, policies and so on.

The Bank prepared a schedule with an overview of all the actions that need to be implemented and that culminate in the goal of changes and adaptations in the systems and new procedures within the deadlines established by the regulation.

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

Notes to financial statements (Continued)  
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### **18. Other information (Continued)**

- (iii) Summary of the Implementation Plan for the procedures established by CMN Resolution No. 4966/2021 (Continue)

#### Step 3: Determination of the effects of the new accounting criteria (Continued)

During the work, the Bank will also have to adapt its results projection system, analyze the tax impacts by adapting the calculation and control tools, study the required adjustments in the systems that generate various documents to the Central Bank (example: Risk Center), evaluate changes to its pricing, credit, risk, and collection policy.

The Implementation Plan should be reviewed as the Central Bank issues the regulation subsequent to Resolution N. 4966/2021.

### **19. Events after the reporting period**

The Bank has provisions set up based on Bacen Circular Letter No. 3429/2010, which determines that the tax obligations subject to legal discussion on the constitutionality of the laws that instituted them must be recognized in liabilities, until the effective extinction of the corresponding tax credits.

On November 4, 2022, BCB Regulatory Instruction No. 319/2022 was issued, which revokes Bacen Circular Letter No. 3429/2010 as of January 1, 2023. Therefore, the provisions set up based on this regulation must be reversed, if the lawsuits covered by it are assessed as possible or remote risk of loss.

As informed in Note 10.b) in January 2023, due to the revocation of BACEN Circular Letter No. 3429/2010, tax provisions in the amount of R\$75,210 (R\$70,588 at December 31, 2021) will be reversed, which were set up in the lawsuit challenging the COFINS tax base, whose likelihood of loss is assessed as possible. This reversal, net of the corresponding tax credit, amounts to R\$41,365.



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

Notes to financial statements (Continued)  
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### **Board of Directors**

Cláudio de Oliveira Torres	Chairperson
Emílio Humberto Carazzai Sobrinho	Deputy CEO
Andrea Maria Ramos Leonel	Member
Henrique Augusto Mourão	Member
Márcio Rezende Magalhães	Member
Otávio Romagnolli Mendes	Member
Welerson Cavalieri	Member

### **Executive Board**

Gabriel Viegas Neto	Acting CEO (Deputy CEO)
Edmilson Gama da Silva	Officer
Marcela Amorim Brant	Officer
Rômulo Martins de Freitas	Officer

### **Controllership Supervisory Board**

Giovani Rosemberg Ferreira Gomes	Accountant CRC-MG-075701/O-5
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