

Financial Statements

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

June 30, 2013 and 2012
with Independent Auditor's Report

Management report – 1st six-month period 2013

1. The Bank

Established under the State Law No. 2607 of January 5, 1962, The Banco de Desenvolvimento de Minas Gerais S.A. – BDMG is a financial institution for the sustainable development of the state of Minas Gerais, and is a part of the State Economic Development System, coordinated by the State Economic Development Office.

In order to have more efficient operations, in 2013, the BDMG implemented a new business model, based on the 2012-2015 Strategic Planning.

The BDMG 2012-2015 Strategic Planning, prepared based on the Balanced Score Card methodology guides the Bank's operations for continuous support to the economy of the state of Minas Gerais. The strategic objectives, indicators and goals defined in this process align the efforts of the internal units to increase the volume of disbursements, the number of customers, with agility and terms compatible with market practices, focusing on financial sustainability. With these measures, the Bank is expanding and improving its operations as a development financial institution.

2. Highlights

2.1 New Business Model

In May 2013, the New Business Model was implemented, establishing a closer and more proactive approach with the customers, increasing the productivity and efficiency of the Bank credit processes. The main levers to achieve these results include expertise in commercial activities, consolidation of operational procedures to achieve economies of scale, strengthening training in financial solutions, provide more efficient customer services and expand the distribution channels, especially for micro and small enterprises.

2.2 Micro and Small Enterprises

The initiative to increase the number of customers focused on micro and small enterprises, and obtained a 14.2% growth in our services and 22.4% growth in the volume of funds approved to these target customers. In regional terms, micro and small enterprises supported the distribution of funds granted by the Bank throughout the state territory, with emphasis to central (32.1%), mid-west, and Triângulo Mineiro (11.1%) regions.

2. Highlights (Continued)

2.3 Infrastructure

Another important highlight was the broader range of the credit facilities intended for municipal public sector. With the investment of R\$ 200 million made by the Minas Gerais State Government in January 2013, in addition to other sources of credit such as the Brazilian Development Bank (BNDES) and the Unemployment Development Fund (FGTS), the expectation of disbursements of this nature increased to 700 million between 2013 and 2014.

Another important measure was the advisory services to the public sector for development of credit granting models, public-private partnerships and in the project finance area. Within this scope, we provided services to BH-TEC, the municipal government of Belo Horizonte, the state government of Minas Gerais, in addition to COPASA/COPANOR.

2.4 Credit Rights Investment Fund – Minas Gerais State Productive Chains (FICD-CPMG)

In order to support the development of the manufacturing industry, the Bank increased the credit facilities allocated for investments with short-term funds to automotive companies. The allocation of funds at the end of June was 65.7%, with a volume of R\$ 63.9 million applied to companies supported by the FIDC.

2.5 Support to Innovation

In the first half of 2013, the BDMG supported innovation initiatives developed by 13 companies with a disbursement of R\$ 4.8 million in two special credit facilities: Pro-inovação and Technology Companies Support (Proptec); these credit facilities led to a partnership between BDMG and FAPEMIG (Fundação de Amparo à Pesquisa do Estado de Minas Gerais). As for the venture capital, the Bank maintains its support as a stakeholder of the investment funds: Fundo HorizonTI, Fundo Brasil de Sustentabilidade and Fundo Brasil TI.

2.6 BDMGTEC

In April 2013, by means of its subsidiary BDMGTEC Participação S.A. and together with FAPEMIG, BNDES and other partners, the Bank approved the investment of Biom S.A. in the city of Nova Lima. This is a project for implementation of a biopharmaceutical plant for production of insulin, with total investment of R\$ 330 million, generating 208 direct jobs and 624 indirect jobs. BDMG and FAPEMIG invested R\$ 56 million, by means of a financing transaction. BDMG also participates in the share capital with R\$ 29 million. This project is expected to be concluded in July 2015.

2. Highlights (Continued)

2.7 Brand repositioning

To better manage the Bank's brand, BDMG developed a communication strategy for each segment of the New Business Model, based on: partnership, innovation, commitment and development, which differentiate the Bank and oversees its customer services. The Bank created brand architecture, observing internal and external programs as well as related entities, such as BDMG Cultural and BDMGTEC.

Additionally, the TV show, aired by Rede Minas, was reformulated, and now the *BDMG em Rede* show is broadcasted for TV, radio and through electronic newsletter, so that the Bank's operations are transparent to the public.

2.8 Culture

At the beginning of 2013, BDMG repositioned its brand, aligned its new visual identity, and developed a more modern and interactive website.

Among the special activities developed in the first half of the year, we highlight the following:

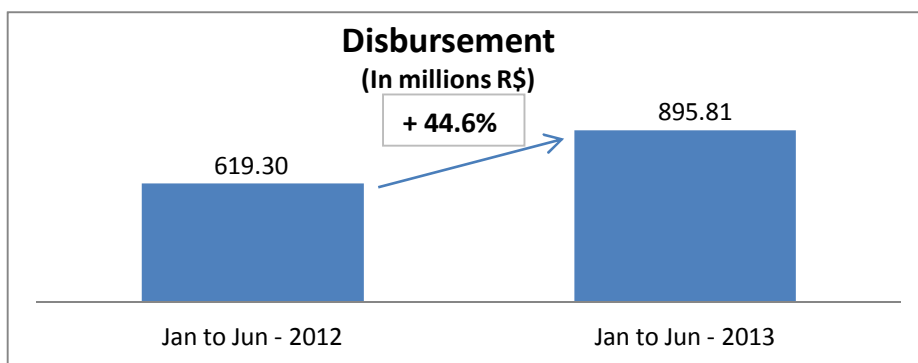
- Restoration of the bandstand located at Praça da Liberdade, in a partnership with IEPHA and the Association of Notaries and Registrars of the State of Minas Gerais (ANOREG).
- *BDMG Tribute to Minas Gerais State Movie Production* with the restoration of the documentary named "Tostão, a Fera de Ouro" and the feature film "Rebelião em Vila Rica", in a partnership between BDMG Cultural, Curta Circuito, Rio de Janeiro Modern Art Museum (MAM) and LABOCINE.

2.9 Citizenship

The BDMG Employees' Citizenship Institute (INDEC), maintained by BDMG and donations from associates and AFBDMG, promoted the donation of 5,800 kg of enriched flour to combat child malnutrition, benefiting 930 children through Pão Forte Project, and supported the intake of adolescents in the Federal Technical School.

3. Operational performance

In the first half of 2013, the BDMG's disbursements reached R\$ 895.8 million, i.e. 44.6% higher compared to the same prior-year period. As for the origin of these funds, BDMG risk transactions represent 85% of the disbursements, whilst the third-party risk transactions represent 15%. The distribution of risk transactions is: 52% of BDMG funds and 48% of BNDES onlending.



Source: BDMG

The number of customers served increased to 2,226 in the first half of 2013, 10% higher than the first half of 2012. This increase was supported by the marketing and advertisement campaigns carried out by the Bank, in addition to its relationship with the market and bank representatives, as well as the constant improvement of the online credit feature.

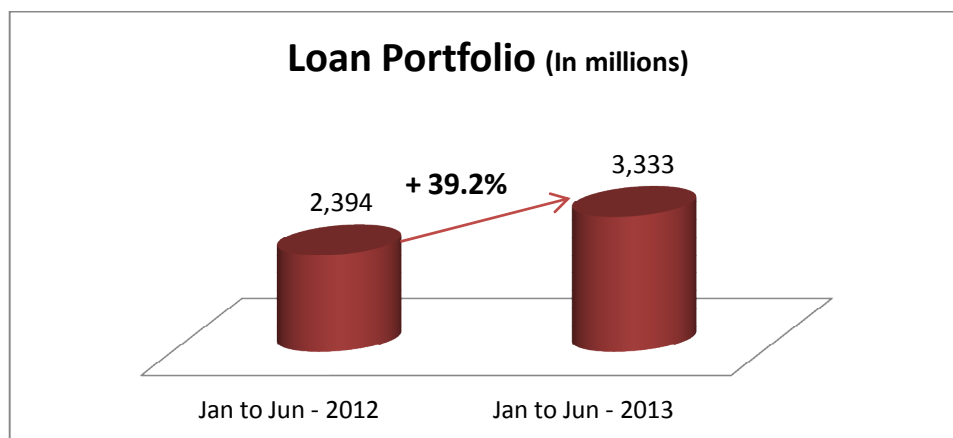
3.1 Highlights per segment

The distribution of BDMG disbursements in the first half of 2013 per segment is: 70.5% to the manufacturing segment, especially for non-metallic mineral products (14.2%), food and beverage (12.6%), transportation materials and auto parts (11.9%). Simultaneously, the service segment used 28.5% of the funds, with a strong participation in the commercial segment.

4. Economic and financial performance

On June 30, 2013, total assets of BDMG totaled R\$ 4,124 million, increasing 35% in compared with the amount of R\$ 3,126 million as of June 30, 2012. The Bank's equity grew 43% in the period, from R\$ 1,127 million at June 30, 2012, to R\$ 1,615 million at June 30, 2013. The Bank's equity was strengthened with the capital investment of R\$ 203, made by Minas Gerais Statement, and with the total generated income of R\$ 22 million. The capital adequacy rate (Basel index) as of June 30, 2013 is 31%, higher than the mandatory minimum rate of the Brazilian Central Bank, i.e. 11%.

The balance of the Bank's loan portfolio and loan equivalents, at the end of the six-month period, is R\$ 3,333 million, of which R\$ 1,675 million arise from contracts with own funds and R\$ 1,658 million was granted with funds transferred from other entities. The 39% increase in portfolio, referring to the balance of R\$ 2,394 million at July 30, 2012, is mainly a consequence of the 46% increase in contracted transactions with own funds which at July 30, 2012 totaled R\$ 1,150 million, whilst the onlending transactions, what amounted to R\$ 1,244 million at that date, grew 33% in the period.



Source: BDMG

At June 30, 2013, the loan transactions rated AA, A and B represented 76% of the credit portfolio, which reflects the Management measures to increase the credit quality.

At June 30, 2013, BDMG, as the financial agent of the managed funds, the finance balance was R\$ 2,369 million, of which R\$ 2,333 million refer to transactions contracted with state funds and R\$ 36 million related to transactions contracted with state funds revoked by State Law No. 13848/2001 and private funds and/or funds linked to state and federal bodies.

5. Risk management

Aligned to strategic planning, risk management improved credit, market and liquidity risk management tools. The credit risk evaluation procedures and models for micro and small businesses were reviewed in order that these adhere and are in accordance with the current portfolio expansion scenario while maintaining quality. Liquidity risk management was improved with the adoption of new indices, limits and monitoring instruments. Furthermore, the internal controls units was strengthened in order to reduce operational risks to the level required by Senior Management and contribute to the improvement of processes. We would like to highlight the implementation of a fraud prevention model.

6. Acknowledgements

BDMG management appreciates the support received from all that contributed to the success achieved in the first six-month period of 2013, and in particular the State Government and the Minas Gerais legislative assembly.

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

Summary of Audit Committee Report – 1st Six-Month Period of 2013

Introduction

The Audit Committee, a statutory body of the Banco de Desenvolvimento de Minas Gerais S.A. BDMG, Was set up at the Special Shareholders' Meeting held on 2/28/2011, in accordance with CMN Resolution No. 3198 dated May 27, 2004. The Committee's purpose is to assist the Board of Directors in the exercise of its audit and examination duties, and among other assignments provided in its Internal Regulation, assess and pronounce on: The quality of the financial statements; (ii) the effectiveness of internal controls, and (iii) the effectiveness of the internal and independent audit.

i. Activities performed in the audit environment and their assignments

In the first six-month period of 2013, the Audit Committee met on 19 occasions and on 5 further occasions in the second six-month period of 2013, which include its participation on the Board of Directors. In the last committee meeting on 8/13/2013, the review of the financial statements at June 30, 2013, was concluded, as well as the Management Report and the Independent Auditor's report on the Financial Statements.

The Committee maintained ongoing contact with the Bank's control area managers, in order to monitor the work performed and obtain evidence on which to base its assessments. Issues relating to the preparation of the financial statements and the internal controls were discussed with managers of the Controllership, Internal Audit, Risk Management, Internal Controls and Ombudsman Departments regarding their respective areas of operation.

Four meetings were held with the independent auditors Ernst & Young Terco Auditores Independentes S.S., to establish the methodology, planning and work deliverables for the preparation of the financial statements at December 31, 2012 and June 30, 2013.

The Committee met with the Bank's Executive Board and with Directors individually to cover the issues relating to strategic planning, business, accounting, internal controls, internal audit, compliance, people management, capital management, credit risk, liquidity risk, operating risk and market risk. At these opportunities the Committee presented recommendations to improve processes, verified compliance with its recommendations, clarifications or inquiries and carried out the monitoring of improvements recommended by internal and independent auditors identified in the course of its work.

i. Activities performed in the audit environment and their assignments (Continued)

The Committee held regular meetings with the Bank's Board of Directors. On these occasions it issues its opinion on matters relating to its regulatory assignments and provides information to the collegiate on its activities.

ii. Assessment of the effectiveness of internal control and risk management

In the first six-month period of 2013, the main items of approval by the Executive Board and the Board of Directors include (i) BDMG's new business model, implemented with the support of external consultants; (ii) the creation of an Operating Margin Reserve, in order to ensure funds to maintain an operating margin for the Bank that is compatible with the performance of its operations, and (iii) the creation of the Fraud Prevention posts under General Risk Management.

The Audit Committee considers the performance of the Bank's management in respect to the effectiveness of its internal control system and the institution's risk management as positive.

iii. Assessment of effectiveness of internal audit

The Committee held various meetings with the Internal Audit Manager in order to accompany work performed by that body. The committee assessed the coverage and the quality of auditors and the level of independence in the area as positive.

No failure to comply with legislation in force or internal standards serious enough to risk the Bank's liquidity or ability to operate as a going concern was identified in the work performed by internal auditors.

iv. Assessment of effectiveness of internal audit

The Committee maintained a channel of regular communication with the independent auditors Ernst & Young Terco Auditores Independientes S.S. in order to provide broad discussion on the planning, scope, significant accounting issues and results of the work performed in order to allow its members to provide an opinion on the Bank's overall financial statements. The Committee met with the independent auditors to understand the main events in the work undertaken during the preparation of the financial statements at December 31, 2012, and June 30, 2012, and its assessment of the institution's internal controls.

iv. Assessment of effectiveness of internal audit (Continued)

The Committee assessed the work performed as satisfactory and did not identify situations that may affect the objectivity or independence of the independent auditors.

v. Assessment of the quality of the financial statements

The Committee monitored the preparation process for the financial statements at December 31, 2012, and June 30, 2013, examining the trial balance, balance sheets, accompanying notes, the management report, the independent auditors report and other documents intended for publication. It built awareness of the accounting practices adopted by the institution, any unusual events and impacts on the Bank's equity, profit and loss in meetings held with those responsible for the preparation of these documents and independent auditors. The Committee checked that the accounting practices utilized in the preparation of these financial statements are aligned with fundamental accounting principles, Brazilian corporate law and standards established by the national monetary council (CMN) and the Central Bank of Brazil faithfully portraying the institution's financial position.

Conclusion

Up to the close of this report the Audit Committee any denunciation of failure to comply with standards, lack of controls, act or omission on the part of the Bank's management that might indicate the existence of fraud, errors or failures that jeopardize the ability of the institution to operate as a going concern or the reliability of financial statements.

Based on the considerations above, the Audit Committee, based on its responsibilities and the limitations on the scope of its activities and operation, recommends to the Board of Directors the approval of the financial statements of Banco de Desenvolvimento de Minas Gerais S.A. BDMG at June 30, 2013,

Belo Horizonte, August 22, 2013.

Mauro Lobo Martins Junior
Coordinator

Carlos Antonio Duarte
Member

Jair Modesto Da Costa
Member

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

Financial Statements

June 30, 2013 and 2012

Contents

Independent auditor's report on financial statements	1
Financial Statements	
Balance sheets	3
Income statements	5
Statements of changes in equity	6
Cash flow statements	7
Notes to financial statements	8

A free translation from Portuguese into English of independent auditor's report on financial statements prepared in accordance with accounting practices adopted in Brazil

Independent auditor's report on interim financial statements

To the Board of Directors, Shareholders and Officers

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

Belo Horizonte, Minas Gerais

We have audited the accompanying financial statements of Banco de Desenvolvimento de Minas Gerais S.A. BDMG (Bank), which comprise the balance sheets as at June 30, 2013, and the related income statements, statements of changes in equity and cash flow statements for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. BDMG as at June 30, 2013, the performance of its operations and its cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to entities authorized to operate by the Central Bank of Brazil.


Emphasis of a matter

Restatements of amounts corresponding to June 30, 2012

As stated in Notes 3(j) and 25, due to changes in accounting practices adopted by the Bank in the recognition of Employee Benefits amended by CPC 33 (R1) effective as from January 1, 2013, the corresponding amounts for the prior year, reported for comparability purposes, were adjusted and are being restated, as provided in CMN Resolution No. 4007/11 that approved CPC 23 – Accounting Policies, Changes in Estimates and the Rectification of Errors. Our opinion does not contain any modification on this matter.

Belo Horizonte, August 22, 2013.

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



Rogério Xavier Magalhães
Accountant CRC 1MG-080613/O-1

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

Balance sheets
June 30, 2013 and 2012
(In thousands of reais)

	Notes	6.30.2013	6.30.2012 (Restated)
Assets			
Current assets		925,712	897,470
Cash and banks		622	539
Interbank investments	4	186,891	394,903
Open market investment		130,959	102,076
Interbank deposits		55,932	292,827
Marketable securities	5	-	5,065
Own portfolio		-	5,065
Loans	6	718,838	487,802
Loans		754,377	538,912
Public sector		83,407	72,683
Private sector		670,970	466,229
(Allowance for loan losses)		(35,539)	(51,110)
Lease transactions		-	(41)
Lease and sublease receivable		-	408
Private sector		-	408
(Gains from leasing to be allocated)		-	(334)
(Allowance for lease losses)		-	(115)
Other receivables	7	19,193	9,027
Unearned income		1,937	2,427
Sundry receivables		17,304	6,790
(Allowance for loan losses)		(48)	(190)
Other assets	8	168	175
Other assets		168	175
Non-current assets		3,288,089	2,228,983
Long-term receivables		3,261,514	2,203,404
Interbank investments	4	-	-
Interbank deposits		11,727	12,883
(Allowance for losses)		(11,727)	(12,883)
Marketable securities	5	432,143	129,800
Own portfolio		432,143	129,800
Loans	6	2,467,678	1,760,455
Loans		2,578,223	1,854,085
Public sector		453,713	369,876
Private sector		2,124,510	1,484,209
(Allowance for loan losses)		(110,545)	(93,630)
Other receivables	7	316,148	290,377
Unearned income		2,905	3,640
Specific receivables		1,150	1,081
Sundry receivables		324,207	297,513
(Allowance for loan losses)		(12,114)	(11,857)
Other assets	8	45,545	22,772
Temporary investments		45,545	22,772
Other assets		1,518	1,558
(Valuation Allowance)		(1,518)	(1,558)
Permanent assets	9	26,575	25,579
Investments		487	607
Other investments		1,324	1,444
(Allowance for losses)		(837)	(837)
Property and equipment in use		22,149	22,778
Property in use		41,849	40,920
Other P&E items in use		10,812	10,883
(Accumulated depreciation)		(30,512)	(29,025)
Lease assets		-	842
Leased assets		-	1,704
(Accumulated depreciation)		-	(862)
Intangible assets		3,932	1,201
Intangible assets		5,078	1,759
(Accumulated amortization)		(1,146)	(558)
Deferred charges		7	151
Organization and expansion costs		1,610	3,190
(Accumulated amortization)		(1,603)	(3,039)
Total assets		4,213,801	3,126,453

	Notes	6.30.2013	6.30.2012 (Restated)
Liabilities			
Current liabilities		420,541	465,730
Deposits	10	61,577	105,256
Interbank investments		61,577	105,256
Domestic onlending – official institutions	11	297,283	245,760
National treasury		2,082	1,269
BNDES		198,947	167,730
CEF		-	60
FINAME		92,468	72,952
Other institutions		3,786	3,749
Other liabilities	12	61,681	114,714
Collection of taxes and other contributions		251	277
Tax and social security		25,487	33,198
Financial and development funds		973	938
Sundry expenses		34,970	80,301
Long-term payables		2,168,314	1,527,403
Deposits	10	-	57,375
Interbank investments		-	57,375
Funds from acceptance and issuance of securities	10	449,067	-
Treasury notes funds		449,067	-
Domestic onlending– official institutions	11	1,262,495	1,009,543
National treasury		13,540	14,466
BNDES		641,873	573,247
FINAME		576,695	388,206
Other institutions		30,387	33,624
Other liabilities	12	456,752	460,485
Tax and social security		237,377	215,287
Financial and development funds		7,973	16,962
Sundry expenses		211,402	228,236
Unearned income		9,495	6,666
Unearned income		9,495	6,666
Equity	13	1,615,451	1,126,654
Capital			
Capital domiciled in Brazil		1,659,782	1,204,222
Capital to be paid in		-	(22,772)
Income reserves		29,767	26,731
Equity valuation adjustment		(95,199)	(112,746)
Retained earnings		21,101	31,219
Total liabilities		4,213,801	3,126,453

See accompanying notes.

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

Income statements

Six month periods ended June 30, 2013 and 2012

(In thousands of reais (R\$) except net earnings per share)

	Notes	Six-month periods ended	
		6.30.2013	6.30.2012 (Restated)
Financial income		185,299	185,032
- Loans		159,718	159,163
- Lease transactions		248	226
- Marketable securities transactions		25,327	25,637
- Foreign exchange transactions		6	6
Financial expenses		(76,918)	(81,597)
- Market funding operations		(21,262)	(6,014)
- Borrowing and onlending		(42,326)	(44,156)
- Lease transactions		(247)	(179)
- Allowance for loan losses	6 d)	(13,083)	(31,248)
Gross financial income		108,381	103,435
Other operating income (expenses)		(59,392)	(41,728)
- Revenue from services rendered		22,652	27,258
- Personnel expenses		(40,081)	(36,471)
- Other administrative expenses	17 a)	(18,063)	(16,672)
- Tax expenses	17 b)	(8,267)	(9,009)
- Other operating income	17 c)	8,919	11,803
- Other operating expenses	17 d)	(24,552)	(18,637)
Operating income		48,989	61,707
Non- expenses	18	(789)	(1,065)
Income before income and social contribution taxes and profit sharing		48,200	60,642
Income and social contribution taxes	16	(22,577)	(25,053)
Provision for income tax		(17,449)	(23,280)
Provision for social contribution		(10,607)	(14,104)
Deferred tax assets		5,479	12,331
Statutory profit sharing		(3,411)	(1,643)
Employees' profit sharing		(3,411)	(1,643)
Net income		22,212	33,946
Net earnings per share		0.0003794	0.0007427

See accompanying notes.

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

Statements of changes in equity

Six month periods ended June 30, 2013 and 2012

(In thousands of reais)

	Capital	Capital increase	Capital to be paid in	Income reserve		Marketable securities for sale	Other equity adjustments	Retained earnings	Total
				Legal	Other				
Balances at December 31, 2011	1,087,715	-	-	25,088	37,108	822	(27,739)	-	1,122,994
Approval of capital increase	116,507	(93,735)	(22,772)	-	-	-	-	-	-
Capital increase	-	93,735	-	-	(37,108)	-	-	-	56,627
Equity valuation adjustment	-	-	-	-	-	2,819	(88,648)	(1,084)	(86,913)
Net income for the year	-	-	-	-	-	-	-	33,946	33,946
Allocations:									
Reserves	-	-	-	1,643	-	-	-	(1,643)	-
Balances at June 30, 2012 (Restated)	1,204,222	-	(22,772)	26,731	-	3,641	(116,387)	31,219	1,126,654
Balances at December 31, 2012 (Restated)	1,456,157	-	(22,772)	28,656	571	7,552	(156,909)	-	1,313,255
Approval of capital increase	203,625	(3,625)	22,772	-	-	-	-	-	222,772
Capital increase	-	3,625	-	-	(571)	-	-	-	3,054
Equity valuation adjustment	-	-	-	-	-	(13,030)	67,188	-	54,158
Net income for the six-month period	-	-	-	-	-	-	-	22,212	22,212
Allocations:									
Reserves	-	-	-	1,111	-	-	-	(1,111)	-
Balances at June 30, 2013	1,659,782	-	-	29,767	-	(5,478)	(89,721)	21,101	1,615,451

See accompanying notes.

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

Cash flow statements

Six month periods ended June 30, 2013 and 2012

(In thousands of reais)

	6.30.2013	6.30.2012 (Restated)
Cash flow from operating activities		
Net income before taxes and profit sharing	48,200	60,642
Net income adjustments:		
Depreciation and amortization	1,839	1,576
Setting up of provisions and net contingent liabilities	10,515	10,299
Setting up of allowance for loan losses	13,083	31,248
Setting-up (reversal) of provision for losses	297	(860)
Gain (loss) from sale not for own use assets	401	(223)
Appropriation of unearned income	(2,221)	(1,577)
Collection of loans written-off as losses	(686)	(2,232)
Gains from monetary restatement of long term loans	(4,730)	(5,848)
Net income adjusted:	66,698	93,025
Increase (decrease) in interbank investments	(55,932)	24,878
Increase (decrease) in marketable securities	(251,264)	17,477
Increase in loan and lease operations	(462,297)	(259,109)
Increase in other loans and other assets	(4,018)	(900)
Increase in interbank deposits	2,084	62,446
Decrease in obligations from repurchase agreements	-	(5,012)
Increase in liabilities with treasury notes	97,800	-
Increase in liabilities with loans and onlending	227,233	68,598
Increase in deferred income	3,749	2,190
Decrease (increase) in other obligations	1,575	15,102
Income and social contribution taxes paid	(36,504)	(28,562)
Profit sharing	(2,526)	(6,155)
Changes in assets and liabilities	(480,100)	(109,047)
Net cash from operating activities	(413,402)	(16,022)
Cash flow from investing activities		
Acquisition of permanent assets	(1,562)	(1,306)
Investment in subsidiary BDMGTEC	(22,772)	(22,772)
Net cash used in investing activities	(24,334)	(24,078)
Cash flow from financing activities		
Capital increase	225,826	56,627
Net cash generated by financing activities	225,826	56,627
Increase/ (decrease) in cash and cash equivalents	(211,910)	16,527
Cash cash equivalents at the beginning of the six month period	343,491	112,557
Cash cash equivalents at the end of the six month period	131,581	129,084

See accompanying notes.

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

Notes to financial statements
June 30, 2013 and 2012
(In thousands of reais)

1. Operations

Banco de Desenvolvimento de Minas Gerais S.A. BDMG is an unlisted corporation run by the State of Minas Gerais and governed by the Brazilian Corporation Law and applicable National Financial System regulations and Minas Gerais state government legislation.

BDMG's activities, the basis of its business purpose, are associated with the social and economic development of the State of Minas Gerais. From this perspective, it carries out development bank-related activities in accordance with the rules established by the National Monetary Council (CMN) and acts as a financial agent for funds set up by the State to finance programs and projects that foster Minas Gerais state development. BDMG is also a financial agent and/or manager of other funds that do not belong to the State, but as they finance projects in Minas Gerais, these promote its development. The Bank also offers advisory and technical assistance services to the Direct and Indirect State Management.

2. Basis of preparation and presentation of financial statements

The Board of Directors at Banco de Desenvolvimento de Minas Gerais approved these financial statements on August 22, 2013, in accordance with approval from the Executive Board on August 20, 2013.

Preparation of financial statements requires that management make judgments and estimates and adopt assumptions that affect the revenues, expenses, assets and liabilities disclosed, as well as unrealized revenues, costs and expenses. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process.

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, in light of accounting guidelines contained in the Corporation Law (Law No. 6404/76), as amended by Laws No. 11638/07 and 11941/09, associated with CMN and Central Bank of Brazil (BACEN) standards and rulings.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices

(a) Determination of profit and loss

Revenues and expenses are calculated on an accrual basis, and are adjusted according to the attributable income and social contribution taxes on taxable profit and, where applicable, by deferred income and social contribution taxes, which will be recovered or required in subsequent years, except for profit on renegotiated loans, posted to P&L on a cash basis, as determined by CMN/BACEN Resolution No. 2.682/1999.

(b) Cash and cash equivalents

These comprise cash and cash equivalents in domestic and foreign currency and interbank investments, maturing on the effective investment date within no more than 90 days, used by BDMG to manage its short-term commitments. The balance at the end of the first six-month period are as follows:

	<u>2013</u>	<u>2012</u>
Cash and banks	622	540
Interbank investments	130,959	128,544
Total	<u>131,581</u>	<u>129,084</u>

(c) Interbank investments

These are stated at acquisition cost, plus earnings accrued up to the balance sheet date on a pro rata basis, less valuation allowance, when applicable.

(d) Marketable securities

Pursuant to BACEN Circular No. 3068/2001 and supplementary regulations, marketable securities are classified into the categories below, based on management's intention to trade them, observing the following accounting criteria:

- (i) Held-for-trading securities – these include marketable securities acquired to be frequently and actively traded, recorded at market value, with related gains and losses, whether realized or not, recorded directly in P&L for the year.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(d) Marketable securities (Continued)

- (ii) Available-for-sale securities – these include marketable securities used as part of a strategy to manage cash flow. These securities are recorded at market value, their intrinsic yields (security curve) are recognized in P&L for the year, and gains and losses from changes in market value, not yet realized, are recorded in the Equity Valuation Adjustment under Equity, net of related tax effects. Gains and losses, when realized, are recorded in P&L for the year upon specific identification on the trading date, matched against equity, net of related tax effects.
- (iii) Held-to-maturity securities – these include marketable securities which management has the intention and financial capacity to hold to maturity, and are recorded at cost of acquisition, plus intrinsic yields that are recognized in P&L for the year. The financial capacity is defined by cash flow projections, not considering the possibility of advanced redemption of said securities. Decreases in the market value of available-for-sale and held-to-maturity marketable securities below their corresponding costs, for reasons that are not considered to be temporary, are reflected in P&L as realized losses.

(e) Loans and other current and non-current assets

These are stated at realizable values, including, where applicable, earnings accrued on a *pro rata* basis, less corresponding unearned income. The allowance for loan losses is set up based on the criteria defined by CMN/BACEN Resolution No. 2682/1999, and takes into consideration risk classification and maturity.

Income from loan and lease transactions overdue for more than 59 days, regardless of the risk level, is only recognized when effectively received.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(e) Loans and other current and non-current assets (Continued)

Renegotiated transactions remain at least at the same risk level in which previously classified before renegotiation. However, when there are facts that justify any change in the level of risk, a renegotiated loan is reclassified to a lower risk category. Renegotiated loans that have been written off against the allowance and posted to memorandum accounts are rated as risk level "H", and possible recoveries are recognized as income when effectively received.

(f) Permanent assets

Permanent assets are stated at cost of acquisition, net of respective accumulated depreciation and amortization and adjusted for impairment, when applicable.

Depreciation of property and equipment in use, amortization of deferred charges and amortization of intangible assets are calculated by the straight-line method, at the annual rates mentioned, respectively, in items (a), (c), and (d) of Note 9.

(g) Current and noncurrent liabilities

These are stated at known or determinable amounts, including, where applicable, the corresponding financial charges incurred on a pro rata basis.

(h) Foreign currency transactions

Asset and liability balances of transactions in foreign currencies are translated into the domestic currency (R\$), which is also the functional currency used by the Bank, at the selling exchange rate at the balance sheet date.

(i) Income and social contribution taxes

The provision for income tax is recognized at the base rate of 15% of taxable profit, plus 10% surtax, whereas provision for social contribution tax is computed at 15% of taxable profit.

Tax effects from changes in accounting records arising from Law No. 11638/2007 are being treated pursuant to the Transition Tax Regime (RTT) established by Law No. 11941/2009, which resulted from Provisional Executive Order (MP) No. 449/2008.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

j) Employee benefits

The Bank sponsors the following benefits provided to its active employees and beneficiaries:

- Private pension plan – supplements the retirement benefit provided by the General Social Security Regime (RGPS). BDMG sponsors defined benefit private pension plans, closed to new members since November 10, 2011, and variable contribution plans.
- Health and dental assistance – this plan offers medical and dental coverage to its participants. BDMG assures this benefit to participants that subscribe to the plan, the quality of the assets up to 10/10/2009 through partial payment of a monthly contribution. Employees that are part of the health plan as from 10/11/2009 are assured BDMG sponsorship while active participants or as assisted members, these employees may remain in the plan and liable for the total contribution owed.
- Life insurance – BDMG pays part of the group life insurance policy premium.
- Voluntary resignation program – on December 14, 2011, BDMG created the Voluntary Resignation Program, which benefits employees who meet the program requirements, conditional upon their retirement by December 31, 2014.

The Bank records benefits granted to employees in accordance with Brazilian Accounting Standard (NBC) NBC TG 33 – Employee Benefits based on Accounting Pronouncement CPC 33 (R1) (IAS 19 from the IASB). Brazil's National Association of State Boards of Accounting (the CFC) Resolution No. 1425/2013, that amended the wording of NBC TG 33 to CPC 33 (R1), established its application as from January 1, 2013.

The amended standard requires: (i) the immediate recognition of actuarial gains and losses from post-employment benefits with matching entry under Equity. This condition eliminated the possibility, previously allowed, of deferring actuarial losses of defined benefit plans (corridor method), and (ii) use of a new measure of revenue/ expenses net of interest, i.e. requires that the calculation net interest is made based on the application of the discount rate on the net liabilities balance of plan assets.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

j) Employee benefits (Continued)

The information on the accounting of employee benefits in the first six-month period of 2013, in accordance with NBC TG 33, is detailed in Note 25.

Restatements of comparative balances

In accordance with NBC TG 23 (NBC T 19:11) - Accounting Policies, Changes in Accounting Estimates and Rectification of Errors, that establishes, for comparability purposes, the adjustment of the financial statements of the corresponding previous period, the Bank applied the change in accounting policy to the financial statements at December 31, June 30 and January 1, 2012, as required by NBC TG 33.

The financial statements, including the adjustment stemming from the application of NBC TG 33, are stated in summarized form in the following tables:

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

j) Employee benefits (Continued)

Balance sheet

	12/31/2012			01/01/2012			6/30/2012		
	Original balances reported	Effects of application of NBC TG 33	Adjusted balances	Original balances reported	Effects of application of NBC TG 33	Adjusted balances	Original balances reported	Effects of application of NBC TG 33	Adjusted balances
Assets									
Current assets	953,739	2,893	956,632	775,020	2,991	778,011	896,010	1,460	897,470
Cash and banks	1,158	-	1,158	1,224	-	1,224	539	-	539
Interbank investments	342,333	-	342,333	292,379	-	292,379	394,903	-	394,903
Marketable securities	-	-	-	21,641	-	21,641	5,065	-	5,065
Loans	583,420	-	583,420	437,239	-	437,239	487,802	-	487,802
Lease transactions	(109)	-	(109)	(114)	-	(114)	(41)	-	(41)
Other receivables (b)	26,719	2,893	29,612	22,521	2,991	25,512	7,567	1,460	9,027
Other assets	218	-	218	130	-	130	175	-	175
Non-current assets	2,657,843	36,390	2,694,233	2,064,922	19,464	2,084,386	2,195,947	33,036	2,228,983
Long-term receivables	2,630,590	36,390	2,666,980	2,039,054	19,464	2,058,518	2,170,368	33,036	2,203,404
Interbank investments	-	-	-	100,179	-	100,179	-	-	-
Marketable securities	204,422	-	204,422	135,619	-	135,619	129,800	-	129,800
Loans	2,148,059	-	2,148,059	1,575,344	-	1,575,344	1,760,455	-	1,760,455
Lease transactions	-	-	-	(33)	-	(33)	-	-	-
Other receivables (b)	255,337	36,390	291,727	227,945	19,464	247,409	257,341	33,036	290,377
Other assets	22,772	-	22,772	-	-	-	22,772	-	22,772
Permanent assets	27,253	-	27,253	25,868	-	25,868	25,579	-	25,579
Investment	487	-	487	607	-	607	607	-	607
Property and equipment in use	22,869	-	22,869	23,086	-	23,086	22,778	-	22,778
Lease assets	644	-	644	1,019	-	1,019	842	-	842
Intangible assets	3,223	-	3,223	923	-	923	1,201	-	1,201
Deferred taxes	30	-	30	233	-	233	151	-	151
Total assets	3,611,582	39,283	3,650,865	2,839,942	22,455	2,862,397	3,091,957	34,496	3,126,453

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(j) Employee benefits (Continued)

Balance sheet (Continued)

	31/12/2012			01/01/2012			6/30/2012		
	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances
Liabilities									
Current liabilities	401,241	6,105	407,346	431,089	7,125	438,214	458,839	6,891	465,730
Deposits	59,493	-	59,493	100,184	-	100,184	105,256	-	105,256
Domestic Onlending liabilities - official institutions	276,301	-	276,301	238,700	-	238,700	245,760	-	245,760
Open market funding	-	-	-	5,012	-	5,012	-	-	-
Other liabilities (a)	65,447	6,105	71,552	87,193	7,125	94,318	107,823	6,891	114,714
Non-current assets	1,732,210	190,087	1,922,297	1,252,067	43,069	1,295,136	1,383,411	143,992	1,527,403
Deposits	-	-	-	-	-	-	57,375	-	57,375
Funds from acceptance and issuance of securities	351,267	-	351,267	-	-	-	-	-	-
Domestic Onlending liabilities - official institutions	1,056,244	-	1,056,244	948,004	-	948,004	1,009,543	-	1,009,543
Other liabilities (a)	324,699	190,087	514,786	304,063	43,069	347,132	316,493	143,992	460,485
Unearned income	7,967	-	7,967	6,053	-	6,053	6,666	-	6,666
Equity	1,470,164	(156,909)	1,313,255	1,150,733	(27,739)	1,122,994	1,243,041	(116,387)	1,126,654
Capital									
Capital domiciled in Brazil	1,456,157	-	1,456,157	1,087,715	-	1,087,715	1,204,222	-	1,204,222
Capital to be realized	(22,772)	-	(22,772)	-	-	-	(22,772)	-	(22,772)
Income reserves	29,227	-	29,227	62,196	-	62,196	26,731	-	26,731
Equity adjustments c	7,552	(156,909)	(149,357)	822	(27,739)	(26,917)	3,641	(116,387)	(112,746)
Accumulated income (losses)	-	-	-	-	-	-	31,219	-	31,219
Total liabilities	3,611,582	39,283	3,650,865	2,839,942	22,455	2,862,397	3,091,957	34,496	3,126,453

- (a) The adjustment recorded under liabilities and equity "other liabilities" refer to the recognition of actuarial losses on defined benefit plans and past service costs on health plans stemming from the adoption of NBC TG 33 amended (Notes 12 and 25).
- (b) Adjustments recorded under Assets "Other receivables" refer to tax credits mainly generated through the recognition of actuarial losses (Note 7).
- (c) The adjustments recorded in Net equity refer to the effect of the recognition of actuarial losses and past health plan service cost net of tax credits.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(j) Employee benefits (Continued)

Income statements for the year

	6/30/2012			2012		
	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances
Financial income	185,032	-	185,032	353,964	-	353,964
Financial intermediation expenses	(81,597)	-	(81,597)	(149,376)	-	(149,376)
Gross income	103,435	-	103,435	204,588	-	204,588
Other operating income (expenses)	(42,812)	1,084	(41,728)	(99,901)	3,822	(96,079)
Operating income	60,623	1,084	61,707	104,687	3,822	108,509
Non- operating expenses	(1,065)	-	(1,065)	(2,752)	-	(2,752)
Income before taxes and profit sharing	59,558	1,084	60,642	101,935	3,822	105,757
Provision for taxes	(25,053)	-	(25,053)	(25,940)	-	(25,940)
Statutory profit sharing	(1,643)	-	(1,643)	(4,641)	-	(4,641)
Net income for the period	32,862	1,084	33,946	71,354	3,822	75,176

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(j) Employee benefits (Continued)

Statements of Cash Flows

	06/30/2012			2012		
	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances	Balances originally reported	Effects of application of NBC TG 33	Adjusted balances
Net income before taxes and profit sharing	59,558	1,084	60,642	101,935	3,822	105,757
Depreciation and amortization	1,576	-	1,576	3,232	-	3,232
Setting up of provisions and net contingent liabilities	11,383	(1,084)	10,299	25,744	(3,822)	21,922
Setting up of allowance for loan losses	31,248	-	31,248	56,118	-	56,118
Setting-up (reversal) of provision for losses	(860)	-	(860)	(752)	-	(752)
Income (loss) in the sale of not for own use assets	(223)	-	(223)	(283)	-	(283)
Appropriation of unearned income	(1,577)	-	(1,577)	(3,516)	-	(3,516)
Recovery of loans written-off as losses	(2,232)	-	(2,232)	(10,529)	-	(10,529)
Revenue from monetary restatement of long term loans	(5,848)	-	(5,848)	(14,961)	-	(14,961)
Net adjusted income	93,025	-	93,025	156,988	-	156,988
Variation in assets and liabilities	(109,047)	-	(109,047)	(139,906)	-	(139,906)
Net cash from operating activities	(16,022)	-	(16,022)	17,082	-	17,082
Net cash used in investing activities	(24,078)	-	(24,078)	(27,494)	-	(27,494)
Net cash used in financing activities	56,627	-	56,627	241,346	-	241,346
Net increase in cash and cash equivalents	16,527	-	16,527	230,934	-	230,934
Cash and cash equivalents at the beginning of the period	112,557	-	112,557	112,557	-	112,557
Cash and cash equivalents at the end of the period	129,084	-	129,084	343,491	-	343,491

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

(j) Employee benefits (Continued)

Statements of changes in equity

	Capital	Capital increase	Capital to be paid in	Income reserve		Adjustment of marketable securities for sale	Other equity valuation adjustment	Retained earnings	Total
				Legal	Others				
Reported balances at June 30, 2012	1,204,222	-	(22,772)	26,731	-	3,641	-	31,219	1,243,041
Effects of application of NBC TG 33	-	-	-	-	-	-	(116,387)	-	(116,387)
Adjusted balances at June 30, 2012	1,204,222	-	(22,772)	26,731	-	3,641	(116,387)	31,219	1,126,654
Reported balances at December 31, 2012	1,456,157	-	(22,772)	28,656	571	7,552	-	-	1,470,164
Effects of application of NBC TG 33	-	-	-	-	-	-	(156,909)	-	(156,909)
Adjusted balances at December 31, 2012	1,456,157	-	(22,772)	28,656	571	7,552	(156,909)	-	1,313,255
Reported balances at January 1, 2012	1,087,715	-	-	25,088	37,108	822	-	-	1,150,733
Effects of application of NBC TG 33	-	-	-	-	-	-	(27,739)	-	(27,739)
Adjusted balances at January 1, 2012	1,087,715	-	-	25,088	37,108	822	(27,739)	-	1,122,994

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

k) Contingent assets and liabilities and legal obligations

Recognition, measurement, and disclosure of contingent assets and liabilities and legal obligations observe Accounting Pronouncement CPC 25, issued by the Brazilian FASB (CPC), and follow the criteria below:

- (i) Contingent assets – these are only recognized in financial statements upon existence of evidence guaranteeing their realization, on which no further appeals can be filed.
- (ii) Contingent liabilities – these are recognized in the financial statements when, based on the opinion of legal counsel and management, the likelihood of loss in a given legal or administrative proceeding is rated as probable, the settlement of which is likely to result in an outflow of economic benefits, and the amounts involved can be reliably measured. Contingent liabilities assessed as possible losses by legal advisors are only disclosed in the notes to financial statements, whereas those rated as remote loss require neither provision nor disclosure.
- (iii) Legal obligations – these refer to litigation intended to challenge the legality and constitutionality of certain taxes and contributions. The amounts at issue are quantified, recorded and restated on a monthly basis. The amounts at issue are quantified, recorded and restated on a monthly basis.

l) Employee profit sharing

Profit sharing is defined in collective bargaining covenants and also by complying with the Goal Plan, and is accrued based on the percentage on P&L and adjusted at the end of the year after the calculation of income for the year and assessment of achievement of goals.

For 2013, the Bank included in the Goal Plan, a profit sharing payment to be distributed to employees who achieved a specific goal established for the first four month period of the year. The amount to be distributed is fully provisioned due to achievement of 90% of the goal.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

m) Related parties

Disclosures in notes to the financial statements regarding related parties met CMN/BACEN Resolution No. 3750/2009 that established that financial institutions are required to adopt Accounting Pronouncement CPC 5 – Related Parties. In accordance with this Pronouncement transactions performed between the bank and its related parties that affect its financial position and income are reported. BDMG's related parties are legal entities and individuals that meet Bank's Internal Resolution No. 209/2009, mentioned in note 19, with which the Bank carried out transactions in the six-month period

n) Earnings per share

Calculated based on the number of outstanding shares on the balance sheet date.

4. Interbank investments

Investments in repurchase agreements	2013	2012
Self-funding position		
Financial treasury notes	130,959	-
Financial treasury bills	-	102,076
Interbank deposits	67,659	305,710
Allowance for losses	(11,727)	(12,883)
Total current assets	186,891	394,903

Allowance for losses was set up in 2004 and refers to interbank deposit issued by a financial institution that is now bankrupt.

Interbank investments mature as follows:

	Past due:	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Total
NTN	-	130,959	-	-	-	-	130,959
CDI	11,727	15,306	-	40,626	-	-	67,659
Allowance	(11,727)	-	-	-	-	-	(11,727)
Total 2013	-	146,265	-	40,626	-	-	186,891
Total 2012	-	153,676	95,266	-	40,867	105,094	394,903

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

5. Marketable securities

- a) At June 30, 2013, the marketable securities portfolio was comprised as follows, considering the Bank's intention and financial capacity, and are classified under the category of "marketable securities available for sale" established by BACEN Circular No. 3.068/2001:

	2013			2012		
	Quantity	Yield curve	Market value	Quantity	Yield curve	Market value
Financial treasury bills	97,058	255,735	255,801	59,958	65,249	65,194
Financial treasury notes	65,000	171,769	161,806	19,744	49,571	56,204
Bank deposit certificates	-	-	-	5,000	5,065	5,065
Investment fund quotas:						
- Emerging Companies (FIEE)	71	1,046	1,046	64	1,036	1,036
- Equity interest (FIP)	3,604,118	3,321	3,321	1,924,924	1,725	1,725
- Credit rights (FDIC)	1,700	9,902	9,902	1,000	5,641	5,641
- Investment Warranty (FGI)	233,806	267	267	-	-	-
Total		442,040	432,143		128,287	134,865
Current			-			5,065
Non-current			432,143			129,800

At June 2013, unearned gains with securities classified under this category totaled R\$ 9,897 (2012 – R\$ 6,578).

The mark to market of government bonds considers the quotes disclosed on the Brazilian Association of Financial and Capital Markets Entities (ANBIMA) for the secondary market of these securities.

- b) Marketable securities are distributed according to the following maturity terms:

	Up to 30 days	From 31 to 60 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total
Federal Government Bonds	-	-	-	-	417,607	417,607
Investment fund shares	-	-	-	-	14,536	14,536
Total 2013	-	-	-	-	432,143	432,143
Total 2012	-	5,065	-	-	129,800	134,865

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

5. Marketable securities (Continued)

- c) The changes in amounts recorded under equity "equity valuation adjustment" that covers the adjustments of securities available for sale, held in portfolio, were as follows:

	Unrealized gains (losses)	Tax effects	Fair value adjustment
Balance at June 30, 2012	6,578	(2,937)	3,641
Six-month period ended December 31, 2012	7,067	(3,156)	3,911
Six-month period ended June 30, 2013	(23,542)	10,512	(13,030)
Balance at June 30, 2013	(9,897)	4,419	(5,478)

6. Loans, leases and loan-like receivables

BDMG's active loan portfolio consists of loans pertaining to financing of development projects and/ or conditions associated therewith. Financial lease agreement and credit equivalent to lending operations consist of forward sale of assets not for own use.

BDMG's loan portfolio is comprised as follows:

	2013			2012
	Total	Allowance	Net	Net
Active loan portfolio				
Loans	3,332,600	(146,084)	3,186,516	2,248,257
Financial lease agreement	-	-	-	270
Loan equivalents – spot same of assets not for own use	69	(3)	66	266
Total	3,332,669	(146,087)	3,186,582	2,248,793

Lease transactions, (all lease back type) were settled over the first six-month period of 2013.

On June 30, 2013, the balance of R\$ 3,332,669 (2012 - R\$ 2,393,945) in loans, the amount of R\$ 1,674,843 (2012 - R\$ 1,149,613) was granted with own funds and R\$ 1,657,826 (2012 - R\$ 1,244,332), originally, with onlent funds received from other financial institutions.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

6. Loans, leases and loan-like receivables (Continued)

(a) Classification by product and sector activity

	2013	2012
Loans	783,476	205,714
Manufacturing	383,318	86,138
Trade	206,790	94,191
Other services	193,368	25,385
Private sector financing	2,012,005	1,744,725
Manufacturing	1,256,995	1,003,878
Trade	80,926	65,220
Other services	335,016	325,517
Rural and agriculture - industrial	307,047	314,199
Financial intermediaries	22,280	26,401
Individuals	9,741	9,510
Public sector financing	537,119	442,558
Direct and indirect municipal administration	537,119	442,558
Lease transactions (i)	-	385
Other receivables (equivalent to loans)	69	563
Subtotal	3,332,669	2,393,945
Allowance for loan losses	(146,087)	(145,152)
Loans	(146,084)	(144,740)
Lease transactions	-	(115)
Other receivables	(3)	(297)
Total	3,186,582	2,248,793
Current	718,904	488,258
Non-current	2,467,678	1,760,535

(i) The stated balance is adjusted to present value.

(b) Classification by term and level of risk

Level of risk	2013								2012	
	Total	Past due:	Aging list						Over 5,400	Total
			From 15 to 90	From 91 to 360	From 361 to 1,080	From 1,081 to 1,800	From 1,801 to 5,400			
AA	1,203,593	-	36,217	107,147	286,435	242,742	530,923	129	1,190,535	
A	850,898	-	47,599	214,980	265,764	144,899	177,656	-	360,958	
B	467,494	307	25,017	75,507	174,802	91,576	100,285	-	372,263	
C	631,554	1,084	37,114	150,169	239,486	104,280	99,421	-	241,499	
D	91,336	869	7,607	18,196	36,741	16,605	11,318	-	133,095	
E	31,284	903	1,887	5,625	11,932	5,600	5,337	-	20,198	
F	5,999	721	649	1,489	2,345	606	189	-	14,221	
G	3,232	236	343	786	1,371	496	-	-	3,592	
H	47,279	3,713	6,284	9,996	13,960	5,270	8,056	-	57,584	
	3,332,669	7,833	162,717	583,895	1,032,836	612,074	933,185	129	2,393,945	

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

6. Loans, leases and loan-like receivables (Continued)

(c) Classification by risk level and allowance

Level	%	2013			2012	
		Portfolio	Allowance for credit risks at minimum required percentages	Allowance for loan losses	Portfolio	Allowance for loan losses
AA	0,0	1,203,593	-	47,151	1,190,535	45,801
A	0,5	850,898	4,255	4,255	360,958	1,805
B	1,0	467,494	4,675	4,675	372,263	3,723
C	3,0	631,554	18,947	18,947	241,499	7,245
D	10,0	91,336	9,134	9,134	133,095	13,310
E	30,0	31,284	9,385	9,385	20,198	6,059
F	50,0	5,999	2,999	2,999	14,221	7,111
G	70,0	3,232	2,262	2,262	3,592	2,514
H	100,0	47,279	47,279	47,279	57,584	57,584
		3,332,669	98,936	146,087	2,393,945	145,152

Up to November 2005, loan transactions regarding PESA (Rural Credit, under CMN/BACEN Resolution No. 2471/1998) were classified at level H. From then on, BDMG management rated such transactions as AA. This risk classification considered particularities of these transactions in relation to the credit risk mitigated through security interest represented by public bonds. The Bank sets up a supplementary allowance for loan losses, which is computed based on the difference between the restated principal balance of reclassified loan transactions and present values of securities guaranteeing them. At June 30, 2012, the supplementary allowance amounted to R\$ 47,151 (2011 – R\$ 45,801).

(d) Changes in allowance for loan losses in the six-month period:

	2013	2012
Opening balance	141,543	116,652
Set up of allowance, net of reversals	13,084	31,248
Write-off of loans as losses	(8,540)	(2,748)
Closing balance	146,087	145,152

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

6. Loans, leases and loan-like receivables (Continued)

In the six-month period ended June 30, 2012, the recovery of loans that had been previously written-off as losses generated revenue of R\$3,319 (2012 – R\$8,536) recorded as loans recovered R\$5,014 (2011 – 26,389) recorded as interest on recovered loans.

7. Other receivables

	2013	2012 (Restated)
Tax credits (a)	229,067	205,654
Debtors for deposits in guarantee (b)	90,040	84,168
Changes in securities and credits receivable (c)	10,965	10,624
Sundry debtors – Domestic (d)	8,407	953
Unearned income (e)	4,842	6,066
Taxes recoverable	1,017	76
Other	3,165	3,910
Subtotal	347,503	311,451
Allowance for loan losses (f)	(12,162)	(12,047)
Total	335,341	299,404
Current	19,193	9,027
Non-current assets	316,148	290,377

- (a) Income and social contribution tax credits were determined and recorded as stated in Note 16 (a).
- (b) Deposits in guarantee are related to legal inquires, particularly of a tax nature, as shown in Note 12 (a), where the relationship between the judicial deposits and the related legal inquiries is stated.
- (c) Bonds and credits receivable correspond to remuneration payable by National Treasury Department (STN) due to renegotiations grounded on laws, regarding rural credit transactions taken out with funds arising from STN.
- (d) The Sundry Debtors balance refers to assets given in fiduciary lien guarantee and which under the terms of article 27, Law No. 9514, covers a fiduciary lien of fixed assets, were received by the Bank to settle financing in arrears.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

7. Other receivables (Continued)

- (e) The unearned income balance is mainly comprised of net remuneration receivable from the respective provision generated in loans made with development funds administered by BDMG. Remuneration matures upon maturity of installments taken out and its allowance is set up on amounts recorded, based on a percentage related to the risk level in which the transaction from which the remuneration resulted is classified. This classification is based on a policy adopted by the Bank to extend the same criteria established in CMN/BACEN Resolution No. 2682/1999 for loans in BDMG's own portfolio to transactions financed through the funds it manages.
- (f) The allowance for loan losses amounted to R\$ 12,162 (2012 – R\$ 12,047), is constituted is set up mainly to cover transactions not treated as loans, of which R\$ 12,114 (2012 - R\$ 11,705) refers to amounts to be refunded by STN. STN has not made a formal pronouncement on the amounts and settlement date of such liabilities. The allowance set up based on the uncertainty as to the realization term of such receivables comprises R\$ 10,922 (2012 - R\$ 10,624) regarding remuneration R\$ 1,192 (2012 - R\$ 1,081) referring to the amount payable for equalization of rural financing interest rates.

8. Other assets

	2013	2012
Equity interest (a)	45,545	22,772
Other	168	175
Total	45,713	22,947
Current	168	175
Non-current	45,545	22,772

The amount of R\$ 45,545 (2012 – R\$ 22,772) recorded as equity interests, refers to capital contribution by the Bank in BDMGTEC Participação S.A., established in March 2012, grounded on State Law No. 19967/11. Capital subscribed by BDMG amounts to R\$ 45,545, to be fully paid-in by BDMG.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

9. Permanent assets

At June 30, 2013, the Bank's total investments amounted to R\$ 487 (2012 - R\$ 607) and subgroups state the following amounts:

(a) Property and equipment in use

	Annual depreciation rates %	2013		2012	
		Cost	Accumulated depreciation	Net amount	Net amount
Properties	4	41,849	(22,969)	18,880	19,345
Installations, furniture and equipment	10	5,670	(4,302)	1,368	1,729
Data processing system	20	4,292	(2,747)	1,545	1,322
Other	10	604	(494)	110	120
Construction in progress	-	246	-	246	262
Total		52,661	(30,512)	22,149	22,778

(b) Property and equivalent for lease

	2013			2012	
	Cost	Accumulated depreciation	Excess of depreciation	Net amount	Net amount
Leased assets	-	-	-	-	842

The Banks's lease operations were fully settled in the first six month period of 2013.

(c) Deferred assets

	Amortization rate per year %	2013		2012	
		Cost	Accumulated amortization	Net amount	Cost
Expenditures on acquisition and software development	20	1,610	(1,603)	7	151

Pursuant to CMN/BACEN Resolution No. 3617/2008, deferred charges will be held to their effective realization.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

9. Permanent assets (Continued)

(d) Intangible assets

	Annual amortization rates %	2013		2012
		Cost	Accumulated amortization	Net amount Cost
Intangible assets	20	5,078	(1,146)	1,201

Pursuant to CMN/BACEN Resolution No. 3642/2008 and Circular Letter BACEN No. 3357/2008, BDMG has been recording intangible items intended for maintenance of the entity, previously recorded as deferred charges, as intangible assets since December 2008.

10. Funds raised

Funds raised by the Bank are as follows:

	2013		2012
	Maturity	Amount	Amount
Interbank deposit	2nd six month period 2013	61,577	162,631
Treasury Bills	2nd six month period of 2015	100,322	-
Treasury Bills	1st six month period of 2016	83,452	-
Treasury Bills	2nd six month period of 2017	265,293	-
Total		510,644	162,631
Current		61,577	105,256
Noncurrent		449,067	57,375

Funds raised through Treasury Bills as from December 2012 were made under the auspices of CMN resolution 4143/2012 which authorized the issue of these securities by development banks.

11. Domestic onlending – official institutions

These liabilities correspond to balances of funds obtained from official programs and funds on-lent to finance ventures in the state of Minas Gerais. Principal and charges are payable through 2027, bearing financial charges defined in the operating policies of each agency or fund passing on those resources.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

11. Domestic onlending – official institutions (Continued)

Balances are summarized as follows:

	2013	2012
BNDES	840,821	740,977
FINAME	669,163	461,158
BNB	34,172	37,373
National treasury	15,622	15,735
Caixa Econômica Federal	-	60
Total	1,559,778	1,255,303
Current	297,283	245,760
Non-current	1,262,495	1,009,543

The BNDES/FINAME system is the main source of on-lending funds from BDMG to its customers.

Brazilian Development Bank (BNDES) funds are mainly to finance long-term investment projects. At June 30, 2013, funds on-lent on by BDMG arise from the following credit lines:

Credit lines	2013	2012
BNDES Automático TJLP	187,589	182,661
BNDES FINEM TJLP	118,753	117,600
BNDES Automático PROGEREN	80,188	51,637
BNDES FINEM TJ-462	70,598	54,133
BNDES Automático TJ-462	66,120	50,367
BNDES Automático PROCAP-AGRO	53,812	63,279
BNDES Automático Rural	30,275	43,199
BNDES Automático PRODECOP	18,335	21,935
BNDES PEC-GIRO TJ462	-	11,097
Other	215,151	145,069
Total	840,821	740,977

The BNDES credit lines stated above amount to R\$ 625,670 (2012 – R\$ 595,908) at June 30, 2013, which is equivalent to 74.4 % (2011 – 80.4%) of balances with BNDES. Financial charges of these lines are determined by the Long-Term Interest Rate (TJLP), plus floating percentage ranging from 0.5% to 4% p.a., according to the financing objective. Financial brokerage rate of 0.5% p.a. is included in this percentage, where applicable. The following are considered exceptions to the specified lines of credit: BNDES Automático PRODECOOP and BNDES AUTOMÁTICO PROCAP-AGRO, which bear fixed interest between 2.5% p.a. and 7.75% p.a.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

11. Domestic onlending – official institutions (Continued)

Funds raised by BDMG from the Government Agency for Machinery and Equipment Financing (FINAME) are mostly to finance machinery and equipment related to development projects. Breakdown of the amount payable to FINAME at June 30, 2013 is as follows:

Credit lines	2013	2012
FINAME PSI	594,235	360,771
FINAME PROVIAS	34,329	45,955
FINAME – TJLP	9,019	13,733
FINAME MODERMAQ	5,101	13,676
Other	26,479	27,023
Total	669,163	461,158

At June 30, 2012, the FINAME lines described above totaled R\$ 642,684 (2012 – R\$ 434,135) corresponding to 96% (2011 – 94.1%) of BDMG payables to FINAME. Financial charges of the lines included in this subtotal, except for FINAME PSI, are determined by TJLP, plus floating percentage ranging from 0.5% to 2.5% p.a. according to financing objective. Financial brokerage rate of 0.5% p.a. is included in this percentage, where applicable. FINAME PSI line has a fixed financial charge ranging from 0.8% p.a. to 8.3% p.a.

In 2005, Banco Nordeste do Brasil (BNB) on-lent funds from two different sources to BDMG: from the Inter-American Development Bank (IADB) and the Constitutional Fund for Financing in the Northeast, to be exclusively applied to BNB's area of operation. Funds on-lent to BDMG originating from IADB were intended to finance the Market Expansion Program for Small and Medium-Sized Companies in the Northeast of Brazil (PEM), whereas funds arising from FNE were on-lent to BDMG to finance production ventures of micro, small, medium, and large farm, manufacturing and agro-industrial producers (individuals and legal entities), commercial and service business, their cooperatives and associations. At June 30, 2013, FNE balance, amounting to R\$ 29,932 (2011 - R\$ 32,497), accounts for 87.6% (2012 – 87%) of total payable by BDMG to BNB; financial charges of this financing is 10% p.a.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

12. Other liabilities

	2013	2012 (Restated)
Tax and social security (a)	262,864	248,485
Sundry liabilities (b)	246,372	308,537
Financial and development funds (c)	8,946	17,900
Collection of taxes and other contributions	251	277
Total	518,433	575,199
Current	61,681	114,714
Non-current	456,752	460,485

(a) Tax and social security

	2013	2012
Provision for tax and contributions	20,925	29,094
Taxes and contributions payable	2,225	2,133
Provision for deferred tax and contributions	10,583	9,616
Provision for tax liabilities (i) and (ii)	229,131	207,642
Total	262,864	248,485
Current	25,487	33,198
Non-current	237,377	215,287

- (i) Provision for tax liabilities refers to tax-related contingent liabilities including lawsuits and administrative proceedings pending judgment from Brazilian IRS. These liabilities are restated on a monthly basis at the SELIC rate. In the projection of BDMG's income the expectation considered for the realization of this provision is over a ten year period.

Changes in the provision for tax liabilities in the six-month period were as follows:

	Balance at 12/31/2012	Recorded provision	Adjustment	Balances at 6/30/2013
Change in COFINS tax base – Law No. 9718/1998	170,224	5,709	3,724	179,657
Change in PIS/PASEP tax base – Law No. 9718/1998	41,408	926	832	43,166
Tax immunity as to FINSOCIAL for the period between December 1986 and March 1990	4,383	-	50	4,433
Other contingencies and legal obligations	1,795	38	42	1,875
Total	217,810	6,673	4,648	229,131

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

12. Other liabilities (Continued)

(a) Tax and social security (Continued)

- (ii) To guarantee the tax suits cited above the Bank made judicial deposits amounting to R\$ 85,140 (2012 – R\$ 77,711) recorded under a total of R\$ 90,040 (2012 - R\$ 84,168 under the heading "Other receivables - Debtors for deposits in guarantee" – Note 7b. Tax suits and corresponding judicial deposits at June 30, are as follows:

	2013		2012	
	Provision	Deposits	Provision	Deposits
Change in COFINS tax base – Law No. 9718/1998	179,657	36,289	160,555	32,581
Change in PIS/PASEP tax base – Law No. 9718/1998	43,166	43,008	39,590	39,446
Tax immunity as to FINSOCIAL for the period between December 1986 and March 1990	4,433	4,433	4,329	4,329
Other contingencies and legal obligations	1,875	1,410	3,168	1,355
Total	229,131	85,140	207,642	77,711

In the COFINS and PIS/PASEP claims, BDMG seeks to suspend the requirement to pay such contribution taxes, under the terms enacted by Law No. 9718/1998 which, in addition to creating COFINS for financial institutions, increased the PIS/PASEP tax base when it established that revenue comprised both gross operating and non-operating income. Binding by decisions awarded during the process, the Bank has made judicial deposits to cover COFINS contributions on revenues from services.

BDMG did not set up a provision under the terms of Note 3(k) due to legal counsel's assessment of the following tax contingencies:

- Tax notice served by the Brazilian Social Security Institute (INSS) in 2006, referring to events subject to levy of the social security tax. The portion classified as possible loss is of R\$ 133 (2011 - R\$ 130).
- Interlocutory decision issued by the Brazilian IRS on 12/11/2008, which did not approve income tax offsets made in 2004 and 2005. The fine on debts not offset, totaling R\$ 569 (2011 – R\$ 568) is classified as a possible loss.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

12. Other liabilities (Continued)

(a) Tax and social security (Continued)

- Tax notice served by the Brazilian IRS in July 2010 claiming payment of income and social contribution taxes. The restated portion classified as possible loss is of R\$ 7,349 (2011 – R\$ 7,070).

(b) Sundry expenses

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
Provision for other contingencies (i)	50,728	53,719
Provision for payments to be made (ii)	186,563	197,732
Allocation of capital increase (iii)	372	52,435
Sundry creditors - Domestic (iv)	8,709	4,121
Other	-	530
Total	246,372	308,537
Current	34,970	80,301
Non-current	211,402	228,236

- (i) Changes in the provision for contingencies in the six month period are as follows:

	<u>Balances at</u> <u>12/31/2012</u>	<u>Recorded</u> <u>provision</u>	<u>Reversals/</u> <u>Restatements</u> <u>Write-offs</u>	<u>Balances at</u> <u>6/30/2013</u>
Charges on reserve requirement with BACEN	26,493	-	930	-
Co-liability assumed in loans granted to STN	8,624	-	-	(2,965)
Civil claims	6,636	285	102	(1,096)
Labor claims	3,806	27	4	(1,656)
Legal fees	9,368	22	148	-
	54,927	334	1,184	(5,717)
				50,728

The bank recorded under Other receivables – Debtors for deposits in guarantee the Bank records the amount of R\$ 1,672 (2012 - R\$ 1,820) referring to deposits for labor claims filed, and R\$ 4,228 (2012 – R\$ 4,637) to cover risks arising from civil suits.

Labor and civil contingencies rated as possible losses, for which no provision was recorded, amount to R\$ 125 (2012 – R\$ 75) and R\$ 296 (2012 – R\$ 126), respectively, at June 30, 2013.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

12. Other liabilities (Continued)

(b) Sundry (Continued)

(ii) Provision for payments to be made arises from the following commitments:

	2013	2012 (Restated)
Actuarial liabilities regarding the pension plans (Note 25)	111,155	124,270
Actuarial liabilities regarding the Health Promotion Program (PRO-SAÚDE), health and dental care plans (Note 25)	44,964	43,495
Actuarial liabilities regarding life insurance (Note 25)	12,862	12,894
Voluntary redundancy program in the Bank in force from 12/14/11 to 12/31/14 (Note 25)	2,438	3,602
Vacation pay, 13th monthly salary and related charges	10,116	9,622
Employee profit sharing for the year	3,342	1,643
Compliance with State Law No. 11050/93 and BDMG's articles of incorporation	1,111	1,643
Other	575	563
Total	186,563	197,732

(iii) "Allocation to capital increase" consists of R\$ 372 (2012 - R\$ 52,435) relating to the percentage on return of financing taken out with Fundo Estadual FUNDESE for capital increase applicable to the CREDPOP program, under the terms of State Law No. 13667/2000.

(iv) Sundry payables – Domestic, refers mostly to customer credits to be offset, totaling R\$ 4,855 (2012 – R\$ 2,214) and R\$ 2,714 (2012 – R\$ 260) to be on-lent to the Minas Gerais Integrated Development Institute (INDI).

(c) Financial and development funds

The amount of R\$ 8,946 (2012 – R\$ 17,900) refers substantially to funds managed by BDMG (private funds and funds related to official agencies), received from customers, but not yet transferred to funds.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

13. Equity

(a) Capital

BDMG's subscribed capital totals R\$ 1,659,782 (2012 – R\$ 1,204,222), comprising 58,542,269,507 (2012 – 45,701,892,911) common registered shares, with no par value. During the semester the Bank increased the Capital through (i) capital contribution of R\$ 203,054 corresponding to 6,768,468,300 shares, will be paid in by the Minas Gerais State shareholders and (ii) the allocation of R\$ 571 referring residual profit for 2012.

At June 30, 2013, the Bank's shareholders are: The State of Minas Gerais, holds 89.75% of capital, and has control of the institution; Minas Gerais Economic Development Company (CODEMIG) which became a shareholder in the last quarter of 2012 and the Minas Gerais State Highways Department (DER/MG) which has been a shareholder since 1990, when the Bank changes from being an autonomous entity to a corporation.

(b) Legal reserves - Legal

The legal reserve is set up at 5% of net income computed, not exceeding 20% of the Company capital.

(c) Equity adjustments

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
Fair value adjustment (i)	(5.478)	3.641
Equity adjustments (ii)	(89.721)	(116.387)
Total	<u>(95.199)</u>	<u>(112.746)</u>

- (i) Mark to market, net of tax effects, of securities classified as available for sale,
- (ii) Other adjustments stemming from the application of NBC TG 33 – Employee Benefits, in force as from January 2013, which determined the equity adjustment, net of tax effects, for the Employee benefits obligation, the material amount stemming from the recognition of costs inherent in that obligation and that can be deferred at a later date. To meet requirement for the application of respective effects for comparative purposes, the Bank applied NBC TG 33 - Employee Benefits to calculate the actuarial liabilities in May 2012, based on an actuarial study on that date.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

13. Equity (Continued)

(d) Retained earnings

June 30, 2013, the balance recorded in the retained earnings account, refers to the positive result generated in the six-month period, is R\$ 21,101 (2012 – R\$ 31,219).

(e) Dividends and interest on equity

Shareholders are entitled to minimum dividend corresponding to 1% of net income for the year, adjusted under Brazilian Corporation Law and the Bank's Articles of Incorporation.

For equity remuneration purposes, BDMG adopts the practice of paying dividends or interest on equity capital according to the profit computed in the year.

14. Capital management / Capital Regulation

a) Summary capital management report

In accordance with CMN Resolution No. 3988/2011, in reference to capital management requirements, BDMG issued internal standards Resolution 213 and Ruling No. 239 that established a policy and management structure to ensure that its capital is kept at a level adequate in order to ensure that the strategic objectives are achieved under scenarios involving possible changes in market conditions.

This also takes in account the Bank's different operating and administrative activities, the economic situation under which the Bank operated and the risks to which it is exposed, while meeting established capital regulation requirements.

In 2012, the Bank in accordance with the standards described above and considering at that time, the strategic planning, assumptions for proposed scenarios and income projections, prepared a capital plan for the period 2013 to 2015. This plan as well as the complete report refers to BDMG capital management, prepared in December 2012, which can be accessed at the following address:

<http://www.bdmg.mg.gov.br/quemsomos/transparencia/paginas/balancoserelatorios.aspx>

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

14. Capital management / Capital Regulation

a) Summary capital management report (Continued)

BDMG's capital plan was reviewed in the first half of 2013, exclusively in relation to the reference scenario considered for the period 2013-2015. This review was mainly due to changes in market conditions during the period and also the effects on the financial statements arising from the application of NBC TG 33 - Employee Benefits, detailed in note 25.

The positions of the reference scenarios in the period from 2013 to 2015, with reviews made, are stated in the following table:

Capital Plan - Basel III			
Reference scenario	2013	2014	2015
Principal capital	1,169,805	1,022,778	1,075,571
Adjusted net equity	1,667,575	1,738,336	1,814,285
Prudential adjustments	(497,770)	(715,558)	(738,714)
Decrease/increase from MtoM adjustments	2,230	2,230	2,230
Capital earmarked for public sector	(500,000)	(690,000)	(710,000)
Decrease in tax credit	-	(27,788)	(30,944)
Level I = principal	1,169,805	1,022,778	1,075,571
Capital requirement = Level I	1,169,805	1,022,778	1,075,571

Minimum requirements			
Capital required:	465,135	554,902	634,410
1 – Credit risk	353,521	441,756	519,144
2 – Market risk	70,085	70,085	70,085
3 – Operating requirement	41,529	43,061	45,181
Basel index	27%	21%	19%

It is important to stress that the Banks' capital structure, considering the processes already developed to meet the Basil II Accord, complies with the new requirement gradually demanded as from October 2013, in accordance with the Central Bank's chronology.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

14. Capital management / Capital Regulation

a) Summary capital management report (Continued)

The revisions provided in the reference scenario, relative to the original Capital Plan did not result in any additional capital measures considering the new structure and the new Basel III requirements determined for the period presented above.

b) Regulatory capital

The calculation of the Bank's capital requirement is as follows:

	2013	2012 (Restated)
Adjusted equity	1,615,451	1,126,653
Decrease in deferred assets	(7)	(151)
Decrease for mark to market losses	3,232	(5,886)
(B) Reference Equity – Level I	1,618,676	1,120,616
Decrease/ increase for mark to market gains/ losses	(3,232)	5,886
(B) Reference Equity – Level II	(3,232)	5,886
(D) Reference equity in accordance with Resolution No. 3444/07 (Level I + Level II)	1,615,444	1,126,502
Decrease in capital earmarked for loans to public sector (DC) CMN/BACEN Resolution No. 3781/2009	(450,000)	(350,000)
Reference Equity (level + level II- DC)	1,165,444	776,502

15. Basel Index

Rules on regulatory capital measurement by the Basel II Standardized Approach, in force since July 2008, determine the obligation of financial institutions to maintain equity compatible with the asset risk levels, according to exposure, risk mitigator and credit conversion weighing factors. The minimum requirement in Brazil is 11% of equity in relation to risk-weighted assets

Methodologies to calculate capital installments required to cover credit, market and operating risk were defined in BACEN Circulars No. 3360 to 3366, 3368, 3383, 3388 and 3389.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

15. Basel Index (Continued)

Statement of capital and Basel index requirements	2013	2012 (Restated)
A - Regulatory capital for operational limits purposes	1,165,444	776,502
Capital allocation: 1 - Credit risk	310,207	233,740
2 - Market risk	64,145	27,472
3- Operational risk	41,345	35,153
B - Regulatory Capital Requirements (1+2+3)	415,697	296,365
C – Capital allocation to cover risk of transactions subject to interest rate fluctuation not classified in the trading portfolio	52,381	44,433
D – Margin value (“A”-“B”- “C”)	697,366	435,704
E - Total exposures subject to risk weighting	3,837, 550	2,868,046
F - Total risk-weighted exposures	2,820,063	2,124,905
G– Leverage ratio: (“D” *100)/11	6,339,691	3,960,945
H- Basel Ratio: (“A”/“(B/0,11)”)*100	30.8	28.8
I - Basel Index comprehensive: (“A”/“(C”+”D”)/0,11))*100	27.4	25.1

a) Operating limits

BACEN Circular No. 3398/2008 established the procedures for calculation of the regulatory limits and minimum standards. At June 30, 2012, the Bank’s positions and the regulatory limit requirements are as follows:

Regulatory limits	Requirement limit	Self-funding position		
		Situation	Margin	Contents
2013				
Matching of RC and RCR	468,078	1,165,444	697,366	30.8%
Fixed assets ratio	582,722	26,567	556,155	2.3%
2012 (Restated)				
Matching of RC and RCR	340,798	776,502	435,704	28.8%
Fixed assets ratio	388,251	24,586	363,665	3.2%

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

16. Income and social contribution taxes

(a) Deferred income and social contribution taxes

Deferred tax credits are as follows:

	2013	2012 (Restated)
Temporary additions	223,437	205,628
Fair value adjustment (marketable securities)	5,628	24
PIS/ COFINS credits	2	2
Total	229,067	205,654

Breakdown of tax credits from temporary additions in relation to provisions from which they resulted is as follows:

Provision	2013	2012 (Restated)
Allowance for loan losses	82,911	74,822
Change in COFINS tax base – Law No. 9718/1998 9.718/1998)	66,576	59,579
Reserve requirement with BACEN (charges)	10,969	10,221
Civil, labor and tax contingencies	7,800	8,859
Change in PIS/PASEP tax base – Law No. 9718/1998 9.718/1998	8,712	7,959
Post-employment benefit	43,032	39,404
Co-liability with STN	1,672	2,555
Voluntary redundancy program	976	1,441
Other	789	788
Total	223,437	205,628

Changes in tax credits for the six-month period ended June 30, 2013 are as follows:

	Fair value adjustment	Temporary additions	Credit PIS/COFINS	Total
Balance at December 31, 2012 (Restated)	17	218,303	2	218,322
Recognition	5,611	22,164	-	27,775
Reversal	-	(17,030)	-	(17,030)
Balance at June 30, 2013	5,628	223,437	2	229,067

BDMG tax credits are recorded in accordance with CMN/BACEN Resolution No. 3355/2007 and consider their expected realization within no longer than 10 years, ensured by the existence of tax credits in income projections which are prepared based on internal assumptions and future economic scenarios that may change.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

16. Income and social contribution taxes (Continued)

(a) Deferred income and social contribution taxes

The probable recovery of tax credits stemming from temporary additions amounting to R\$ 223,437, is as follows:

<u>Year</u>	<u>Nominal value:</u>	<u>Present value</u>
2013	5,927	5,826
2014	18,080	16,995
2015	97,627	86,467
2016	18,985	15,843
2017	24,783	19,487
2018	15,951	11,817
2019	12,083	8,434
2020	12,690	8,346
2021	9,952	6,168
2022	7,359	4,298
Total	<u>223,437</u>	<u>183,681</u>

Present value of tax credits was calculated by discounting the future recovery flow at the average funding rate of onlending by BDMG, of 6.13% p.a. (2012 – 6.47% p.a.).

At June 30, 2013, the Bank had an outstanding tax credit balance relating to income and social contribution tax temporary differences of R\$ 15,710 (2012 – R\$ 21,288) respectively and R\$ 9,426 (2012 - R\$12,773) unrecorded given that the expectation for realization is over ten years.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

16. Income and social contribution taxes (Continued)

(b) Reconciliation of income and social contribution taxes posted to P&L

	2013		2012 (Restated)	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Income before income and social contribution taxes and after employee profit sharing	44,789	44,789	58,999	58,999
Net additions (exclusions):				
Set up of provision for contingencies, net of reversals	1,682	1,682	5,373	5,373
Taxes with suspended enforceability	6,702	6,702	8,281	8,281
Set up of allowance for loan losses and recovery of credits written off as losses, net	10,846	10,846	27,030	27,030
Effective credit losses	(924)	(924)	(5,157)	(5,157)
Set up of provision for post-employment benefit, net of reversals	8,303	8,303	(88)	(88)
Other	(231)	(670)	(174)	(403)
Calculation base	71,167	70,728	94,264	94,035
Tax at effective rate	(10,675)	(10,609)	(14,140)	(14,105)
Income surtax	(7,105)	-	(9,413)	-
Tax incentives	268	-	270	-
Subtotal income and social contribution taxes payable	(17,512)	(10,609)	(23,283)	(14,105)
Provision for deferred income tax	63	2	3	1
Provision for income and social contribution taxes	(17,449)	(10,607)	(23,280)	(14,104)
Set up of deferred tax credits (net of reversals) on temporary differences	3,425	2,054	7,707	4,624
Income and social contribution taxes in P&L	(14,024)	(8,553)	(15,573)	(9,480)

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

17. Administrative expenses, tax expenses, other operating and non-operating income (expenses)

(a) Other administrative expenses

	2013	2012
Advertising and communication expenses	(3,968)	(5,504)
Third-party services	(7,692)	(4,990)
Depreciation and amortization	(1,592)	(1,401)
Data processing expenses	(1,350)	(1,396)
Maintenance and material expenses	(765)	(820)
Travel and transportation expenses	(708)	(740)
Rental and infrastructure expenses	(395)	(437)
Other	(1,593)	(1,384)
Total	<u>(18,063)</u>	<u>(16,672)</u>

(b) Tax expenses

	2013	2012
PIS and COFINS	(6,662)	(7,215)
ISSQN	(1,138)	(1,367)
Other	(467)	(427)
Total	<u>(8,267)</u>	<u>(9,009)</u>

(c) Other operating income

	2013	2012
Reversal of sundry provisions	5,555	7,107
Foreign exchange gains	1,201	3,476
Other	2,163	1,220
Total	<u>8,919</u>	<u>11,803</u>

(d) Other operating expenses

	2013	2012 (Restated)
Allowances for contingencies	(4,373)	(5,934)
Foreign exchange gains (losses)	(1,207)	(3,491)
Post-employment benefit – private pension plan	(5,573)	(1,535)
Post-employment benefit - health and life insurance	(2,573)	(1,922)
INDI expense	(2,356)	(1,540)
BDMG Cultural agreement expenses	(1,418)	(1,297)
Loan bonus expenses	(1,979)	(602)
Allowances for co-liability with rural activities	(321)	(416)
Other	(4,752)	(1,900)
Total	<u>(24,552)</u>	<u>(18,637)</u>

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

18. Non-operating gain (loss)

	2013	2012
Income from the disposal of assets	188	-
Donation - Fundação João Pinheiro	(1,111)	(1,643)
Other	134	578
Total non-operating gain (loss)	<u>(789)</u>	<u>(1,065)</u>

19. Transactions with related parties

BDMG carried out the following transactions with related parties in the period:

Legal entities

(a) State of Minas Gerais direct and indirect subsidiaries:

- State of Minas Gerais – service provision as financial agent for state funds, with commission received by the Bank, complete portion from financial charges from loans granted with funds;
- State Secretariat for Economic Development. BDMG has an employee assigned to the State Agency which bears the cost of that employee;
- Government Secretariat: BDMG assigned up to February 2013, with encumbrance, an employee to this agency. In the year, such assignment generated expenses of R\$ 52 in the period and R\$ 102 in the first six month period of 2012;
- Fundação João Pinheiro, public institution linked to the State Planning and Management Department. As established in the articles of incorporation and in compliance with State Law No. 11050/1993, the Bank donates 5% of its net income for the year to said Foundation. At June 30, 2013, the provision set up in the period to cover this commitment totals R\$ 1,111 (2012 – R\$ 1,643). BDMG maintains an employee assigned to the Foundation, which bears the related costs;
- Minas Gerais State Sanitation Company (COPASA MG), a mixed capital entity, with controlling interest held by the Minas Gerais state.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

19. Transactions with related parties (Continued)

Legal entities (Continued)

(a) State of Minas Gerais direct and indirect subsidiaries (Continued)

COPASA took out long-term financing before publication of the Tax Liability Law, with resources originating from the SOMMA state fund, already extinguished, and the remaining balance continues to be generated by BDMG. At June 30, 2013, such financing totaled R\$ 7,650 (2012 – R\$ 11,842) and the corresponding bank remuneration amounts to R\$ 129 (2012 – R\$ 198).

- (b) Minas Gerais Integrated Development Institute (INDI), a not-for-profit and non-essentially business company, linked to the State Economic Development Department, is an affiliate of BDMG, which is its maintaining shareholder holding 25% of capital. Transactions between these two companies arise from BDMG partially assigning the personnel required for INDI to operate. In the six-month period the Bank's expenses amounted to R\$ 2,356 (2012 - R\$ 1,540);
- (c) BDMGTEC Participações S.A., a company set up by BDMG to hold equity in SIX Semicondutores S.A. a company to be implemented in the State of Minas Gerais mainly in order to manufacture and sell integrated analogue and digital mixed signal circuits. To pay in BDMGTEC's total capital estimated at R\$ 45,545, paid in two quotas: R\$ 22,772 in 2012 and R\$22,773 in March, 2013.
- (d) DESBAN – Social Security BDMG Foundation, a not-for-profit privately-held supplementary pension plan entity, is sponsored by BDMG, which, as detailed in Note 23, refunded the Foundation in order to meet social security and healthcare benefits of its employees. BDMG has an employee assigned to DESBAN which covers the cost of that member of staff;
- (e) The Cultural Institute of Banco de Desenvolvimento de Minas Gerais - BDMG Cultural, a not-for-profit civil association, was organized by BDMG in conjunction with BDMG Employees Association (AFBDMG) to create a space to encourage culture in Minas Gerais. The Bank contributes to BDMG Cultural's maintenance, disbursing, in the period, R\$ 1,418 (2012 – R\$ 1,297) and assigns employees the costs for which are borne by BDMG Cultural;

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

19. Transactions with related parties (Continued)

Individuals

Individuals, related parties that are part of BDMG management key personnel are the members of the Board of Directors, Executive Board, and Supervisory Board; in the period, related fees were as follows:

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
Compensation (including social charges and benefits)	2,420	2,351
Profit sharing	70	62
Contributions to pension plans and post-employment benefits	188	76
Termination of work contract	-	289
Total	<u>2,678</u>	<u>2,778</u>

20. Insurance coverage (unaudited)

The Bank, to cover any claims related to fixed assets, maintains an insurance amounting to R\$ 58,050 (2012 – R\$ 54,194).

21. Financial instruments

(a) Identification and valuation of financial instruments

BDMG mainly operates with the following financial instruments: interbank investments and marketable securities, loans, fundraising in interbank deposits, treasury notes, transactions linked to own securities and onlending in Brazil.

(i) Interbank investments and marketable securities

As stated in Notes 4 and 5, BDMG gives priority to its investments in federal government bonds, in Interbank Deposit Certificates (CDI) and interbank repurchase agreements, previously analyzed by the Bank's financial committee, so as to obtain better profitability and credit risks considered appropriate by the committee. Amounts recorded approximate realizable values.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

21. Financial instruments (Continued)

(a) Identification and valuation of financial instruments (Continued)

(ii) Loans and onlending in Brazil

Considering the nature and term, amounts recorded are close to realizable values.

(iii) Fundraising in interbank deposits and sale of own-issue securities

The fundraising is carried out considering the partner financial institutions of BDMG in other transactions and own issue treasury bills on the market coordinated with financial institutions with expertise in fund raising. The Banks fund raising instruments are recorded at restated cost of issue.

(b) Derivative financial instruments

The Bank took out no derivative financial instruments for the six-month periods ended June 30, 2013 and 2012.

22. Risk management

Financial risk management policies

The Risk Management Policy, approved by Senior Management, establishes guidelines and limits intended to identify and mitigate BDMG's risks. It is oriented to the convergence of internal methodologies and models to Basel Accords and compliance with regulators, in line with the best risk management practices.

Risk Management in BDMG is intended to mitigate credit, market, liquidity, and operational risks, so as to leverage operational efficiency and its results. In order to achieve this objective, the Bank adopts risk management practices appropriate to the nature and specificities of transactions carried out thereby.

BDMG adopted the credit, operational and market risk management structure, in compliance with CMN Resolutions No. 3721, of April 30, 2009, No. 3380, of June 29, 2006, and No. 3464, of June 26, 2007 and No. 4090, of May 24, 2012, respectively.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

22. Risk management (Continued)

Financial risks management policy (Continued)

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,path:/QuemSomos/governancacorporativa/Paginas/gestaoderiscos.aspx>)

(a) Credit risk

The credit risk management policy establishes limits for credit risk exposure by client, economic group and receivables portfolio quality; decision-making level and criteria to analyze and monitor receivables, so as to select transactions, for the purpose of minimizing default and developments thereof.

(b) Liquidity risk

BDMG operates its cash with security margin sufficient to meet the minimum liquidity level determined according to the internal policy. In order to manage liquidity, those responsible for treasury management monitors changes in receipts and disbursements on a daily basis, paying the Bank's financial commitments upon their corresponding maturities and in line with the policy defined for investment of available funds and liquidity risk management. The Bank has a Contingency Liquidity Plan, which defines the measures to be adopted when cash flow presents levels lower than the minimum liquidity limits defined.

(c) Market risk

Market Risk Management (MRM) Policy establishes roles and responsibilities, operational limits, and reporting levels. Among the tools used in risk management, we point out: VaR (Value at Risk), GAP analysis, Back Test, and Stress Testing.

The Bank has no hedge instruments to reduce its exposure to fluctuations arising from changes in its portfolio interest rate. Cash flow on these onlending transactions is naturally hedged.

The MRM policy forbids the use of derivatives, except for the purpose of hedging the Bank's own positions. There are currently no investments in derivatives. There are currently no investments in derivatives.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

22. Risk management (Continued)

(d) Operational risk

BDMG, pursuant to CMN Resolution No. 3380/2006, established roles, responsibilities and methodology. The defined policy mainly aims at ensuring that operational risks underlying BDMG activities will be identified, measured and minimized to an acceptable level, through adoption of proper measures by the units involved.

23. Development fund management (unaudited)

The Bank maintains a structure for managing development funds. Amounts referring to assets of these funds, at June 30, are as follows:

	<u>2013</u>	<u>2012</u>
Balance		
State funds	3,580,666	3,455,431
Private funds	290	290
Other funds	26,344	20,916
Total	<u>3,607,300</u>	<u>3,476,637</u>

24. Commitments and responsibilities

Collateral signatures, sureties and loan grants

BDMG offered collateral signatures and sureties to clients and granted loans with co-liabilities, by providing back bonds and financial charges paid by the beneficiaries. At June 30, 2013, these commitments totaled R\$ 37,561 (2012 - R\$ 41,294).

25. Employee benefits

As mentioned in Note 3 (j), the Institution grants the following benefits to its employees: Private pension plan, health and dental assistance, life insurance and voluntary resignation benefits.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

BDMG adopt NBC T 19.31 - Employee Benefits, approved by CFC Resolution No. 1193/09, to record benefits granted to employees. To meet accounting requirements, the Bank engages an annual actuarial study as part of the year-end closing procedures to provide a basis for recording of such obligations. Actuarial studies conducted as of 12/31/2012 are effective with the update and adoption of that standard effective as from 5/31/2013.

a) Pension plan characteristics

(i) Private pension

BDMG sponsors defined benefit and variable contribution private pension plans, managed by DESBAN – Fundação BDMG de Seguridade Social, a privately-held not-for-profit 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 (GSSR). The defined benefit private pension plan, closed to new members since November 10, 2011, is based on the fully-funded financial regime for calculation and accrual of reserves; the variable contribution plan, created on January 13, 2011, is a defined contribution plan in the savings phase that becomes a defined benefit by ensuring a monthly annuity after the pay-out period.

BDMG contribution for these plans is limited to the total regular participant contributions, in light of particularities of each plan, in conformity with the matching contribution set forth in Constitutional Amendment No. 20, of December 16, 1998.

Participants in the private pension plans at June 30, 2013, are as follows:

Plan	2013	2012
- Defined benefits - BD		
Active participants	285	305
Assisted participants	503	485
- Variable contribution - CV		
Active participants	42	37

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

a) Benefit plan characteristics (Continued) Health and dental care benefits

The Health Promotion Program (PRO-SAÚDE), which works under the fully funded regime, and aims at covering health and dental care expenses of active participants and their dependents, as stated in Note 3 (j), it is managed by DESBAN and operates under the capitalization regime. This benefits is guaranteed by the Bank to assisted participants that opt for the scheme, in terms of assets up to 10/10/2009.

(iii) Life insurance

BDMG sponsors group life insurance to active and assisted members who are interested in this benefit. The Bank contributes with 50% of the premium paid.

(iv) Voluntary resignation program

This program was created by the Bank on December 14, 2011, effective until December 31, 2014, for the purpose of benefitting employees eligible for retirement under the DESBAN Supplementary Pension Plan and plan participants who, when aged 70, are eligible for retirement under Social Security.

An employee who joins the Program is entitled to severance pay, profit sharing pursuant to rules in force in the year of his resignation, compensation as an incentive to resign and maintenance of post-employment benefits.

b) Bank commitment to benefit plans

In fulfilling its obligations with these benefit plans, BDMG made the following contributions to active and assisted employees:

	2013	2012
Private pension plan – (BD)	3,446	3,233
Private pension plan – (CV)	71	33
Health care program PRÓ-SAÚDE	1,665	1,540
Group life insurance	348	400
Voluntary resignation program	956	1,095
Total	6,486	6,301

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

b) Bank commitment to benefit plans (Continued)

Changes in health and dental assistance, life insurance and voluntary resignation program benefits at June 30, 2013, are as follows:

	2013				2012 (Restated)			
	Pension Plan	Health plan	Life insurance	Voluntary resignation program	Pension Plan	Health plan	Life insurance	Voluntary resignation program
Net liabilities at 12/31/2011	-	-	-	-	(437)	(17,672)	(9,769)	(4,444)
(+) Effects of changes in NBC TG 33 on the base date 12/31/2011 (first time adoption)	-	-	-	-	(36,764)	(12,085)	(1,345)	-
Net liabilities at January 1	(159,989)	(53,982)	(13,789)	(3,359)	(37,201)	(29,757)	(11,114)	(4,444)
Net expense recognized in P&L	(9,479)	(3,428)	(726)	(41)	(2,679)	(2,129)	(724)	(262)
Contribution to Voluntary resignation program	3,355	1,227	304	956	3,255	1,124	350	1,095
Actuarial gains/ losses	54,958	11,219	1,349	6	(87,645)	(12,733)	(1,406)	9
Net liabilities at June 30	(111,155)	(44,964)	(12,862)	(2,438)	(124,270)	(43,495)	(12,894)	(3,602)

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee Benefits (Continued)

b) Bank commitment to benefit plans (Continued)

Defined benefit plans for the six-month period are as follows:

	2013				2012 (Restated)			
	Pension plan	Health plan	Life insurance	Voluntary resignation program	Pension plan	Health plan	Life insurance	Voluntary resignation program
Cost of current service	(2,136)	(459)	(254)	(41)	(684)	(282)	(62)	(59)
Net cost of interest	(7,343)	(2,503)	(472)	-	(1,995)	(1,531)	(662)	(203)
Expected contributions for administrative expenses	-	(466)	-	-	-	(316)	-	-
(Expense) recognized in P&L (*)	(9,479)	(3,428)	(726)	(41)	(2,679)	(2,129)	(724)	(262)

(*) Expenses were posted as follows: R\$ 5,528 (2012 – R\$ 2,337) as “Personnel expenses” and R\$8,146 (2012 – R\$ 3,457) as “Other operating expenses”.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans

c.1) Net value of liability

	5/31/2013				5/31/2012			
	Pension plan	Health plan	Life insurance	Voluntary resignation program	Pension plan	Health plan	Life insurance	Voluntary resignation program
Defined benefit liability	(877,454)	(66,029)	(12,739)	(2,505)	(877,127)	(65,225)	(12,780)	(3,745)
Plan assets	766,822	21,411	-	-	752,617	21,910	-	-
Net actuarial liability	(110,632)	(44,618)	(12,739)	(2,505)	(124,510)	(43,315)	(12,780)	(3,745)

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee Benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.2) Reconciliation of net actuarial liabilities

(i) Change in present value if defined benefit liability

	Pension plan		Health plan		Life insurance		Voluntary resignation program	
	5/31/2013	5/31/2012	5/31/2013	5/31/2012	5/31/2013	5/31/2012	5/31/2013	5/31/2012
Defined benefit obligation at beginning of the period	970,900	722,237	76,169	50,842	13,790	11,114	3,359	4,444
- Current service cost	1,986	587	389	231	60	51	32	49
- Interest cost	38,335	32,672	3,011	2,314	544	503	6	173
- Participant contributions	3,069	2,889	757	701	-	-	-	-
- Benefits paid	(20,143)	(18,259)	(1,813)	(2,234)	(306)	(294)	(886)	(911)
- Actuarial gains/ losses – changes in financial assumptions	(120,559)	95,906	(11,839)	10,330	(1,518)	1,285	7	60
- Actuarial (gains)/ losses - adjustments for experience	3,866	41,095	(645)	3,041	169	121	(13)	(70)
Defined benefit obligation at the end of the period	877,454	877,127	66,029	65,225	12,739	12,780	2,505	3,745

(ii) Changes in the fair value of plan assets

	Pension plan		Health plan	
	5/31/2013	5/31/2012	5/31/2013	5/31/2012
Fair value of plan assets at beginning of the period	810,910	685,036	22,187	21,084
Interest income	31,790	30,842	881	952
Employer contributions	2,931	2,753	1,047	970
Participant contributions	3,069	2,889	757	701
Benefits and/ or expenses paid	(20,143)	(18,259)	(2,195)	(2,436)
Return on plan assets, excluding interest (actuarial gain/ loss on assets)	(61,735)	49,356	(1,266)	639
Fair value of plan assets at the end of the period	766,822	752,617	21,411	21,910

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.2) Reconciliation of net actuarial liabilities (Continued)

(iii) Reconciliation of net actuarial liabilities

	Pension plan		Health plan		Life insurance		Voluntary resignation program	
	5/31/2013	5/31/2012	5/31/2013	5/31/2012	5/31/2013	5/31/2012	5/31/2013	5/31/2012
Net actuarial assets (liabilities)	(159,989)	(37,201)	(53,982)	(29,758)	(13,790)	(11,114)	(3,359)	(4,444)
- Net cost for the period	(8,531)	(2,418)	(2,901)	(1,796)	(604)	(554)	(38)	(222)
- Net actuarial gains (losses) net of capital	54,958	(87,645)	11,218	(12,731)	1,349	(1,406)	6	10
- Expected employer contributions	2,930	2,753	1,047	970	306	294	886	911
Net actuarial gains (losses) at the end of the period	(110,632)	(124,511)	(44,618)	(43,315)	(12,739)	(12,780)	(2,505)	(3,745)

c.3) Allocation of fair value of asset plans

Asset category	5/31/2013		5/31/2012	
	Pension plan	Health plan	Pension plan	Health plan
Government bonds	50.50	56.92	62.85	54.91
Private credit and deposits	7.41	36.32	8.38	39.09
Referenced	7.44	-	-	-
Shares and equity funds	20.51	-	16.14	-
Real estate investment	4.59	-	4.83	-
Loans and financing	1.44	-	1.43	-
Other	8.11	6.76	6.37	6

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.4) Actuarial assumptions

The actuarial studies that state BDMG's obligations in May 2013 and the projection of expenses up to May 2014 are based on the following assumptions:

Plan type Actuarial assessment method	5/31/2013	5/31/2012
	Defined benefit Projected unit credit method	Defined benefit Projected unit credit method
Nominal discount rate for actuarial liability ⁽¹⁾	10.91%	10.30%
Expected annual nominal rate of return on investments	10.91%	10.30%
Expected annual future inflation	5.73%	5.55%
Nominal rate of future salary growth		
Technical	Min 6.72% Max 7.80%	Min 6.24% Max 8.37%
Analysts:	Min 6.72% Max 7.8%	Min 6.24% Max 8.19%
Management position	Min 6.72% Max 7.80%	Min 6.24% Max 8.19%
Projected actual annual growth of medical expenses ⁽²⁾	3.00%	3.00%
Turnover:		
- less than three year service	8.44%	8.34%
- from three to five years' service	0.41%	1.42%
- over five years' service	0.41%	0.35%
General Mortality Table	AT-2000 (Basic table rounded up by 10%) separated by sex Álvaro Vindas rounded down by 50%	AT-2000 (Basic table) separated by sex Álvaro Vindas
Onset of Invalidity Table	Winklevoss rounded down 50%	IAPB 57
Death of Invalids Table	Asset: Standard Family Observed: Actual family table	Asset: Standard Family Observed: Actual Family table
Breakdown of pensioned families	IBGE 2011	IBGE 2010
Life expectancy for the purpose of calculation pension factor	All participants that retire on 1st eligibility; Growth in salary net of self-sponsoring participants	All participants that retire on 1st eligibility; Growth in salary net of self-sponsoring participants

(1) Except for voluntary redundancy program, for which the discount rate for May 2013 is 0%;

(2) Applicable only the health plan.

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.4) Actuarial assumptions

	5/31/2013				5/31/2012			
	Pension Plan	Health plan	Life insurance	Voluntary resignation program	Pension Plan	Health Plan	Life insurance	Voluntary resignation program
Expected average remaining working life	15.91	15.45	13.96	0.69	16.25	14.71	16.25	1.29
Average period until benefits are acquired	15.91	15.45	13.96	0.69	16.25	14.71	16.25	1.29
Duration of obligation (used to determine discount rate)	12.41	12.41	12.41	12.41	13.41	12.58	13.41	1
Average age of retirement	59.26	59.26	59.26	55.78	59.36	59.36	59.36	56.31

c.5) Actuarial projections for May 31, 2014

(i) Projected actuarial liability, net

	Pension plan	Health plan	Life insurance	Voluntary resignation program
Defined benefit liabilities	(926,284)	(70,694)	(13,450)	(391)
Fair value of plan assets	810,546	22,070	-	-
Net actuarial assets (liabilities)	(115,738)	(48,624)	(13,450)	(391)

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.5) Actuarial projections for May 31, 2014 (Continued)

(ii) Change in present value if defined benefit liability

	Projection for 5/31/2014			
	Pension plan	Health plan	Life insurance	Voluntary resignation program
Defined benefit obligation at beginning of the period	877,454	66,029	12,739	2,505
- Current service cost	1,800	843	128	45
- Interest cost	92,863	7,033	1,349	-
- Participant contributions	8,245	1,894	-	-
- Benefits paid	(54,079)	(5,105)	(766)	(2,159)
- Actuarial loss (gain)	-	-	-	-
Defined benefit obligation at the end of the period	926,283	70,694	13,450	391

(iii) Changes in the fair value of plan assets

	Projection for 5/31/2014	
	Pension plan	Health plan
Fair value of plan assets at beginning of the period	766,822	21,411
Interest income	81,651	2,251
Employer contributions	7,906	2,619
Participant contributions	8,245	1,893
Benefits and/ or expenses paid	(54,078)	(6,104)
Actuarial gain (loss)	-	-
Fair value of plan assets at beginning of the period	810,546	22,070

(iv) Changes in projected actuarial losses, net

	Pension plan	Health plan	Life insurance	Voluntary resignation program
Net actuarial (liability)/ asset at the beginning of the period (March 31, 2013)	(110,632)	(44,618)	(12,739)	(2,505)
- Net income for the period	(13,012)	(6,625)	(1,477)	(45)
- Expected contributions from employer	7,906	2,619	766	2,159
Net actuarial (liability)/ asset at the end of the period (March 31, 2014).	(115,738)	(48,624)	(13,450)	(391)

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

Notes to financial statements (Continued)
June 30, 2013 and 2012
(In thousands of reais)

25. Employee benefits (Continued)

c) Information on actuarial study in May 2013 for defined benefit plans (Continued)

c.5 Actuarial projections for May 31, 2014 (Continued)

v) Projected cash flow

The actuarial studies in May 2013 state the following benefit and sponsor contribution estimates for May 2014:

Project cash flow	Pension benefit plan	Health Promotion Program – PRO-SAÚDE	Group life insurance	Voluntary resignation program
Payment of expected benefits	54,079	5,105	766	2,159
Expected contribution from employer	7,906	2,619	766	2,159

c.6 Sensitivity from defined benefit obligation

Changes in assumptions underlying the actuarial studies may have effects on the value of the defined benefit obligation, the increases due to changes in key actuarial assumptions in percentage terms are as follows:

	Amended assumptions		
	Decrease of 1% p.a. in the discount rate	Reduction of mortality table by one year	Increase by 1% of medical cost trend
Pension plan	14.95%	1.87%	n/a
Health plan	17.93%	3.08%	17.95%
Life insurance	11.92%	2.16%	n/a
Voluntary redundancy program	Immaterial	Immaterial	n/a

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