

(A free translation of the original in Portuguese)

**Banco de Desenvolvimento
de Minas Gerais S.A. - BDMG**
Management report and
financial statements at
June 30, 2015
and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco de Desenvolvimento de Minas Gerais S.A. - BDMG

We have audited the accompanying financial statements of Banco de Desenvolvimento de Minas Gerais S.A., which comprise the balance sheet as at June 30, 2015 and the statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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 Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



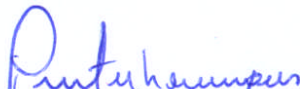
Banco de Desenvolvimento de Minas Gerais S.A. – BDMG

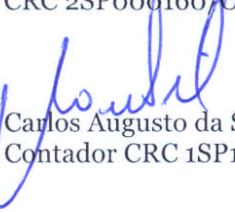
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG as at June 30, 2015, and its financial performance and cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the BACEN.

Belo Horizonte, August 28, 2015


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG


Carlos Augusto da Silva
Contador CRC 1SP197007/O-2 "S" MG

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MANAGEMENT REPORT - JANUARY TO JUNE 2015

1. THE BANK

Created by State Law 2,607 of January 5, 1962, Banco de Desenvolvimento de Minas Gerais S.A. - BDMG is a financial institution involved in the sustainable development of the State of Minas Gerais, and is part of the Minas Gerais economic development system, which is coordinated by the Economic Development State Secretariat.

The BDMG Strategic Plan for 2012 - 2015 guides the Bank's activities towards the continuous contribution to the strengthening of the economy in the State of Minas Gerais. The strategic goals create a joint effort of the Bank's internal units towards the increase in the volume of loans and number of customers, acting with agility in customer service, aiming at financial sustainability. With this purpose, the Bank is growing and internalizing its actions so as to meet its role as a development bank. BDMG's new Executive Board took office in March.

2. BUSINESS HIGHLIGHTS

IDB Annual Meeting of Governors: BDMG took part in the Annual Meeting of the Boards of Governors of the Inter-American Development Bank (IDB) and of the Inter-American Investment Corporation (IIC) in the Republic of Korea. Meetings were held with investors of BDMG, such as Corporación Andina de Fomento (CAF), French Agency for Development (Agence Française de Développement - AFD), Bank of Tokyo, and the IDB itself. During these meetings, the results achieved in 2014 were presented and new possibilities of funding for 2015 were discussed.

BDMG Cultural: with regard to culture, BDMG Cultural carried out, in the first half of 2015, performing arts, music, visual arts, literature, and audiovisual events and other multicultural actions. A total of 137 events were held, including training, seminars, workshops, shows, contests, recitals, theater presentations, circus performances, book releases, expositions, festivals and exhibitions throughout 38 municipalities of the State of Minas Gerais.

BDMGTEC: this wholly-owned subsidiary of BDMG has investments in the capital of the following entities: BIOMM S.A., headquartered in Nova Lima, whose purpose is to produce insulin; and Unitec Semicondutores S.A., located in Ribeirão das Neves and the most advanced manufacturer of semiconductors in the Southern hemisphere. Regarding the investment of BDMGTEC in Unitec Semicondutores, in 2015 BDMGTEC paid up R\$ 2.4 million in the capital of this company, totaling a contribution of R\$ 43.2 million.

Innovation: the assessment processes for innovative companies have been restructured with the purpose of offering more agility in the releasing of loans, with priority for innovation projects which can create more productivity and competitiveness to the products and services of the companies of the State of Minas Gerais. The Bank works with financial resources from partnerships with the Foundation for Support of Research in the State of Minas Gerais (FAPEMIG) (Proptec and Pro-Innovation products), National Bank for Economic and Social Development (BNDES) MPME (micro, small and medium-sized companies) and the Fund for Financing of Studies and Projects (FINEP), in conditions which are better and more suitable for investments in innovation.

Funding: the Bank met with representatives from the Bank of Tokyo to sign a new facility amounting to US\$ 25 million. The purpose of this operation, with a total period of four years, is to supply the credit area, representing the necessary funding for 2015 operations.

Expansions of credit via bank correspondents: during the first half of 2015, BDMG actions through Bank Correspondents via partnerships with credit cooperatives and accredited credit entities made important advances. Currently, the Bank has 125 active bank correspondents.

Credit line for investment via Internet: to maintain the level of investment of micro and small companies at adequate levels, the Bank created a new way of financing via Internet, to be used for purchasing machinery, equipment, and new domestic vehicles. With its anti-cyclic policy, the Bank now offers, despite the unfavorable economic scenario, another credit category for companies which need to replace their fixed assets or even expand their activities.

New customer support tool: BDMG customers can now count on the "Guide for Providing Evidence of Investments" (Guia para Comprovação de Investimentos). The document will be sent in conjunction with the contract, and its objective is to clarify procedures, consolidate guidelines and answer the most common questions asked by customers whose financing projects require evidence of the corresponding investment of the funds. The Guide is part of a set of actions which aim at improving the after-sales relationship with the BDMG customers, increasing their satisfaction and loyalty.

Risk management: the risk management processes are aligned with the guidelines provided by the Senior Management, as expressed in operating limits and goals. Aiming towards continuous improvement and best practices for risk management, the credit risk monitoring and anti-fraud model reports were improved. New stress tests have been added to the liquidity risk monitoring. For market risks, automatized routines have been designed and implemented which reduce the operating risk when preparing the monitoring reports.

Enrollment of BDMG in the Regional Studies Association: the Bank enrolled in the Regional Studies Association - RSA, which will allow the interchange involving university students from all around the world and regional policy makers.

3. OPERATING PERFORMANCE

The Bank reached a portfolio of 23,152 active clients by the end of the first half of 2015. The total number of serviced customers (companies and municipalities) was 3,695, and disbursements totaled R\$ 998 million.

In the first six-month period of 2015, R\$ 609.6 million were allocated to large and medium companies, R\$ 257 million to micro and small companies and R\$ 96 million to financing for the municipalities and government-controlled entities. Of the total disbursed, R\$ 34 million was allocated to debentures, equity and funds.

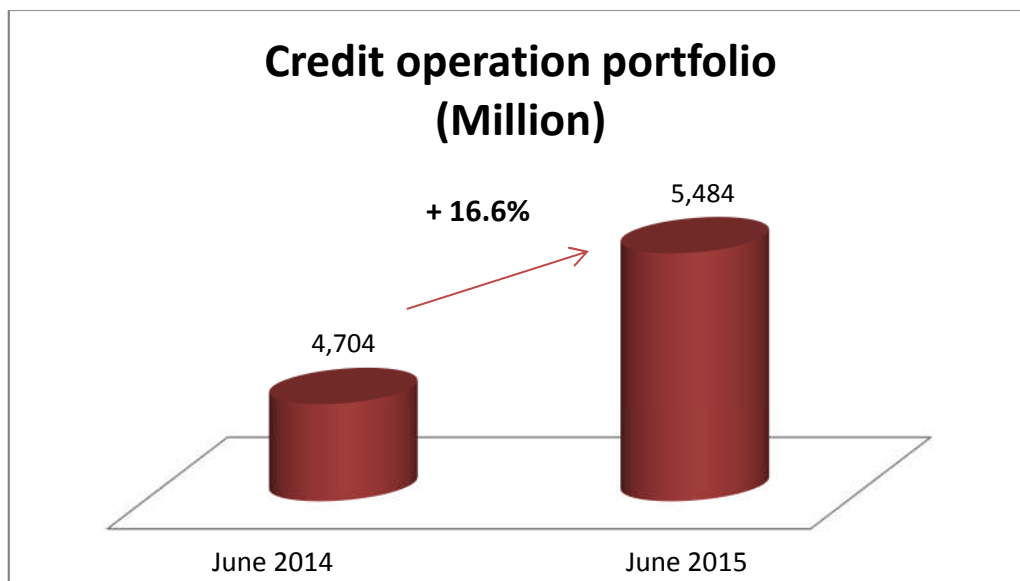
The distribution of the disbursements by sectors from January to June 2015 allocated 31% of the funds to the transformation industry sector, 47% to the trade and services sector, and 14% to the public utility services sector. The industries where the Bank increased its support were: agriculture, pulp and paper; transport material and autoparts; non-metallic mineral products; textile; garments and footwear; energy (electricity, gas and hot water); and construction.

In the regional distribution of disbursements made by the Bank, from January to June 2015, the highlights were the North, Alto Paranaíba, Northwest and South regions of the State of Minas Gerais.

4. ECONOMIC AND FINANCIAL PERFORMANCE

BDMG's assets at June 30, 2015 totaled R\$ 6,779 million, with an increase of 20% in relation to June 30, 2014 (R\$ 5,634 million). During the period, the Bank's equity went from R\$ 1,778 million at June 30, 2014 to R\$ 1,691 million at June 30, 2015.

The Bank's credit operation portfolio presented, at the end of the six-month period, a balance of R\$ 5,484 million, of which R\$ 2,286 million was from contracts with the Bank's own resources and R\$ 3,198 million granted from resources coming from other financial institutions. The growth of 17% in the portfolio (when compared to R\$ 4,704 million at June 30, 2014) is a result mainly of the increase of 9% in the transactions with own resources, which totaled R\$ 2,099 million at June 30, 2014, while operations with onlendings, whose balance at that date amounted to R\$ 2,605 million, increased by 23% in the period.



Source: BDMG

It should be highlighted that, at June 30, 2015, the credit operations classified within AA, A and B risk ratings represented 73% of the Bank's portfolio, which is a result of management's guidelines on the quality of the loans granted.

BDMG, as the financial agent of the managed funds, presented, at June 30, 2015, financing balance of R\$ 1,703 million, of which R\$ 1,683 million referring to operations contracted with resources from state funds and R\$ 20 million from operations contracted with resources from state funds terminated by the State Law 13,848/2001 and from private funds and/or funds linked to state and federal public agencies.

The capital adequacy ratio (Basel index) at June 30, 2015, in accordance with the new regulation of Basel III, is 17% (18% at June 30, 2014).

Circular 3,068/2001 - BACEN

The management of BDMG, in compliance with Circular 3,068/2001, declares that, regarding its securities classified as "held to maturity", which totaled R\$ 126 million, the Bank is financially able to hold these securities in its portfolio up to maturity.

ACKNOWLEDGMENTS

The management of BDMG would like to thank the support of all those who contributed to the results attained in the first six-month period of 2015, specially the people of the State of Minas Gerais, who are the reason behind all efforts made by the Bank for the sustainable social and economic development of Minas Gerais.

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

Balance sheet at June 30

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Notes	2015	2014 (restated - Note 3)
Current assets		1,607,426	1,295,270
Available funds	4	94,152	66,634
Short-term interbank investments	5	198,492	11,602
Open market investments		173,124	11,602
Investments in interbank deposits		25,368	-
Marketable securities and derivative financial instruments		22,618	58,794
Own portfolio	6	18,075	58,794
Derivative financial instruments	7	4,543	-
Credit operations	8	1,267,733	1,119,668
Credit operations		1,358,788	1,176,083
Public sector		147,454	105,955
Private sector		1,211,334	1,070,128
(Provision for impairment of receivables)		(91,055)	(56,415)
Other receivables	9	24,229	38,410
Income receivable		1,476	9,357
Sundry		22,843	29,309
(Provision for impairment of receivables)		(90)	(256)
Other assets	10	202	162
Other assets		202	162
Non-current assets		5,171,903	4,339,206
Long-term receivables		5,065,425	4,234,244
Investments in interbank deposits		11,727	11,727
(Provision for losses)		(11,727)	(11,727)
Marketable securities and derivative financial instruments		675,256	530,058
Own portfolio	6	606,566	512,175
Linked to the Brazilian Central Bank		-	17,883
Derivative financial instruments	7	68,690	-

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

Balance sheet at June 30

All amounts in thousands of reais

(continued)

	Notes	2015	2014 (Restated - Note 3)
Credit operations	8	3,983,379	3,396,902
Credit operations		4,124,865	3,527,824
Public sector		635,169	494,334
Private sector		3,489,696	3,033,490
(Provision for impairment of receivables)		(141,486)	(130,922)
Other receivables	9	398,234	296,159
Income receivable		2,214	2,823
Specific receivables		1,183	1,183
Sundry		407,139	304,455
(Provision for impairment of other receivables)		(12,302)	(12,302)
Other assets	10	8,556	11,125
Other assets		10,551	12,627
(Provision for losses)		(1,995)	(1,502)
Permanent assets	11	106,478	104,962
Investments		78,503	78,483
Other investments		79,340	79,320
(Provision for losses)		(837)	(837)
Property and equipment in use		21,373	20,937
Real estate in use		40,999	40,999
Other property and equipment in use		14,402	12,212
(Accumulated depreciation)		(34,028)	(32,274)
Intangible assets		6,602	5,542
Intangible assets		10,423	5,542
(Accumulated amortization)		(3,821)	-
Organization and expansion costs		1,610	1,610
(Accumulated amortization)		(1,610)	(1,610)
Total assets		<u>6,779,329</u>	<u>5,634,476</u>

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

Balance sheet at June 30

All amounts in thousands of reais

(continued)

Liabilities and equity	<u>Notes</u>	<u>2015</u>	<u>2014</u> (restated - Note 3)
Current liabilities		931,639	641,830
Deposits	12a	63,457	-
Interbank deposits		63,457	-
Funds from acceptances and issue of securities	12b	184,618	-
Funds from financial bills		184,618	-
Borrowings	13a	30,408	923
Borrowings abroad		30,408	923
Local onlendings - official institutions	13b	540,069	573,043
National Treasury		1,198	1,404
National Bank for Economic and Social Development (BNDES)		320,646	358,444
Government Agency for Machinery and Equipment Financing (FINAME)		212,202	209,372
Other institutions		6,023	3,823
Derivative financial instruments	7	-	277
Derivative financial instruments		-	277
Other payables	14	113,087	67,587
Collection of taxes and similar charges		519	209
Tax and social security		75,502	31,199
Financial and development funds		1,138	1,020
Sundry		35,928	35,159
Long-term liabilities		4,143,110	3,203,447
Deposits	12a	-	53,691
Interbank deposits		-	53,691
Funds from acceptances and issue of securities	12b	587,444	743,249
Funds from financial bills		587,444	743,249

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

Balance sheet at June 30

All amounts in thousands of reais

(continued)

	Notes	2015	2014 (restated - Note 3)
Borrowings	13a	571,044	165,143
Borrowings abroad		571,044	165,143
Local onlendings - official institutions	13b	2,518,293	1,900,211
National Treasury		11,716	12,532
National Bank for Economic and Social Development (BNDES)		1,207,333	880,510
Government Agency for Machinery and Equipment Financing (FINAME)		1,258,189	978,368
Other institutions		41,055	28,801
Derivative financial instruments	7	1,914	5,230
Derivative financial instruments		1,914	5,230
Other payables	14	464,415	335,923
Tax and social security		173,572	164,899
Financial and development funds		9,737	9,958
Sundry		281,106	161,066
Deferred income	15	13,308	11,384
Deferred income		13,308	11,384
Equity	16	1,691,272	1,777,815
Capital:			
Capital - local residents		1,775,223	1,709,044
Capital increase			62,650
Revenue reserves		56,751	36,430
Carrying value adjustments		(145,793)	(56,242)
Retained earnings		5,091	25,933
Total liabilities and equity		<u>6,779,329</u>	<u>5,634,476</u>

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

Statement of income

Six-month period ended June 30

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	<u>Notes</u>	<u>2015</u>	<u>2014</u> (restated - Note 3)
Income from financial intermediation		393,207	241,454
- Credit operations	19	300,521	229,374
- Gains on transactions with marketable securities	20	52,915	31,640
- Gains (losses) on derivative financial instruments	20	39,771	(19,560)
Financial intermediation expenses		(335,294)	(144,221)
- Funds obtained in the market	21	(55,186)	(39,145)
- Borrowings and onlendings	21	(208,039)	(55,569)
- Foreign exchange transactions		13,312	(4,206)
- Provision for impairment of receivables	8.d	(85,381)	(45,301)
Gross profit from financial intermediation		57,913	97,233
Other operating income/expenses		(44,049)	(45,646)
- Services rendered		18,449	22,223
- Personnel expenses		(47,850)	(40,656)
- Other administrative expenses	22.a	(17,510)	(23,502)
- Tax expenses	22.b	(10,451)	(9,679)
- Other operating income	22.c	42,673	29,775
- Other operating expenses	22.d	(29,360)	(23,807)
Operating profit		13,864	51,587
Non-operating results		64	(1,996)
Profit before taxation and profit sharing		13,928	49,591
Income tax and social contribution		(7,997)	(20,024)
Provision for income tax	23b	(36,273)	(21,115)
Provision for social contribution	23b	(22,258)	(13,053)
Deferred tax assets		50,534	14,144
Statutory profit sharing		(572)	(2,268)
Employee profit sharing		(572)	(2,268)
Profit		5,359	27,299
Earnings per share		0.0000881	0.0004495

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

Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Share capital	Capital increase	Unpaid capital	Revenue reserve - legal	Revenue reserve - other	Carrying value adjustments	Other carrying value adjustments	Retained earnings	Total
At December 31, 2013	<u>1,659,782</u>	<u>49,262</u>	<u>(16,859)</u>	<u>35,065</u>	<u>46,078</u>	<u>(12,099)</u>	<u>(47,624)</u>	<u>-</u>	<u>1,713,605</u>
Approval of capital increase	49,262	(49,262)	-	-	-	-	-	-	-
Capital increase	-	62,650	16,859	-	(46,078)	-	-	-	33,431
Carrying value adjustments	-	-	-	-	-	3,481	-	-	3,481
Profit for the six-month period	-	-	-	-	-	-	-	27,299	27,299
Allocation:									
Reserves	-	-	-	1,366	-	-	-	(1,366)	-
At June 30, 2014 (Restated - Note 3)	<u>1,709,044</u>	<u>62,650</u>	<u>-</u>	<u>36,431</u>	<u>-</u>	<u>(8,618)</u>	<u>(47,624)</u>	<u>25,933</u>	<u>1,777,816</u>
At December 31, 2014 (Restated - Note 3)	<u>1,771,693</u>	<u>3,530</u>	<u>-</u>	<u>38,021</u>	<u>18,462</u>	<u>(10,256)</u>	<u>(112,374)</u>	<u>-</u>	<u>1,709,076</u>
Approval of capital increase	3,530	(44,114)	-	-	-	-	-	-	(40,584)
Capital increase	-	40,584 (I)	-	-	-	-	-	-	40,584
Carrying value adjustments	-	-	-	-	-	(1,568)	(21,595)	-	(23,163)
Profit for the six-month period	-	-	-	-	-	-	-	5,359	5,359
Allocation:									
Reserves	-	-	-	268	-	-	-	(268)	-
At June 30, 2015	<u>1,775,223</u>	<u>-</u>	<u>-</u>	<u>38,289</u>	<u>18,462</u>	<u>(11,824)</u>	<u>(133,969)</u>	<u>5,091</u>	<u>1,691,272</u>

- (i) Because of the restatement of the balance sheet of June 2014, as requested by the Central Bank of Brazil, the stockholders discussed, at the Extraordinary General Meeting held on August 26, 2015, the retrospective restatement of the financial statements at June 30, 2014 and December 31, 2014, and approved the following proposals: (a) to revoke the transfer of the remaining profit for 2014, which amounted to R\$ 40,584, to the capital, calculated before the restatement, and (b) to allocate the remaining profit for 2014, calculated after the derecognition of the reversal of the accounting provision, amounting to R\$ 18,462, and record as special revenue reserve, as mentioned in Note 16 (b), to be incorporated into the capital without issue of shares.

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

Statement of cash flows Six-month period ended June 30 All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u> (restated - Note 3)
Cash flows from operating activities		
Profit before taxes and profit sharing	13,928	49,591
Adjustments to profit:		
Depreciation and amortization	1,756	1,833
Recording of net provisions	16,159	18,536
Provision for impairment of receivables, net of reversals	85,381	45,301
(Reversal of) Provision for losses	222	(238)
Gains on disposal of assets not for own use	62	9
Appropriation of deferred income	(5,822)	(2,697)
Foreign exchange gains (losses)	53,798	(6,301)
Recovery of credit transactions written off as losses	(1,939)	(14,459)
Revenue from monetary restatement of long-term credit transactions	(9,249)	(6,919)
Equity in results of investees	239	(1,015)
Adjustment to market value of derivative instruments and hedges	831	(2,303)
Adjusted profit	<u>155,366</u>	<u>81,338</u>
Decrease in marketable securities and derivative financial instruments	(138,058)	(167,184)
Increase in loan and leasing operations	(139,375)	(573,626)
Increase (decrease) in other receivables and other assets	651	(9,779)
Increase in interbank deposits	49,077	2,789
Decrease in obligations with repurchase operations	-	(45,033)
Funding via financial bills	25,529	273,759
Increase in liabilities for borrowings and onlendings	118,567	440,231
Increase in deferred income	5,981	3,353
Increase (decrease) in derivative financial instruments	2,772	(3,659)
Increase (decrease) in other payables	2,459	(11,751)
Changes in assets and liabilities	<u>(72,397)</u>	<u>(90,900)</u>
Cash from operations	<u>82,969</u>	<u>(9,562)</u>
Income tax and social contribution paid	(33,633)	(11,150)
Net cash provided by (used in) operating activities	<u>49,336</u>	<u>(20,712)</u>
Cash flows from investing activities		
Purchase of permanent assets	(1,166)	(1,397)
Investment in the subsidiary BDMGTEC	-	(8,897)
Net cash used in investing activities	<u>(1,166)</u>	<u>(10,294)</u>
Cash flows from financing activities		
Capital increase	-	33,431
Interest on capital	-	(19,678)
Net cash provided by financing activities	<u>-</u>	<u>13,753</u>
Increase (decrease) in cash and cash equivalents	<u>48,170</u>	<u>(17,253)</u>
Cash and cash equivalents at the beginning of the period	231,163	99,698
Foreign exchange gains (losses) on cash	13,311	(4,207)
Cash and cash equivalents at the end of the period	<u>292,644</u>	<u>78,236</u>

(A free translation of the original in Portuguese)

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

Notes to the financial statements

at June 30, 2015

All amounts in thousands of reais unless otherwise stated

1 General information

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG ("Bank") is a private limited-liability company, controlled by the State of Minas Gerais, and is subject to the rules and regulations of Brazilian Corporation Law, the National Financial System and the applicable legislation of the Government of the State of Minas Gerais.

The objectives of the activities of BDMG are the economic and social development of the State of Minas Gerais. In this context, BDMG carries out development bank activities in accordance with the National Monetary Council (CMN) rules and acts as a financial agent for the funds allocated by the State Government to finance programs and projects for the development of Minas Gerais. BDMG is also the financial agent and/or manager of other funds which do not pertain to the State Government, but which finance projects in the State of Minas Gerais and, therefore, promote its development. The Bank also renders advisory and technical support services to the direct and indirect State Government administration and creates opportunities for the implementation/expansion of companies with significant interest for the development of the State of Minas Gerais through its wholly-owned subsidiary BDMGTEC PARTICIPAÇÃO S.A., established in 2012.

The issue of these financial statements was authorized by the Bank's Executive Board on August 25, 2015.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which include the accounting guidelines of Law 6,404/76 and the changes introduced by Laws 11,638/07 and 11,941/09 to record transactions, together with the rules and instructions of the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN).

The Brazilian Accounting Pronouncements Committee (CPC) issued pronouncements related to the process of convergence with international accounting standards; however, not all of them were ratified by BACEN. Accordingly, the Bank, in the preparation of the financial statements, adopted the following pronouncements ratified by BACEN up to June 30, 2015:

CMN Resolution 3,566/08 - CPC 01 (R1) - Impairment of Assets

CMN Resolution 3,604/08 - CPC 03 (R2) - Statement of Cash Flows

CMN Resolution 3,750/12 - CPC 05 (R1) - Disclosures on Related Parties

CMN Resolution 4,007/11 - CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors

CMN Resolution 3,973/11 - CPC 24 - Events after the Reporting Period

CMN Resolution 3,823/12 - CPC 25 - Provisions, Contingent Liabilities and Contingent Assets

CMN Resolution 4,144/12 - CPC 00 (R1) - Basic Conceptual Pronouncement

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2.1 Basis of preparation

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at period-end foreign exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within gains (losses) on financial intermediation.

The conversion criterion for asset and liability balances from operations involving foreign currencies is the translation of these amounts into local currency (R\$) at the prevailing rate on the balance sheet date. At June 30, 2015, the applicable foreign exchange rate was: US\$ 1.00 = R\$ 3.1026 (2014 - US\$ 1.00 = R\$ 2.2025) and € 1.00 = R\$ 3.4603 (2014 - € 1.00 = R\$ 2.256).

2.3 Cash and cash equivalents

Cash and cash equivalents, according to CMN Resolution 3,604/08, include cash, bank deposits both in Brazil and abroad and highly liquid short-term investments, without a significant risk of changes in the amount and limits, falling due within 90 days or less, at the acquisition date, which are used by the Bank to manage its short-term commitments (Note 4).

2.4 Short-term interbank investments

Unrestricted purchase and sale commitments are adjusted to market value. Other assets are stated at acquisition cost, plus accrued earnings up to the balance sheet date, net of a provision for devaluation, when applicable.

2.5 Marketable securities

In accordance with BACEN Circular 3,068/01 and supplementary regulations, the marketable securities are classified according to management's intentions, taking into consideration the following accounting criteria:

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- (i) Trading securities - securities purchased in order to be frequently and actively traded. They are recorded at market value, and the realized and unrealized gains and losses are directly recognized in the statement of income for the period.
- (ii) Securities available for sale - include marketable securities used as part of the cash flow management strategy. These securities are recorded at market value, the accrued earnings (yield curve) being recognized in the statement of income for the period, and the unrealized gains and losses arising from market value variations, which were not yet realized, are recorded in "Carrying value adjustments" within "Equity", net of the related tax effects. Gains and losses, when realized, are recognized in the statement of income after being specifically identified on the trading date, with a corresponding entry to equity, net of the related tax effects.
- (iii) Securities held to maturity - securities for which management has the intent and financial ability to hold to maturity, and which are recorded at cost of purchase, plus accrued earnings recognized in the statement of income. Financial capacity is defined based on cash flow projections, disregarding the possibility of the early redemption of these securities. Decreases in the market value of securities available for sale and held to maturity below their respective costs, for reasons not regarded as temporary, are recorded in the statement of income as realized losses.

Management establishes guidelines for the classification of marketable securities within the categories defined in BACEN Circular 3,068/01. The classifications of the securities in the portfolio, as well as those acquired during the period, are assessed on a periodical and systematic basis, according to such guidelines. As established in Article 5 of this Circular, revision of the marketable security classifications can only be made at the semi-annual balance sheet date. In addition, transfer from the "held to maturity" category can only be made due to an isolated, unusual, non-recurring and unpredicted event occurring after the date of classification.

2.6 Derivative financial instruments

In accordance with BACEN Circular 3,082/02 and subsequent regulations, derivative financial instruments are classified based on management's intent to use them for hedge purposes or not.

BDMG started to operate with derivative financial instruments as from October 2013 through swaps contracted with the purpose of mitigating the risks arising from fluctuations in foreign currencies and interest rates on resources from borrowings contracted abroad, which were transferred to the Bank as from July 2013.

As presented in Note 7, the derivatives are recorded, at fair value, as assets (when positive) and liabilities (when negative), and the change in their fair values is recorded in the statement of income.

At June 30, 2015, as presented in Note 7, the contracted hedge operations are recorded under the hedge accounting methodology, classified as market risk hedge, according to the criteria defined in BACEN Circular 3,082/02. Accordingly, these hedge instruments and corresponding hedged items are adjusted to market value against income or expense accounts in the statement of income.

The management and monitoring of risks concerning operations with derivative financial instruments are compliant with the Bank's policies and strategies.

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2.7 Credit operations and provision for impairment of receivables

Credit operations are stated at realizable values, including, when applicable, accrued earnings on a daily pro rata basis, based on the contractual index variation and interest rate. The earnings on overdue loans are recorded in income on the accrual basis up to the 59th day and, after the 60th day, are no longer accrued, being recognized in results only when the amounts are effectively received, as established by Article 9 of CMN Resolution 2,682/99.

Renegotiated transactions are maintained at least in the same risk level in which they were classified before the renegotiation. However, when there are significant facts that justify a change in the risk level, the renegotiated transaction is reclassified to a lower risk rating. When renegotiated, credit operations that were already written off against the provision and recorded in memorandum accounts are classified in Level H, and may in the future be reclassified to a lower-risk category due to a significant event. Any gains arising from the renegotiation are only recognized when they are received.

As defined in the Chart of Accounts for Institutions of the National Financial System (COSIF), the credit operations are presented net of unearned income, which is recorded in the statement of income on a pro-rata basis in the period from January 1, 2015 to June 30, 2015. The provision for impairment of receivables is recorded based on the criteria defined by CMN Resolution 2,682/99, and on the analysis of outstanding operations, taking into consideration the value of guarantees, the history of losses and the risks of the portfolio.

2.8 Credit assignments

In accordance with the accounting practices established by the Brazilian Central Bank up to December 31, 2011, gains on credit assignments (with or without recourse) to other financial institutions and receivables funds were derecognized at the time of sale and immediately recorded in the statement of income, and the loan assignments with recourse were relieved from the portfolio and recorded in memorandum accounts.

On January 1, 2012, CMN Resolution 3,533/08 (postponed by CMN Resolutions 3,673/08 and 3,895/10) became effective, changing the accounting for credit assignments carried out as from 2012 and establishing new procedures for the classification and disclosure of financial asset sale or transfer transactions. Based on this Resolution, the maintenance or derecognition of the financial assets in the balance sheet depends on whether or not the risks and rewards of the assets are substantially retained. BDMG did not have operations with these characteristics and, therefore, there are no related impacts on its financial statements.

For balances assigned before January 1, 2012, there were no retroactive changes in the criteria for the recording of credit assignments.

Additionally, CMN Resolution 4,036/11 came into effect, permitting financial institutions and other entities authorized to operate by the Brazilian Central Bank to defer the net losses arising from the renegotiation of loans previously assigned. The deferral is valid only for loans assigned up to November 30, 2011, and the maximum period for the deferral and amortization is the earlier of December 31, 2015 or the renegotiated loan maturity date, using the straight line method. BDMG does not adopt this option and, therefore, there are no related impacts on its financial statements.

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2.9 Other current assets and long-term receivables

These assets are stated at realizable values including, when applicable, accrued income calculated on a pro rata daily basis, less the related unearned income.

2.10 Investments

The investments in subsidiaries are recorded on the equity method (Note 11). Other investments are recorded at cost and are adjusted to market value through the recording of a related provision.

2.11 Property and equipment in use and intangible assets

Property and equipment in use, except land which was monetarily adjusted until 1996, and intangible assets are recorded at the cost of acquisition, net of the related accumulated depreciation and amortization, and adjusted for impairment, if the impairment test carried out annually indicates a loss on these assets.

Depreciation of assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	20
Facilities, furniture and equipment	10
Data processing system	5
Other	10
Computer software	5

An asset's carrying amount is written down immediately to the recoverable amount when it is greater than the estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Non-operating results" in the statement of income.

2.12 Impairment of non-financial assets

Losses are recorded in the statement of income if there is evidence that the assets are impaired. This procedure is carried out annually.

2.13 Current and non-current liabilities

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

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2.14 Contingent assets and liabilities and legal obligations - taxes and social security

These are evaluated, recognized and disclosed in accordance with CMN Resolution 3,823, dated December 16, 2012, and the BACEN Circular Letter 3,429, dated February 11, 2010, taking into account the Technical Pronouncement CPC 25, issued by the Brazilian Accounting Pronouncements Committee (CPC). Contingent assets - not accounted for, except when management has total control over the situation or when there are real guarantees or favorable judicial decisions, in respect of which there can be no further appeals, thereby characterizing the gain as virtually certain, and with the confirmation of the capacity of its recovery by receipt or offset. Contingent liabilities - recognized in the financial statements when the risk of loss in a legal or administrative action is considered to be probable, with a probable outflow of resources to settle the obligations, based on the opinions of the legal advisors and management, similarities with previous processes and the complexity of the processes, and when the amounts involved can be measured with reasonable assurance. Contingent liabilities which are classified as involving possible losses are not recorded and are disclosed in the notes to the financial statements when the amounts involved are significant. Contingent liabilities in respect of which losses are considered to be remote are neither recorded nor disclosed (Note 14).

Legal obligations - tax and social security - derive from legal actions contesting the legality and constitutionality of the obligations and are fully recognized in the financial statements, regardless of the probability of favorable outcomes to the legal actions (Note 14).

2.15 Current and deferred income tax and social contribution

The provision for income tax is recorded at 15% of taxable income, plus a surcharge of 10%. The provision for social contribution on net income is recorded at 15% of adjusted net income. Deferred tax assets on temporary differences and tax losses were also recognized at these rates.

Tax credits related to income tax and social contribution are reviewed at each balance sheet date and are based on temporary additions and exclusions, as well as applicable legislation on the date of their recording. These tax credits will be realized upon the effective use and/or reversal of the amounts on which they have been based.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax and social contribution are determined using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

2.16 Employee benefits

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

- (i) Social security benefits - provides employees with supplementary retirement income to that guaranteed by the General Social Security Regime (RGPS). BDMG sponsors defined benefit pension plans (which were closed to new adhesions on November 10, 2011) and variable contribution pension plans.
- (ii) Healthcare and dental assistance benefit - this plan consists of coverage for medical and dental expenses of the plan members. BDMG funds this benefit through partial payments of the monthly contribution for the active participants and retirees who enrolled in the plan as active participants up to October 10, 2012. For employees who enrolled in the healthcare assistance plan as from October 11, 2012, the BDMG sponsorship is assured while they are active participants. When retired, these employees may continue to participate in the plan, being then responsible for the total contribution payable.
- (iii) Life insurance - BDMG offers this benefit through the payment of a portion of the group life insurance policy premium, both for active members and retirees.
- (iv) Voluntary employment termination program - BDMG's Employee Voluntary Employment Termination Program was implemented on December 14, 2011 and its purpose is to benefit employees who may elect for retirement and who meet the Program's requirements. Initially, the effectiveness of such benefit was up to December 31, 2014, but it was extended to December 31, 2015.
- (v) Other benefits - In addition, the Bank offers to its active employees other benefits such as profit sharing and six-month maternity leave, and grants lifetime pension benefits to a beneficiary.

Except for "Other benefits" for active employees, all benefits granted by the Bank are accounted for in accordance with the Brazilian Accounting Standard (NBC) TG 33 (R1) - Employee Benefits.

Information on the accounting for employee benefits from January 1, 2015 to June 30, 2015, in accordance with NBC TG 33 (R1), is detailed in Note 28.

2.17 Profit sharing

Profit sharing is defined through a collective labor agreement and also depends on the fulfillment of the Goals Plan. The related provision is recorded based on the percentage of profit, adjusted at the end of the period after the profit for the period is established and the assessment of achievement of goals is carried out.

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2.18 Share capital

The capital of BDMG, recorded in equity, is comprised of registered common shares with no par value.

2.19 Revenue recognition

The profit (loss) is determined on the accrual basis of accounting and is adjusted by income tax and social contribution on net income due on taxable income, and, when applicable, by deferred income tax and social contribution that will be recoverable or payable in future years, except in relation to gains on renegotiated credit operations, which are appropriated to the result on the cash basis, as established by CMN Resolution 2,682/1999.

2.20 Distribution of dividends and interest on capital

Stockholders are assured the payment of a minimum dividend of 1% of the profit for each period, adjusted in accordance with Brazilian Corporate Law and the Bank's bylaws.

Concerning the capital remuneration of its stockholders, BDMG distributes dividends or pays interest on capital according to the result for the year.

2.21 Related parties

The disclosure on related parties included in the accompanying notes to the financial statements is in accordance with CMN Resolution 3,750/2009. According to this pronouncement, the Bank discloses its transactions with related parties which could affect its financial position and results. Legal entities and individuals that meet the criteria of BDMG's internal resolution 209/2009 are considered related parties. Those related parties with which the Bank carried out transactions during the period are disclosed in Note 24.

3 Restatement of the financial statements for the year ended June 30, 2014

In order to comply with BACEN Official letter, of April 2015, the Bank is restating herein the financial statements at June 30, 2014 because of the following:

Based on a BACEN notification, dated 1995, the Bank used to record a provision related to the adjusted financial cost on the unpaid compulsory deposit in that year, under court discussion.

The provision, amounting to R\$ 30,110, in June 2014, was reversed in the first six-month period, based on a legal opinion which assessed as remote the likelihood of effective loss in such dispute.

With the Official letter disclosed in April 2015, the BACEN required that the Bank maintain the accounting record of the provision due to the uncertainties regarding the final outcome of the legal dispute, and because the matter related to a legal, effective obligation. Following this understanding, the BACEN also determined that CPC 23 be followed and the retrospective restatement of the financial statements at June 30, 2014 and December 31, 2014 be made together with the financial statements at June 30, 2015 and December 31, 2015, accompanied by the necessary explanations in a related note.

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The Bank filed an administrative appeal with BACEN challenging this determination and, after it was rejected, filed a writ of mandamus requesting the granting of a restraining order to attribute a suspensive effect to the determination until a final and unappealable decision is issued for the original dispute, which challenges the payment of financial charges.

Irrespective of the fact that the writ of mandamus was accepted and that the internal legal counsel classified this contingency as possible loss, the Bank accepted the requirement of BACEN regarding the restatement of the financial statements at June 30, 2014.

This restatement is as follows:

Balance sheet

Assets

	<u>6/30/2014</u>		
	<u>Balance originally disclosed</u>	<u>Effects of the reversal of the derecognized provision</u>	<u>Adjusted balances</u>
Assets			
Current assets	1,295,270	-	1,295,270
Available funds	66,634		66,634
Short-term interbank investments	11,602		11,602
Marketable securities	58,794		58,794
Credit operations	1,119,668		1,119,668
Other receivables	38,410		38,410
Other assets	162		162
Non-current assets	4,327,162	12,044	4,339,206
Long-term receivables	4,222,200	12,044	4,234,244
Marketable securities	530,058		530,058
Credit operations	3,396,902		3,396,902
Other receivables	284,115	12,044	296,159
Other assets	11,125		11,125
Permanent assets	104,962	-	104,962
Investments	78,483		78,483
Property and equipment in use	20,937		20,937
Intangible assets	5,542		5,542
Total assets	<u>5,622,432</u>	<u>12,044</u>	<u>5,634,476</u>

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Liabilities and equity

	6/30/2014		
	Balance originally disclosed	Effects of the reversal of the derecognized provision	Adjusted balances
Liabilities			
Current liabilities	641,830	-	641,830
Funds from acceptances and issue of securities			
Local onlendings - official institutions	573,966		573,966
Derivative financial instruments	277		277
Other payables	67,587		67,587
Non-current	3,184,720	30,110	3,214,830
Deposits	53,691		53,691
Funds from acceptances and issue of securities	743,249		743,249
Local onlendings - official institutions	2,065,354		2,065,354
Derivative financial instruments	5,230		5,230
Other payables	305,812	30,110	335,922
Deferred income	11,384		11,384
Equity	1,795,882	(18,066)	1,777,816
Share capital	1,709,044		1,709,044
Capital increase	62,650		62,650
Revenue reserves	37,334	(903)	36,431
Carrying value adjustments	(56,242)		(56,242)
Retained earnings	43,096	(17,163)	25,933
Total liabilities	<u>5,622,432</u>	<u>12,044</u>	<u>5,634,476</u>

Statement of income

	6/30/2014		
	Balance originally disclosed	Effects of the reversal of the derecognized provision	Adjusted balances
Income from financial intermediation	241,454	-	241,454
Financial intermediation expenses	(144,221)	-	(144,221)
Gross profit from financial intermediation	97,233	-	97,233
Other operating income (expenses)	(15,536)	(30,110)	(45,646)
Operating profit	81,697	(30,110)	51,587
Non-operating results	(1,996)	-	(1,996)
Profit before taxation and profit sharing	79,701	(30,110)	49,591
Income tax and social contribution	(32,068)	12,044	(20,024)
Statutory profit sharing	(2,268)	-	(2,268)
Profit for the six-month period	45,365	(18,066)	27,299
Earnings per share	<u>0.0007469</u>		<u>0.0004495</u>

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Statement of changes in equity

	Share capital	Capital increase	Revenue reserve - legal	Revenue reserve - other	Adjustment - available-for- sale securities	Other carrying value adjustments	Retained earnings	Total
Disclosed balances at June 30, 2014	1,709,044	62,650	37,334	-	(8,618)	(47,624)	43,096	1,795,882
Effects of the reversal of the derecognized provision (i)	-	-	(903)	-	-	-	(17,163)	(18,066)
Adjusted balances at June 30, 2014	<u>1,709,044</u>	<u>62,650</u>	<u>36,431</u>	<u>-</u>	<u>(8,618)</u>	<u>(47,624)</u>	<u>25,933</u>	<u>1,777,816</u>
Disclosed balances at December 31, 2014	1,771,693	3,530	39,185	40,584	(10,256)	(112,374)	-	1,732,362
Effects of the reversal of the derecognized provision (ii)	-	-	(1,164)	(22,122)	-	-	-	(23,286)
Adjusted balances at December 31, 2014	<u>1,771,693</u>	<u>3,530</u>	<u>38,021</u>	<u>18,462</u>	<u>(10,256)</u>	<u>(112,374)</u>	<u>-</u>	<u>1,709,076</u>

(i) The balance of R\$ 18,066 corresponds to the reversal of the derecognized provision of R\$ 30,110, net of the corresponding tax credit of R\$ 12,044.

(ii) The balance of R\$ 23,286 corresponds to the reversal of the derecognized provision of R\$ 30,110 plus the adjustment of R\$ 1,687 in the second half of 2014, less the credit amounting to R\$ 12,719 and plus the tax expenses amounting to R\$ 4,208 which resulted from interest on capital paid above the tax deduction limits and which was calculated prior to the reversal of the derecognized provision.

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Statement of cash flows

		6/30/2014
	Balance originally disclosed	Effects of the reversal of the derecognized provision
		Adjusted balances
Cash flows from operating activities		
Profit before taxes and profit sharing	79,701	(30,110)
Adjustments for		-
Depreciation and amortization	1,833	1,833
Recording of net provisions	18,290	246
Provision for impairment of receivables, net of reversals	45,301	45,301
(Reversal of) Provision for losses	(238)	(238)
Loss on disposal of assets not for own use	9	9
Appropriation of deferred income	(2,697)	(2,697)
(Gains) on foreign exchange variation	(6,301)	(6,301)
Recovery of credit transactions written off as losses	(14,459)	(14,459)
Revenue from monetary restatement of long-term credit transactions	(6,919)	(6,919)
Equity in results of investees	(1,015)	(1,015)
Adjustment to market value of derivative instruments and hedges	(2,303)	(2,303)
Adjusted profit	<u>111,202</u>	<u>(29,864)</u>
(Increase) in marketable securities and derivative financial instruments	(167,184)	(167,184)
(Increase) in loan and leasing operations	(573,626)	(573,626)
(Increase) in other receivables and other assets	(9,779)	(9,779)
Increase in interbank deposits	2,789	2,789
(Decrease) in obligations with repurchase operations	(45,033)	(45,033)
Increase in financial bills	273,759	273,759
Increase in liabilities for borrowings and onlendings	440,231	440,231
Increase in deferred income	3,353	3,353
Decrease in derivative instruments	(3,659)	(3,659)
(Decrease) in other payables	(41,615)	29,864
Changes in assets and liabilities	<u>(120,764)</u>	<u>29,864</u>
Cash from operations	(9,562)	-
Income tax and social contribution paid	(11,150)	(11,150)
Net cash provided by (used in) operating activities	<u>(20,712)</u>	<u>(20,712)</u>
Cash flows from investing activities		
Acquisition of property and equipment in use	(1,397)	(1,397)
Investment in the subsidiary BDMGTEC	(8,897)	(8,897)
Net cash used in investing activities	<u>(10,294)</u>	<u>(10,294)</u>
Cash flows from financing activities		
Capital increase	33,431	33,431
Interest on capital paid	(19,678)	(19,678)
Net cash provided by financing activities	<u>13,753</u>	<u>13,753</u>
(Decrease) in cash and cash equivalents	<u>(17,253)</u>	<u>(17,253)</u>
Cash and cash equivalents at the beginning of the six-month period (Note 4)	99,698	99,698
Foreign exchange (losses) on cash	(4,207)	(4,207)
Cash and cash equivalents at the end of the six-month period (Note 4)	<u>78,236</u>	<u>78,236</u>

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4 Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Available funds	2,258	536
Available funds in foreign currency (i)	91,894	66,098
Short-term interbank investments	<u>198,492</u>	<u>11,602</u>
	<u>292,644</u>	<u>78,236</u>

(i) Refer mainly to deposits abroad, which result from a portion of the transfer of US\$ 30,000 concerning the third tranche of the foreign borrowing obtained by BDMG with Corporación Andina de Fomento (CAF).

5 Short-term interbank investments

	<u>2015</u>	<u>2014</u>
Investments in repurchase agreements - own portfolio		
- Financial Treasury Bills (LFT)		670
- National Treasury Notes (NTN)		10,932
- National Treasury Bills	173,124	
Investments in interbank deposits	37,095	11,727
Provision for losses (i)	<u>(11,727)</u>	<u>(11,727)</u>
Total - current	<u>198,492</u>	<u>11,602</u>

(i) The provision for losses is a result of the investment in interbank deposit issued by a financial institution which is currently undergoing bankruptcy.

The maturity of the interbank investments is as follows:

	<u>Overdue</u>	<u>Up to 30 days</u>	<u>From 61 to 90 days</u>	<u>Total</u>
National Treasury Bills (LTN)		173,124		173,124
Interbank Deposit Certificate (CDI)	11,727		25,368	37,095
Provision for losses	<u>(11,727)</u>			<u>(11,727)</u>
Total - 2015	<u>-</u>	<u>173,124</u>	<u>25,368</u>	<u>198,492</u>
Total - 2014	<u>-</u>	<u>11,602</u>		<u>11,602</u>

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6 Marketable securities

(a) Portfolio composition

The marketable security portfolio is comprised as follows:

	2015			2014		
	Amount	Curve value	Market value	Amount	Curve value	Market value
Unrestricted securities						
- Financial Treasury Bills (LFT)	44,200	306,371	306,099	100,458	275,382	275,112
- National Treasury Notes (NTN)	102,900	280,060	274,782	99,800	263,358	251,258
- Debentures	30	30,116	30,116	25	27,755	27,755
- Provision for debentures (*)			(150)			(278)
Fund quotas:						
- Emerging companies (Emerging Companies Investment Fund (FIEE))	123	1,962	1,962	106	1,724	1,724
- Fund for Investment in Equity Participation (FIP)	10,859,043	9,350	9,350	6,268,182	7,198	7,198
- Credit Rights Investment Fund (FDIC)	1,700	2,040	2,040	1,700	7,922	7,922
- Investment Guarantor Fund (FGI)	354,692	442	442	233,806	278	278
Total unrestricted securities		630,341	624,641		583,617	570,969
Securities linked to BACEN (capital increase)						
- National Treasury Notes (NTN)				7,100	21,083	17,883
Total portfolio		630,341	624,641		604,700	588,852
Current			18,075			58,794
Non-current			606,566			530,058

(*) In accordance with CMN Resolution 2,682/1999, the provision for debentures is based on the credit risk of the issuer because these securities are essentially financial support, rather than a financial investment (Note 6 (b) (ii)).

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(b) Classification of marketable securities

Considering the Bank's intentions and financial capacity, the securities in the marketable security portfolio are classified as follows, as established by the BACEN Circular 3,068/2001:

Securities/Maturity	2015		2014	
	Curve value	Market value	Curve value	Market value
Available-for-sale securities (i)				
- LFT				
From 61 to 90 days			6,632	6,626
From 91 to 180 days			6,632	6,626
From 181 to 360 days			23,447	23,424
Over 360 days	306,371	306,099	238,671	238,436
- NTN				
Over 360 days	184,228	178,950	284,440	269,141
- Investment fund quotas				
No stated maturity	13,794	13,794	17,122	17,122
Securities held to maturity (ii)				
- NTN	95,832	95,832		
- Debentures (*)				
From 91 to 180 days	614	612	2,523	2,498
From 181 to 360 days	3,688	3,669	2,523	2,498
Over 360 days	25,814	25,685	22,708	22,481
Total general	<u>630,341</u>	<u>624,641</u>	<u>604,698</u>	<u>588,852</u>
Current		18,075		58,794
Non-current		606,566		530,058

(*) Debentures - The market value is considering the provision based on the issuer's credit risk, as described in item 6(a).

(i) Securities classified as available for sale.

BDMG's marked-to-market government securities classified as available for sale are based on the quotations disclosed, in 2015, by the Brazilian Association of Financial and Capital Market Entities (ANBIMA) for the secondary market of such securities.

(ii) Securities classified as held to maturity.

At June 30, 2015, the securities classified in this category were as follows:

- Debentures

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In January 2015, in a direct negotiation with the issuer, the Bank acquired 30 non-convertible debentures with maturities on December 22, 2019.

They are mainly used for financial support, rather than financial investment.

- National Treasury Notes (NTN)

At June 30, 2015, the Bank reclassified from "available for sale" to "held to maturity" the following securities:

<u>Security</u>	<u>Amount</u>	<u>Maturity date</u>	<u>Amount R\$</u>
NTN-B	21,000	8/15/2022	66,500
NTN-B	15,000	8/15/2018	44,510
Total			111,010
(-) Adjustment to market value			(15,178)
Present value			95,832

For this reclassification, the Bank complied with the provisions of the BACEN Circular Letter 3,068/2001 regarding its intention and financial ability to hold these securities in its portfolio up to maturity.

The balance of R\$ 15,178, which is related to unrealized gains and was accounted for at the reclassification date as a separate component in equity due to the prior classification as available for sale, will be recognized in the statement of income for the period up to the maturity of the securities.

(c) Marketable securities fall due as follows:

	<u>No stated maturity</u>	<u>Up to 30 days</u>	<u>From 31 to 60 days</u>	<u>From 61 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>After 360 days</u>	<u>Total</u>
Federal government securities								
Debentures (*)					612	3,669	580,881	580,881
Investment fund quotas	13,794						25,685	13,794
Total - 2015	13,794				612	3,669	606,566	624,641
Total - 2014	17,122	2,208	2,209	2,209	8,461	26,585	530,058	588,852

(*) Debentures - The market value is considering the provision based on the issuer's credit risk, as described in item 6(a).

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(d) Carrying value adjustments of marketable securities

The changes during the six-month period in the amounts accounted for in equity under "Carrying value adjustments", which refer to the adjustments of the Bank's securities classified as available for sale, were as follows:

	<u>Unrealized gains (losses)</u>	<u>Tax effects</u>	<u>Adjustment to market value</u>
At December 31, 2014	(18,530)	8,274	(10,256)
Adjustment in the period	<u>(2,197)</u>	<u>629</u>	<u>(1,568)</u>
At June 30, 2015	<u>(20,727)</u>	<u>8,903</u>	<u>(11,824)</u>

7 Derivative instruments

Due to the funds obtained abroad as from the second half of 2013, the Bank seeks protection against the risk of exposure to variations in foreign currencies and foreign interest rates established in the contracts, through the use of swap derivative financial instruments.

The outstanding derivative instruments were contracted exclusively as a hedge for risks associated with external funding and, for the contracting of such instruments, the Bank considers the risk control policy and the definition of hedge strategies, limits and manners to monitor these operations.

At June 30, 2015, the Bank's derivatives are classified as market risk hedges and recorded according to the hedge accounting procedure, since they all meet the condition of effectiveness of the hedge as established in BACEN Circular 3,082/2001.

BDMG performs effectiveness tests at the beginning of the operation, initial prospective test of the hedge structure and periodically assesses the effectiveness through prospective and retrospective tests, upon the preparation of the interim, semi-annual and annual financial statements, through the calculation of the ratio of the market value variation of the hedge instrument asset position and the variation of the market value of the hedged item.

All swaps are recorded in the Central System for Custody and Financial Settlement of Securities (CETIP) and the protection contracted presents similar conditions to those of the corresponding funding transactions - beginning date, maturity, rates, notional amount etc.

The derivatives used by BDMG were contracted to protect it against the risks fully assumed by the Bank due to the following foreign borrowings mentioned in Note 13(a):

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(a) Foreign borrowings hedged by derivative instruments

<u>Funding</u>	<u>Initial date</u>	<u>Final maturity</u>	<u>Charges</u>	<u>Foreign currency</u>	<u>Curve in 2015</u>	<u>Curve in 2014</u>
CAF 1	9/27/2013	9/27/2023	Six-month Libor + percentage up to 3.65% p.a.	US\$ 15,000	47,025	33,375
CAF 2	11/25/2013	10/23/2023	Six-month Libor + percentage up to 3.65% p.a.	US\$ 30,000	93,780	66,560
IDB	8/4/2014	8/16/2021	Six-month Libor + 2.25% p.a.	US\$ 50,000	156,600	
AFD	8/5/2014	11/28/2025	Six-month Euribor + 2% p.a.	€\$ 5,000	17,326	
Bank of Tokyo 1	12/26/2014	12/27/2018	Quarterly interest at the fixed rate of 3.09% p.a. and 3.19% p.a. after 12/31/2015.	US\$ 25,000	77,794	
Bank of Tokyo 2	3/17/2015	3/13/2019	Quarterly interest at the fixed rate of 2.68 of p.a. and 2.78% p.a. from 3/14/2016	US\$ 25,000	77,634	-
Total					<u>470,159</u>	<u>99,935</u>
Adjustment to market value					<u>(203)</u>	
Market value					<u><u>469,956</u></u>	

The derivatives contracted to hedge the borrowing transactions listed above include the same terms as the funding transaction (similar beginning date, maturity and notional amount) and are in line with each settlement (interest or repayment + interest) specified for the released funds.

In order to account for these transactions, the Bank used the hedge accounting method (market risk category) in order to neutralize the effects on its results of the volatility generated by the difference in the carrying amount of the products involved: borrowings recorded based on the amortized cost and derivatives marked-to-market (MtM).

In accordance with BACEN Circular 3,082/2001, the Bank has documentation referring to the risk of the hedged items, which includes the management of these risks pursuant to risk control policies, the establishment of strategies, limits and manners to continuously monitor these items in order to verify the effectiveness of the hedge instrument.

The methodology used in establishing the market value of both asset and liability swap positions considers the weighting factors calculated at the contracting date and which, at that date, were equal to the market value and operation curve value. The use of weighting factors aims at mitigating the credit risk spread distortion in the calculation of the market value. As from 2014, the Bank started to use weighting factors for the calculation of the market value of the swap liability positions (BRL + %CDI) that were projected at the %CDI rate agreed and discounted to present value at the same rate.

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(b) Swap amounts recorded

The derivative financial instruments at June 30 were as follows:

<u>Swaps</u>	<u>Notional value (Offsetting account)</u>	<u>Amount receivable/ payable (equity account)</u>	<u>Net effect (result account) June 2015</u>	<u>Net effect (result account) June 2014</u>
(US\$+ Libor+ rate) x (BRL +%CDI) (1)	311,153	60,739	33,935	(19,560)
(EUR+Euribor+rate) x (BRL+%CDI) (1)	15,210	1,630	(2,441)	
(US\$+rate) x BRL+%CDI) (1)	67,575	10,864	12,025	
(US\$+rate) x BRL+%CDI) (2)	81,117	(1,914)	(3,749)	
Total	<u>475,055</u>	<u>71,319</u>	<u>39,770</u>	<u>(19,560)</u>

Notes:

(1) Differential receivable

(2) Differential payable

(c) Swaps by index

<u>Description</u>	<u>2015</u>	<u>2014</u>
<u>Differential receivable</u>		
Foreign currency	74,159	
Interest	(926)	
Indexes		
Assets	73,233	
<u>Differential payable</u>		
Foreign currency	(1,914)	4,947
Interest		560
Indexes		
Liabilities	(1,914)	5,507
Net exposure on the balance sheet	71,319	5,507

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(d) Swaps by maturity

Description	Up to 30 days	From 31 to 180 days	From 181 to 360 days	After 360 days	Total
<u>Asset position - differential receivable</u>					
Foreign currency		(8,355)	(7,555)	90,069	74,159
Interest		(1,244)	(798)	1,116	(926)
Indexes					
Total - 2015		<u>(9,599)</u>	<u>(8,353)</u>	<u>91,185</u>	<u>73,233</u>
Total - 2014	-			1,135	1,135
<u>Liability position - differential payable</u>					
Foreign currency		(4,156)	(3,707)	5,949	(1,914)
Interest					
Indexes					
Total - 2015		<u>(4,156)</u>	<u>(3,707)</u>	<u>5,949</u>	<u>(1,914)</u>
Total - 2014	-	1,082	890	4,670	6,642
Net exposure on the balance sheet - 2015		(13,755)	(12,060)	97,134	71,319
Net exposure on the balance sheet - 2014	-				5,507

(e) Swaps by index and notional amount

Swaps	Notional value	Curve value	Adjustment to market value	Market value
(US\$+ Libor+ rate) x (BRL +%CDI)	311,153	65,393	(4,654)	60,739
(EUR+Euribor+rate) x (BRL +%CDI)	15,210	1,928	(298)	1,630
(US\$+ rate) x (BRL +%CDI)	<u>67,575</u>	<u>9,841</u>	<u>1,023</u>	<u>10,864</u>
Asset position - 2015	393,938	77,162	(3,929)	73,233
Asset position - 2014				
(US\$+ rate) x (BRL +%CDI)				
Liability position - 2015	81,117	(3,933)	2,019	(1,914)
Liability position - 2014	199,903	(5,896)	389	(5,507)
Net exposure on the balance sheet - 2015	475,055	73,229	(1,910)	71,319
Net exposure on the balance sheet - 2014	199,903	(5,896)	389	(5,507)

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8 Credit operations and receivables equated with credit operations

The Bank's credit portfolio is as follows:

	<u>2015</u>		<u>2014</u>
	<u>Total</u>	<u>Provision</u>	<u>Net amount</u>
Credit operations	<u>5,483,728</u>	<u>232,541</u>	<u>5,251,187</u>
			<u>5,185,899</u>

The credit operations at June 30, 2015 totaled R\$ 5,483,728 (2014 - R\$ 4,703,907), of which R\$ 2,285,885 (2014 - R\$ 2,098,707) was granted with own resources and R\$ 3,197,843 (2014 - R\$ 2,605,200), originally, with resources transferred from other financial institutions.

(a) Classification by product and by segment of activity

	<u>2015</u>	<u>2014</u>
Loans	<u>1,327,896</u>	<u>1,159,299</u>
Industry	576,962	493,670
Commerce	298,013	248,781
Other services	452,921	416,848
Financing to the private sector	<u>3,373,134</u>	<u>2,944,319</u>
Industry	1,802,309	1,803,833
Commerce	201,583	135,232
Other services	899,882	635,777
Rural and agribusiness	440,054	344,543
Financial intermediaries	22,017	16,307
Individuals	7,289	8,627
Financing to the public sector	<u>782,623</u>	<u>600,289</u>
Municipal direct and indirect administration	782,623	600,289
Credits equated with loan operations	<u>75</u>	<u> </u>
Subtotal	<u>5,483,728</u>	<u>4,703,907</u>
Provision for impairment of receivables	<u>(232,541)</u>	<u>(187,337)</u>
Total	<u>5,251,187</u>	<u>4,516,570</u>
Current	1,267,748	1,119,668
Non-current	3,983,439	3,396,902

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(b) Classification by maturity and risk levels

Level of risk	2015								2014	
	Total	Normal course in days							Over 5400	Total
		Overdue as from 15 days	Overdue up to 14	Up to 90	From 91 to 360	From 361 to 1080	From 1081 to 1800	From 1801 to 5400		
AA	1,897,817	-	139,730	234,703	505,180	396,727	621,389	88	1,609,198	
A	1,142,422	-	57,912	265,688	367,271	215,386	236,165	-	940,991	
B	943,835	3,771	266	49,592	136,252	309,222	203,316	241,416	-	951,227
C	1,131,926	14,534	1,292	80,552	212,721	398,860	221,707	202,260	-	1,007,698
D	194,767	3,829	508	15,779	38,978	72,709	42,339	20,625	-	52,904
E	46,632	7,711	193	5,574	13,220	13,548	4,024	2,363	-	43,422
F	21,894	2,398	155	2,752	5,950	6,919	1,348	2,371	-	23,682
G	40,643	8,513	84	2,893	8,592	16,330	3,974	257	-	38,391
H	63,792	34,499	494	2,828	6,840	10,473	5,798	2,860	-	36,394
	<u>5,483,728</u>	<u>75,255</u>	<u>2,992</u>	<u>357,612</u>	<u>922,944</u>	<u>1,700,512</u>	<u>1,094,619</u>	<u>1,329,706</u>	<u>88</u>	<u>4,703,907</u>

(c) Classification by risk levels and provision

Level of risk	%	2015			2014	
		Portfolio	Provision for credit risk based on minimum percentages required	Provision for impairment of receivables (i)	Portfolio	Impairment of trade receivables
AA	0.0	1,897,817		(46,776) (i)	1,609,198	(49,463)
A	0.5	1,142,422	(5,712)	(5,712)	940,991	(4,705)
B	1.0	943,835	(9,438)	(9,438)	951,227	(9,512)
C	3.0	1,131,926	(33,958)	(33,958)	1,007,698	(30,231)
D	10.0	194,767	(19,477)	(19,477)	52,904	(5,290)
E	30.0	46,632	(13,990)	(13,990)	43,422	(13,027)
F	50.0	21,894	(10,947)	(10,947)	23,682	(11,841)
G	70.0	40,643	(28,451)	(28,451)	38,391	(26,874)
H	100.0	63,792	(63,792)	(63,792)	36,394	(36,394)
		<u>5,483,728</u>	<u>(185,765)</u>	<u>232,541</u>	<u>4,703,907</u>	<u>(187,337)</u>

- (i) Until November 2005, the credit operations relating to the Special Program of Assets Recovery (PESA) (Rural Credit, under the terms of CMN/BACEN Resolution 2,471/1998) were classified in level H. As from that date, BDMG management reclassified them to level AA. This risk reclassification considered the characteristics of the transactions as regards the credit risk, mitigated through real guarantees represented by public securities. The Bank records a supplementary provision for credit transactions, which is calculated as the difference between the adjusted principal balance of the reclassified transactions and the present value of the securities which guarantee these transactions. At June 30, 2015, this additional provision amounted to R\$ 46,776 (2014 - R\$ 49,463).

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(d) Changes in the provision for impairment of receivables

	<u>2015</u>	<u>2014</u>
At the beginning of the six-month period	217,838	170,289
Recording of provision, net of reversals	85,381	45,301
Credits written off as losses	<u>(70,678)</u>	<u>(28,253)</u>
Closing balance	<u>232,541</u>	<u>187,337</u>

In the six-month period ended June 30, 2015, R\$ 6,113 (2014 - R\$ 15,456) relating to credits previously written off as losses was recovered.

(e) Credit assignments

The balance of operations assigned with co-obligation, as shown below, refers to operations assigned up to December 31, 2011 (prior to CMN Resolution 3,533/2008):

Assignment prior to CMN Resolution 3,533/2008	<u>2015</u>	<u>2014</u>
Balance of co-obligations to be settled	30,738	33,885
Balance of settled transactions to be transferred	<u>33</u>	<u>183</u>
	<u>30,771</u>	<u>34,068</u>

9 Other receivables

	<u>2015</u>	<u>2014</u> (restated)
Tax credits (a)	301,184	204,771
Debtors for deposits in guarantee (b)	109,177	97,342
Notes and credits receivable (c)	16,397	17,689
Sundry debtors - local (d)	476	11,654
Income receivable (e)	3,690	12,180
Other	3,931	3,491
Provision for impairment of other receivables (f)	<u>(12,392)</u>	<u>(12,558)</u>
	<u>422,463</u>	<u>334,569</u>
Current	24,229	38,410
Non-current	398,234	296,159

(a) The tax credits for income tax and social contribution on net income were calculated and recorded based on the factors disclosed in Note 23(a).

(b) The debtors for guarantee deposits mainly relate to legal disputes, especially those of a fiscal and tax nature, as described in Note 14(a), which includes the relationship of the judicial deposits with the related legal cases.

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- (c) The notes and credits receivable relate to: (i) remunerations amounting to R\$ 11,152 (2014 - R\$ 11,119) due to the renegotiations based on laws related to rural credit transactions carried out with funds from the National Treasury Secretariat (STN), for which provisions were recorded as detailed in Note 9 (f); (ii) municipality credit rights of R\$ 5,216 (2014 - R\$ 6,570); and (iii) remuneration of the Fund for the Defense of the Coffee Economy (Funcafé) amounting to R\$ 29 (2014 - R\$ 0).
- (d) The balance of sundry debtors, in 2015, mainly comprises R\$ 477 (2014 - R\$ 4,102) referring to the non-default bonus granted by the Bank to clients of renegotiated rural operations according to the provisions of Law 9,138/95 and its amendments.
The balance of 2014 includes R\$ 7,473 related to assets whose fiduciary ownership, according to Article 27 of Law 9,514, was already consolidated by BDMG. This amount was reclassified to Assets not for own use during the second half of 2014.
- (e) Income receivable, in 2015, mainly comprises the remuneration receivable, net of the related provision, from credit operations carried out with resources of the development funds managed by BDMG totaling R\$ 3,690 (2014 - R\$ 4,704). The remuneration falls due based on the maturity dates of the contracted installments, and a provision is recorded based on the percentage related to the risk level in which the operation giving rise to the remuneration is classified.
This classification is a result of the policy adopted by the Bank referring to the transactions funded by resources from the managed funds, which are the same criteria established in CMN Resolution 2,682/1999 for the credit transactions of BDMG's own portfolio.
- (f) This provision is related to the impairment of R\$ 12,392 (2014 - R\$ 12,558) that is to be reimbursed by the STN. The recording of this provision is based on the uncertainty of realization of these credits.

10 Other assets

	<u>2015</u>	<u>2014</u>
Assets not for own use	10,551	12,627
Other	<u>202</u>	<u>162</u>
Subtotal	10,753	12,789
Provision for assets not for own use	<u>(1,995)</u>	<u>(1,502)</u>
	<u>8,758</u>	<u>11,287</u>
Current	202	162
Non-current	8,556	11,125

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11 Permanent assets

(a) Investments

	<u>2015</u>	<u>2014</u>
BDMGTEC Participações S.A. (i)	78,015	77,996
Other	1,325	1,324
Provision for losses, shares and quotas	<u>(837)</u>	<u>(837)</u>
	<u><u>78,503</u></u>	<u><u>78,483</u></u>

- (i) The objective of BDMGTEC Participação S.A., a wholly-owned subsidiary of the Bank, established in March 2012, based on State Law 19,967/11, is to invest in companies with significant interest to the State, in order to promote its development.

The ongoing ownership interests in BDMGTEC were initially measured, at fair value and, after the initial recognition, remain valued at the acquisition cost. These investments are tested annually for impairment via discounted cash flows. No objective evidence of loss was identified for 2014 and 2013.

(b) Property and equipment in use

	<u>2015</u>			<u>2014</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net amount</u>	<u>Net amount</u>
Buildings	40,999	(25,075)	15,924	17,017
Facilities, furniture and equipment	5,723	(4,836)	887	1,030
Data processing system	4,897	(3,596)	1,301	1,214
Other	577	(521)	56	76
Construction in progress	<u>3,205</u>		<u>3,205</u>	<u>1,600</u>
	<u><u>55,401</u></u>	<u><u>(34,028)</u></u>	<u><u>21,373</u></u>	<u><u>20,937</u></u>

12 Deposits and funds from acceptances and issue of securities

The funds obtained in Brazil are as follows:

	<u>2015</u>	<u>2014</u>
Interbank deposits (a)	63,457	53,691
Financial bills (b)	<u>772,062</u>	<u>743,249</u>
	<u><u>835,519</u></u>	<u><u>796,940</u></u>
Current	248,075	
Non-current	587,444	796,940

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(a) Interbank deposits

The balance of interbank deposits at June 30, 2015 refers to the funds obtained to comply with the clause of credit risk mitigation included in derivative contracts, which require that the party with a difference payable in excess of a certain amount maintain interbank deposits in the institution that is the counterparty in the operation. These deposits constitute a guarantee margin, have charges equal to the CDI rate and maturities varying in accordance with the amount adjusted for the coverage of the differential receivable from or payable for each one of the swaps contracted.

(b) Financial bills

The funds obtained with the issue of financial bills were as follows:

Type of issue	Amount	Maturity	2015	2014
Public	500	12/17/2015	100,492	100,356
Public	1,250	12/17/2017	305,990	282,048
Public	1,238	3/14/2017	257,554	255,879
Private	275	5/9/2016	84,127	83,827
Private	100	12/23/2016	23,899	21,139
Total	<u>3,363</u>		<u>772,062</u>	<u>743,249</u>
Current			184,618	
Non-current			587,444	743,249

The issue of financial bills is supported by CMN Resolution 4,143/2012, which authorized the issue of such securities by development banks.

13 Borrowings and onlendings

(a) Abroad

At June 30, 2015, the funds raised abroad by the Bank amounted to R\$ 601,655 (2014 - R\$ 166,065) at the amortized cost and R\$ 601,452 (2014 - R\$ 166,065) at the market value, as calculated for the funding hedged by derivative instruments.

All contracts related to foreign funding and to the derivative instruments used to hedge these, have covenants. The Bank monitors and complies with these covenants.

The funds obtained abroad are from the following institutions:

I Corporación Andina de Fomento - CAF

The financing contracted with CAF, in August 2014, may total up to US\$ 100 million, in tranches of different amounts, with interest at the six-month Libor plus up to 3.65% p.a. and maturity of up to 10 years.

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The released tranches are as follows:

Date of release	Final maturity	Release - US\$ (000)	2015	2014	Status of the released funds
			Amortized cost R\$	Amortized cost R\$	
9/27/2013	9/27/2023	15,000	47,025	33,375	Inflows in Brazil
10/21/2013	10/23/2023	30,000	93,780	66,560	Inflows in Brazil
12/19/2013	12/19/2023	30,000	93,174	66,130	Not held in Brazil (i)
Total		75,000	233,979	166,065	
Current			28,706	923	
Non-current			205,273	165,142	

(i) The funds obtained through the 3rd tranche were deposited abroad (Note 4).

II French Agency for Development (or Agence Française de Développement - AFD)

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

At June 30, 2015, the released tranches are as follows:

Date of release	Final maturity	Release - € (000)	Amortized cost R\$
7/22/2014	5/30/2017	9,000	31,186
10/13/2014	5/30/2017	7,000	24,256
Total		16,000	55,442
Current			95
Non-current			55,347

III Inter-American Development Bank (IDB)

In June 2014, BDMG entered into a borrowing agreement with the IDB, which may be used up to the limit of US\$ 150 million, through releases to be made in three tranches. This borrowing will bear a floating interest rate, to be paid on a six-month basis, at 2.25% plus the applicable semi-annual Libor rate, which may vary depending on the criteria established in the contract for each tranche.

The first tranche, amounting to US\$ 50 million, released on August 4, 2014 and maturing on August 16, 2021, was equivalent to R\$ 156,600.

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IV - Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU) - (Bank of Tokyo)

BDMG contracted, in December 2014, a bilateral borrowing transaction with the Bank of Tokyo, which will be released through tranches with four-year maturities and financial charges of quarterly interest at the fixed rate of 3.09% p.a. up to December/2015 and of 3.19% p.a., after that date. The pro rata calculation of the interest is made according to the criterion established in the contract.

At June 30, 2015, the released tranches are as follows:

<u>Date of release</u>	<u>Final maturity</u>	<u>Release - US\$ (ooo)</u>	<u>Amortized cost R\$</u>
12/26/2014	12/27/2018	25,000	77,594
3/17/2015	3/13/2019	25,000	77,634
Total		50,000	155,228
Current			133
Non-current			155,095

To hedge against the foreign exchange risk and the foreign interest rates associated to its foreign borrowings which were not subject to the transfer of these risks to the borrower in the domestic market, the Bank uses derivative financial instruments, recognized according to the hedge accounting procedure. This procedure involves the computation of the adjustment to market value of the hedged foreign borrowings. The market value of these borrowings is detailed in Note 7.

(b) Official institutions

These obligations correspond to the balances of the resources obtained from official funds and programs onlent to finance ventures in the State of Minas Gerais. The maturities of the principal and related charges are up to 2029, and the financial charges are defined in the operating policies of each agency or fund which is transferring the resources.

The balances of these obligations are summarized as follows:

	<u>2015</u>	<u>2014</u>
BNDES (i)	1,527,978	1,238,954
FINAME (ii)	1,470,391	1,187,740
Bank of Northeast of Brazil (BNB)	27,788	30,547
National Treasury	12,914	13,936
Fund for Financing of Studies and Projects (FINEP)	17,782	2,077
Other	1,509	-
Total	3,058,362	2,473,254
Current	540,069	573,043
Non-current	2,518,293	1,900,211

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The National Bank for Economic and Social Development (BNDES)/Government Agency for Machinery and Equipment Financing (FINAME) System is the main source of funds for onlending from BDMG to its customers.

- (i) The funds from BNDES are mainly allocated to the financing of long-term investment projects.

The funds transferred by BNDES at June 30, 2015 arose mainly from the following credit lines:

	<u>2015</u>	<u>2014</u>
BNDES Automático PROGEREN	245,760	126,330
BNDES Automático TJLP	181,792	199,958
BNDES FINEM	242,190	124,749
BNDES FINEM TJLP	106,222	122,595
BNDES Exim Pré-Embarque		110,161
BNDES Automático TJ-462	60,062	72,729
BNDES FINEM TJ-462	60,463	72,625
BNDES Automático PROCAP-AGRO	87,832	67,690
BNDES AUTOMÁTICO PRODECOOP	66,367	30,360
BNDES FINEM PSI	68,011	63,654
BNDES AUTOMÁTICO	98,785	15,471
Other	310,495	232,632
	<u>1,527,979</u>	<u>1,238,954</u>
14 Other payables		
	<u>2015</u>	<u>2014</u>
Tax and social security (a)	249,074	196,098
Sundry (b)	317,034	196,225
Financial and development funds (c)	10,875	10,978
Collection of taxes	519	209
	<u>577,502</u>	<u>403,510</u>
Current	113,087	67,587
Non-current	464,415	335,923
(a) Tax and social security		
	<u>2015</u>	<u>2014</u>
Provision for tax obligations - (i) and (ii)	165,632	155,848
Provision for deferred taxes and contributions	26,544	25,653
Provision for taxes and contributions	53,181	12,114
Taxes and contributions payable	3,717	2,483
	<u>249,074</u>	<u>196,098</u>
Current	75,502	31,199
Non-current	173,572	164,899

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- (i) The provision for tax obligations is comprised of the liabilities related to taxes, involving ongoing administrative proceedings and legal lawsuits with the Brazilian Federal Revenue Secretariat, which are adjusted at the Special System for Settlement and Custody (SELIC) rate on a monthly basis. As considered in the projection of results of BDMG, the expectation for realization of the tax credits related to this provision covers a period of 10 years.

The changes in the provision for tax obligations in the six-month period were as follows:

	<u>In December</u> <u>2014</u>	<u>Provision</u>	<u>Adjustment</u>	<u>In June</u> <u>2015</u>
Change in the COFINS calculation basis - Law 9,718/1998	102,001		4,333	106,334
Change in the PIS/PASEP calculation basis - Law 9,718/1998	50,391		1,628	52,009
Tax exemption for Social Security Fund (FINSOCIAL) from December 1986 to March 1990	4,647		84	4,731
Other contingencies and legal obligations	<u>1,802</u>	<u>701</u>	<u>55</u>	<u>2,558</u>
	<u>158,841</u>	<u>701</u>	<u>6,100</u>	<u>165,632</u>

- (ii) In connection with the above tax obligations, the Bank has judicial deposits amounting to R\$ 102,372 (2014 - R\$ 98,766), which is included the balance of R\$ 109,177 (2014 - R\$ 103,901) of the account "Other receivables - Debtors for deposits in guarantee" (Note 9(b)).

The judicial deposits related to the ongoing tax proceedings are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Provision</u>	<u>Deposits</u>	<u>Provision</u>	<u>Deposits</u>
Change in the COFINS calculation basis - Law 9,718/1998	106,334	44,318	101,520	40,394
Change in the PIS/PASEP calculation basis - Law 9,718/1998	52,009	52,009	47,780	47,587
Tax exemption for Social Security Fund (FINSOCIAL) from December 1986 to March 1990	4,731	4,731	4,568	4,568
Other contingencies and legal obligations	<u>2,558</u>	<u>1,314</u>	<u>1,980</u>	<u>1,480</u>
	<u>165,632</u>	<u>102,372</u>	<u>155,848</u>	<u>94,029</u>

In the judicial proceedings related to COFINS and to PIS/PASEP, the Bank seeks the suspension of the payment of these taxes, according to Law 9,718/1998. In addition to establishing the payment of COFINS by financial institutions, this Law also amplified the calculation basis for the PIS/PASEP contribution by determining that revenue included both the gross operating and non-operating income. Because of the decisions already issued during the course of the proceedings, the Bank made judicial deposits up to 12/2014 in order to cover the COFINS contribution on revenues from services rendered. As from January 2015, with the effectiveness of the amendments introduced by Law 12,973/2014, the Bank started to pay PIS/PASEP and COFINS normally on all of its revenues.

The tax and social security provisions recorded by the Bank are in accordance with the BACEN Circular 3,429/2010, which requires the recognition, in the liabilities of financial institutions, of the tax obligations when there are current legal discussions about the constitutionality of the laws that established such obligations, up to the effective termination of the corresponding lawsuits.

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The contingent tax lawsuits whose likelihood of loss was considered as only possible are not accrued (Note 2.14) and are summarized as follows:

- Tax assessment notice issued by the National Institute of Social Security (INSS) in 2006 related to events considered by INSS as subject to the social security contribution. The updated amount of this assessment notice at June 30, 2015 is R\$ 5,113 (2014 - R\$ 137).
- Decision issued by the Federal Revenue Service on December 11, 2008 not accepting the income tax offsetting made in 2004 and 2005. The adjusted amount of the fine applied on the debits not offset is R\$ 568 (2014 - R\$ 568).
- Tax assessment notice issued by the Federal Revenue Secretariat (SRF) in July 2010 related to the difference in the calculation of income tax and social contribution in the period from 2005 to 2007. The updated assessment notice amounts to R\$ 8,355 (2014 - R\$ 7,805).

(b) Sundry

	<u>2015</u>	<u>2014</u> (restated)
Provision for other obligations (i)	57,630	50,580
Provision for future payments (ii)	15,053	15,810
Actuarial liabilities	234,894	119,579
Contribution for capital increase (iv)	365	917
Sundry creditors - local (v)	<u>9,092</u>	<u>9,339</u>
	<u>317,034</u>	<u>196,225</u>
Current	35,928	35,159
Non-current	281,106	161,066

(i) The provision for other obligations and the changes during the period are as follows:

	<u>At December</u> <u>31, 2014</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Charges on the compulsory deposit in BACEN (i)	31,798		1,890		33,688
Co-obligation assumed in loan transactions assigned to STN	2,451	1,016		(249)	3,218
Civil claims	2,103	35	54	(33)	2,159
Labor claims	5,826	807			6,633
Lawyer's fees	8,367		165	(4)	8,528
Other	<u>1,236</u>	<u>2,172</u>		<u>(4)</u>	<u>3,404</u>
	<u>51,781</u>	<u>4,030</u>	<u>2,109</u>	<u>(290)</u>	<u>57,630</u>

(i) The effects of the reversal of the derecognized provision related to financial charges for the unpaid compulsory deposit, made in June 2014, led to the restatement described in Note 3, and the balance of the reversed provision was adjusted up December 31, 2014, for the presentation of the related changes in the provision in the six-month period. The Bank has R\$ 5,152 (2014 - R\$ 1,079) recorded in "Other receivables - Debtors for deposits in guarantee" in connection with the filing of appeals for labor proceedings, as well as R\$ 1,653 (2014 - R\$ 2,234) for coverage of risks with civil proceedings. Labor and civil proceedings whose likelihood of loss was considered as possible and for which there is no recorded provision totaled R\$ 735 (2014 - R\$ 537) and R\$ 6,465 (2014 - R\$ 557), respectively, at June 30, 2015.

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(ii) The provision for future payments relates to the following commitments:

	<u>2015</u>	<u>2014</u>
Vacation pay, 13th month salary and related charges	13,611	10,816
Employees' profit sharing program (PLR)	448	2,268
Compliance with State Law 11,050/93 and the BDMG bylaws	320	2,268
Other	799	458
	<u>15,178</u>	<u>15,810</u>

(iii) The balance of the provision for actuarial liabilities, which are detailed in Note 28, is related to the following benefits sponsored by the Bank:

	<u>2015</u>	<u>2014</u>
Actuarial liability related to the pension plan	108,575	39,076
Actuarial liability related to the medical and dental assistance plan - Health Promotion Program (PRÓ-SAÚDE)	114,985	69,054
Actuarial liability related to the life insurance	11,076	10,406
Bank's voluntary employment termination program effective from December 2011 to December 2015	258	1,043
	<u>234,894</u>	<u>119,579</u>

(iv) The balance of the "Contribution for capital increase" account refers to the percentage on returns of the borrowings contracted with the Social and Economic Development Fund (FUNDESE) for capital increase applicable to the Program for Popular Credit (CREDPOP), in accordance with State Law 13,667/2000.

(v) The balance of "Sundry creditors - local" mainly relates to customer credits to be offset, totaling R\$ 3,069 (2014- R\$ 2,654), and to R\$ 3,643 (2014 - R\$ 3,980) that is to be transferred to the Institute of Integrated Development of Minas Gerais (INDI).

(c) Financial and development funds

The amount of R\$ 10,875 (2014 - R\$ 10,978) is substantially related to resources from funds managed by BDMG (private funds and those of government agencies), which were received from customers and that are yet to be transferred to the funds.

15 Deferred income

The balance of R\$ 13,308 (2014 - R\$ 11,384) refers to the net amount of commissions on credit operations received in advance and which are allocated during the periods established in the related contracts.

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16 Equity

(a) Share capital

The subscribed and paid up capital of BDMG is represented by 60,854,432,385 (2014 - 60,736,771,685) registered common shares with no par value, totaling R\$ 1,775,223 (2014 - R\$ 1,771,694).

At June 30, 2015, the Bank's stockholders included: (i) the State of Minas Gerais, which holds 89.2% of the Bank's share capital and, thus, is the controlling stockholder; (ii) Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG, which became a stockholder as from the last quarter of 2012; and (iii) the State Highway Authority of Minas Gerais (DER-MG), which is a stockholder since 1990, when the Bank changed from an autonomous government agency to a corporation.

(b) Revenue reserve

At June 30, 2015, the revenue reserves of R\$ 56,751 (2014 - R\$ 36,431) comprise: (i) legal reserve amounting to R\$ 38,289 (2014 - R\$ 36,431), calculated based on 5% of the profit for the period up to the limit of 20% of capital; and (ii) special revenue reserve amounting to R\$ 18,462.

The amount recorded as special revenue reserve results from the change in the remaining profit for 2014, which, prior to the restatement of the balance of June 2014, amounted to R\$ 40,584. This amount, whose incorporation into capital was approved at the Ordinary General Meeting held in April 2015, was canceled, and the remaining profit of R\$ 18,462, as calculated for 2014 after all changes resulting from the reversal of the derecognized provision discussed in Note 3 herein, was accounted for as special revenue reserve to be used for capital increase (see comments in the statement of changes in equity footnote).

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(c) Carrying value adjustments

The adjustments recorded are as follows:

	<u>2015</u>	<u>2014</u>
Adjustment to market value (i)	(11,824)	(8,618)
Other carrying value adjustments (ii)	<u>(133,969)</u>	<u>(47,624)</u>
	<u>(145,793)</u>	<u>(56,242)</u>

- (i) The adjustment to market value, net of tax effects, refers to the adjustment of the securities classified as available for sale.
- (ii) Other adjustments refer to the recognition of costs inherent to the obligation with employee benefits, which, as established by NBC TG 33 (R1) - Employee Benefits, effective as from January 2013, must be adjusted in equity, net of tax effects.

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(d) Dividends and interest on capital

Stockholders are assured the payment of a minimum dividend of 1% of the profit for each period, adjusted in accordance with Brazilian Corporate Law and the Bank's bylaws.

Concerning the capital remuneration of its stockholders, BDMG distributes dividends or pays interest on capital according to the result for the year.

17 Capital management

In compliance with CMN Resolution 3,988/2011, the Bank issued internal regulations, Resolution 213 and Instruction 239, which define the necessary structure and policy for the management of the Bank's capital. These regulations define guidelines for ensuring the maintenance of adequate capital, without failing to meet the regulatory requirements established, so as to permit the Bank to meet the goals of its strategic planning, even in different scenarios.

The scenarios considered take into account possible changes in market conditions, the Bank's different operating and administrative activities and its economic environment, as well as the risks to which the Bank is exposed.

Following the aforementioned regulations and taking into account the strategic planning definitions, the assumptions for the proposed scenarios and the projected results, the Bank prepared its capital plan for the period from 2015 to 2017. The "BDMG's Capital Management Structure Description Report" is available at:

<http://www.bdmg.mg.gov.br/Transparencia/Paginas/demonstracao-financeira.aspx>

18 Regulatory capital

The rules for measuring the regulatory capital determine the requirement for the financial institutions to maintain equity compatible with the risk level of their assets, according to exposure-weighting factors, risk mitigation factors, and credit factors.

CMN Resolution 4,192/13 and a new set of rules regulated in Brazil, as from October 1, 2013, the recommendations of the Basel Committee on Banking Supervision (BCBS) regarding the capital structure of financial institutions, known as Basel III. This new framework introduced the calculation methodology for the regulatory capital and for the capital maintenance requirement with minimum requirements regarding PR, Level-I PR and main capital.

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The calculation of the Bank's capital ratios and regulatory capital is as follows:

Regulatory capital - minimum requirements

<u>Statement of calculation of regulatory capital and capital indexes</u>	<u>2015</u>	<u>2014</u> <u>(restated)</u>
Reference equity - level I (a)	1,689,847	1,777,567
Main capital (CP)	1,689,847	1,777,567
Equity	1,691,272	1,777,816
Capital for operations with public sector (b)	627,991	500,000
Reference equity for comparison with RWA (a - b)	1,061,856	1,277,567
Reference equity = (level I (a))	1,689,847	1,777,567
Total risk weighted assets (RWA)	6,246,163	5,828,171
Credit risk - RWAcpad	5,294,089	4,654,491
Market risk - RWAm pad	530,927	776,177
Operating risk - RWAopad	421,147	397,503
RWA for coverage of interest rate risk of the portfolio not subject to negotiation - Rban	135,175	179,353
Basel Index (PR/RWA)	17.0%	21.9%
Extended Basel Index (PR/(RWA + RWA Rban))	16.4%	21.3%
 19 Revenue from credit operations	 <u>2015</u>	 <u>2014</u>
Revenue from loans	294,409	213,918
Credits recovered	6,112	15,456
	<u>300,521</u>	<u>229,374</u>
 20 Result from marketable securities transactions and derivative financial instruments	 <u>2015</u>	 <u>2014</u>
Gains on fixed-income securities	41,121	28,698
Gains on investments in repurchase operations	10,257	2,821
Gains on investments in investment funds	35	121
Gains on interbank deposits	1,502	
Results from swap transactions	39,771	(19,560)
	<u>92,686</u>	<u>12,080</u>

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21 Financial intermediation expenses

	<u>2015</u>	<u>2014</u>
Financial bill expenses	(52,736)	(36,044)
Onlending expenses - BNDES/FINAME	(84,283)	(50,663)
Onlending expenses - other institutions	(2,223)	(1,569)
Foreign borrowing expenses	(121,533)	(3,337)
Interbank deposit and repurchase operation expenses	(2,450)	(3,101)
Other		(4,206)
	<u>(263,225)</u>	<u>(98,920)</u>

22 Other administrative expenses, tax expenses, other operating income and other operating expenses

(a) Other administrative expenses

	<u>2015</u>	<u>2014</u>
Outsourced services and specialized personnel	(6,451)	(10,493)
Advertising and communication	(1,840)	(5,423)
Data processing	(1,920)	(1,730)
Depreciation and amortization	(1,756)	(1,833)
Maintenance and materials	(1,369)	(195)
Travel and transportation	(997)	(991)
Rental and infrastructure	(785)	(492)
Other	(2,392)	(2,345)
	<u>(17,510)</u>	<u>(23,502)</u>

(b) Tax expenses

	<u>2015</u>	<u>2014</u>
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	(9,015)	(8,010)
Services Tax (ISSQN)	(946)	(1,111)
Other	(490)	(558)
	<u>(10,451)</u>	<u>(9,679)</u>

(c) Other operating income

	<u>2015</u>	<u>2014</u> (restated)
Foreign exchange variation gains	878	2,880
Reversal of sundry provisions	671	1,299
Foreign exchange variation gains on borrowings	2,557	10,507
Gain from adjustment to market value of hedged items	37,057	11,469
Equity in results of investees		1,015
Other	1,510	2,605
	<u>42,673</u>	<u>29,775</u>

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(d) Other operating expenses

	<u>2015</u>	<u>2014</u> (restated)
Provisions for co-obligations in rural operations	(1,016)	(968)
Provision for tax, labor and civil risks	(6,255)	(4,769)
Expense with the INDI agreement	(740)	(2,398)
Post-employment benefit - pension plan	(4,167)	(1,665)
Post-employment benefit - health insurance and life insurance	(5,653)	(3,912)
Other long-term benefits	(104)	
Expense with BDMG Cultural agreement	(1,264)	(1,151)
Foreign exchange variation	(3,720)	(2,879)
Expense with bonus and discount on credit operations	(2,917)	(2,769)
Other	(3,524)	(3,296)
	<u>(29,360)</u>	<u>(23,807)</u>

23 Income tax and social contribution

(a) Deferred income tax and social contribution

Deferred tax credits are as follows:

	<u>2015</u>	<u>2014</u> (restated)
Temporary additions	287,998	196,634
Adjustment to market value (marketable securities)	8,905	7,841
PIS/COFINS credits	4,281	296
	<u>301,184</u>	<u>204,771</u>

The tax credit on temporary additions relates to the following provisions:

	<u>2015</u>	<u>2014</u> (restated)
Impairment of receivables	129,597	96,939
COFINS - (change in the calculation basis of Law 9,718/1998)	35,273	34,411
Civil, labor and tax contingencies	8,136	7,128
Compulsory deposit with BACEN (financial charges on the deposit)	13,475	12,044
Foreign exchange variation	36,830	
Change in the PIS/PASEP calculation basis - Law 9,718/1998	10,087	9,608
Post-employment benefit	51,833	31,165
Co-obligation with STN	1,184	1,512
Employment termination program	104	417
Other	1,479	3,410
	<u>287,998</u>	<u>196,634</u>

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The changes in the tax credits during the period were as follows:

	<u>Adjustment to market value</u>	<u>Temporary additions</u>	<u>Credit PIS/COFINS</u>	<u>Total</u>
At December 31, 2014 (i)	8,274	237,424	1,892	247,590
Constitution	631	105,530	2,389	108,550
Reversal		(54,956)		(54,956)
At June 30, 2015	<u>8,905</u>	<u>287,998</u>	<u>4,281</u>	<u>301,184</u>

- (i) The balance of temporary additions disclosed in the balance sheet at December 31, 2014 amounting to R\$ 224,705 was changed due to the reversal of the derecognized provision related to financial charges due to the unpaid compulsory deposit, which was made retroactively and led to the restatement of the balance for June 2014, as disclosed in Note 3.

The tax credits of BDMG recorded in conformity with CMN Resolution 3,355/2007 consider the expected realization within 10 years, based on the positive taxable income presented in the projections of results. These projections are subject to changes, since they are estimated using internal assumptions and future economic scenarios.

The table below presents the probable recovery of the tax credits arising from temporary additions:

<u>Year</u>	<u>Nominal value</u>	<u>Present value</u>
2015	16,730	15,126
2016	61,908	50,893
2017	42,048	30,429
2018	22,076	14,063
2019	72,447	40,626
2020	19,985	9,865
2021	13,327	5,791
2022	23,421	8,959
2023	9,713	3,271
2024	6,343	1,880
	<u>287,998</u>	<u>180,903</u>

The present value of the tax credits was obtained by discounting the future flow of realization at the average rate of the resources for onlending contracted by BDMG of 13.60% p.a. (2014 - 6.06% p.a.).

At June 30, 2015, the Bank had remaining balances of tax credits from temporary differences of income tax and social contribution amounting to R\$ 26,689 (2014 - R\$ 19,401) and R\$ 16,013 (2014 - R\$ 11,641), respectively. These amounts are not accounted for because their estimated realization exceeds 10 years.

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

	2015		2014	
	Income tax	Social contribution	Income tax	Social contribution
Profit before income tax and social contribution	13,928	13,928	49,591	49,591
<u>Additions (deductions), net:</u>				
Recording of provision for contingencies, net of reversals	6,405	6,405	4,657	(4,657)
Taxes with suspended payment			8,058	8,058
Recording of provision for impairment of receivables and recovery of credits written-off as losses, net	80,557	80,557	31,620	31,620
Effective credit losses	(14,519)	(14,519)	(9,762)	(9,762)
Recording of provision for post-employment benefit, net of reversals	7,827	7,827	1,165	1,165
Statutory profit sharing	(572)	(572)	(2,268)	(2,268)
Equity in results of investees	239	239	1,015	1,015
Foreign exchange rate variation - accrual basis	51,238	51,238	(6,302)	(6,302)
Other	4,187	4,111	11,115	10,956
Calculation basis	149,290	149,214	88,889	88,730
Tax according to effective rate	(22,394)	(22,382)	(13,333)	(13,309)
Income tax surcharge	(14,917)		(8,877)	
Tax incentives	830		873	
Subtotal of income tax and social contribution payable	(36,481)	(22,382)	(21,337)	(13,309)
Provision for deferred taxes	208	124	453	272
Adjustment of amounts payable in prior periods			(230)	(16)
Total of the provision for income tax and social contribution payable	(36,273)	(22,258)	(21,114)	(13,053)
Recording of deferred tax credits (net of reversals) on temporary differences	31,584	18,950	8,840	5,303
Income tax and social contribution in the statement of income	(4,689)	(3,308)	(12,274)	(7,750)

24 Related parties

The Bank carried out the following transactions with related parties during the period:

Legal entities

(a) State of Minas Gerais and companies controlled both directly and indirectly:

- State of Minas Gerais - rendering of services acting as financial agent of the state funds. The commission received by the Bank is included in the financial charges on the lending contracts granted with the fund resources.
- Fundação João Pinheiro, a public institution linked to the Planning and Management State Secretariat. As established in its bylaws, and in accordance with the State Law 11,050/1993, the Bank is authorized to donate 5% of its profit for the period to the institution. The balance of the related provision for this six-month period amounted to R\$ 320 (2014 - R\$ 2,268). R\$ 4,120 was paid in June as related to the donation for 2014.

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- (b) Institute of Integrated Development of Minas Gerais (INDI), a not-for-profit, private limited-liability entity linked to the Economic Development State Secretariat and an associated company of the Bank, the latter being the sponsor-partner of INDI, holding 25% of its quotas and, therefore, being responsible for 25% of INDI's annual expenses. This commitment is met through the assigning of employees and additional financial contributions. The Bank's expenses with INDI in the first six-month period of 2015 totaled R\$ 740 (2014 - R\$ 2,398).
- (c) BDMGTEC Participação S.A., a wholly-owned subsidiary created by the Bank in 2012, whose purpose is to invest in companies with significant interest for the development of the State of Minas Gerais. At June 30, 2015, the Bank's subscribed and paid-up capital of BDMGTEC is R\$ 76,854 (2014 - R\$ 76,982).
- (d) BDMG Social Security Foundation (DESBAN), a not-for-profit supplementary pension plan entity sponsored by BDMG. As detailed in Note 27, BDMG made contributions to this institution with the purpose of meeting the social security and health benefits of its employees. The Bank assigned two of its employees to work for DESBAN, the latter being responsible for the costs related to the employee.
- (e) The Banco de Desenvolvimento de Minas Gerais Cultural Institute (BDMG Cultural), a not-for-profit civil association, was established by BDMG together with the BDMG Employees Association (AFBDMG) as a space for the fostering of culture in the State of Minas Gerais. The Bank contributed to the maintenance of BDMG Cultural by assigning employees without charging the institute, in addition to making contributions, which, in the first six-month period of 2015, totaled R\$ 1,264 (2014 - R\$ 1,151).

Individuals

The individuals who are related parties of the Bank and that comprise the Bank's key management are represented by its Board of Directors, Executive Board and Managing Board who received the following compensation in the period:

	<u>2015</u>	<u>2014</u>
Compensation (including social charges and benefits)	1,999	2,309
Profit sharing	43	116
Contributions to the pension plans and post-employment benefits	<u>17</u>	<u>30</u>
Total	<u><u>2,059</u></u>	<u><u>2,455</u></u>

25 Insurance (not audited)

In order to cover possible damage to its property and equipment, the Bank has insurance coverage amounting to R\$ 62,650 (2014 - R\$ 62,650).

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26 Risk management

Financial risk management policy

The Risk Management Policy, which is approved by the Senior Management, stipulates limits and guidelines to identify and mitigate the Bank's risks. The policy seeks to adopt methodologies and internal models consistent with the Basel Accords and to meet the guidelines of the regulators, in accordance with the best practices of risk management.

The objective of Risk Management at BDMG is to mitigate the credit, market, liquidity and operating risks so as to optimize the operating effectiveness and the results. Based on this objective, the Bank adopts risk management practices appropriate for the nature and specificities of the operations that it conducts.

The Bank adopted the credit, operating, market and liquidity risk management structure in compliance with CMN Resolutions 3,721 (April 30, 2012), 3,380 (June 29, 2006), 3,464 (June 26, 2007) and 4,120 (May 24, 2012), respectively.

The risk management structure involves the whole Bank and is organized as follows: Board of Directors and Statutory Audit Board, Audit Committee, Internal Audit, External (Independent) Audit, Executive Board, Risk and Corporate Management Board, General Risk Management (market, liquidity, credit risks and prevention of external fraud related to credit granting), Internal Control Management (operating risk, compliance, internal controls, prevention and fight against money laundering and financing terrorism and management of regulations), General Controllership Management (analysis of options for the calculation of capital required and the application of such calculation), and other units (primary responsibility related to operating risks and implemented controls).

The descriptions of the management structures for these risks, as well as other information on management, are available at the BDMG website (<http://www.bdmg.mg.gov.br>).

Operating risk

The operating risk management policy, pursuant to CMN Resolution 3,380/2006, establishes roles, responsibilities and a methodology to identify, assess and address operating risks inherent to the Bank's activities.

Credit risk

The credit risk management policy establishes credit risk exposure limits per customer, economic group and credit portfolio quality, in addition to decision levels, credit analysis and monitoring criteria, seeking selectivity of the operations with the purpose of minimizing cases of default and the related consequences.

Liquidity risk

The liquidity risk management policy establishes roles and responsibilities, exposure limits and reporting levels with the purpose of preparing the Bank to support adverse scenarios, considering different time frames. It deals with the activation of the contingency plan, which includes the set of strategies and measures to be taken, with the purpose of recovering the limits established. This policy also establishes the monitoring of the action plans defined and the reporting of the results to the Senior Management.

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Market risk

The Market Risk Management Policy establishes roles and responsibilities, operating limits, and reporting levels, as well as the means to minimize the effects of such risk on the Bank's financial statements, cash flows, and adjustment to the risk exposure limits.

27 Management of development funds (not audited)

The Bank maintains a structure for the management of development funds. The balances related to the fund equities at March 31, 2015 and December 31, 2014 were as follows:

	<u>2015</u>	<u>2014</u>
State funds	3,704,733	3,632,287
Private funds	290	290
Other funds	<u>31,992</u>	<u>30,967</u>
	<u>3,737,015</u>	<u>3,663,544</u>

28 Employee benefits

As mentioned in Note 2.16, the Bank grants the following post-employment benefits to its employees: social security, health and dental assistance, life insurance, and voluntary employment termination benefits.

The accounting for these benefits is in accordance with NBC TG 33 (R1) - Employee Benefits, which requires that an actuarial study be prepared as the basis for recording these obligations. The currently effective actuarial study was prepared on the base date November 30, 2014.

(a) Characteristics of the benefit plans

(i) Social security benefit

BDMG is the sponsor of defined benefit and variable contribution pension plans, which are managed by BDMG Social Security Foundation (DESBAN), a not-for-profit supplementary pension plan entity. The purpose of both plans is to provide participating employees and their beneficiaries with a retirement income in addition to that paid by the Social Security General Regime (RGPS). The defined benefit pension plan, which is closed for new adhesions since November 10, 2011, is based on a capitalization financial regime for the calculation and accrual of its reserves. The variable contribution pension plan, created on January 13, 2011, consists of a defined contribution plan in the savings structuring stage, becoming a defined benefit structure through the guarantee of a lifetime monthly income after concession.

The contribution of the Bank to both plans is limited to the sum of the normal contributions of the participants, taking into account the particularities of each plan, in conformity with the contributive parity determined in Constitutional Amendment 20/1998.

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The number of BDMG participants in the pension plans is as follows:

<u>Plans</u>	<u>2015</u>	<u>2014</u>
Defined benefit (BD) - Active participants	252	260
Retirees	526	519
Variable contribution (CV) - Active participants	75	71

(ii) Health care and dental assistance benefit

DESBAN manages the Pró-Saúde Program (Health Promotion Program (PRÓ-SAÚDE)), which offers coverage for health and dental expenses for active participants and their dependents (Note 2.16), and operates under the capitalization regime. The Bank also provides this benefit to the retirees who enrolled in the plan as active employees up to October 10, 2012.

(iii) Life insurance

BDMG sponsors a voluntary group life insurance plan for active employees and retirees. The Bank's contribution is equivalent to 50% of the premium paid.

(iv) Voluntary employment termination program

Created by the Bank on December 14, 2011, originally effective up to December 31, 2014 and extended to December 31, 2015, this Program has the purpose of benefiting those employees eligible for retirement through the Supplementary Pension Plan of BDMG Social Security Foundation (DESBAN), as well as those employees who are not enrolled in this plan and who, after reaching 70 years of age, will have met the requirements for retirement via Government Social Security.

In addition to receiving the employment contract termination benefits, the Bank guarantees to the employee who enrolls in the Program (i) the participation in the Bank's profit sharing program (PPR), according to the rules in effect at the time of employment termination; (ii) an indemnity as an incentive for employment termination, and (iii) the maintenance of the post-employment benefits.

(b) Actuarial studies

The actuarial liabilities were calculated by an independent actuary using the Projected Unit Credit method, prepared on an annual basis for the November 30 base date. The actuarial study was updated to June 30, 2015.

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(c) Benefit plan commitments of the Bank

Concerning its benefit plan commitments, BDMG made the following contributions both for active employees and beneficiaries during the six-month period:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Pension Benefit Plan - (Defined Benefit - DB)	4,001	3,698
Pension Benefit Plan - (Variable Contribution - VC)	197	166
Health Promotion Program- PRÓ-SAÚDE	2,187	1,956
Group life insurance	423	414
Employment voluntary termination program	<u>1,102</u>	<u>827</u>
	<u>7,910</u>	<u>7,061</u>

(i) Net amount recorded in the balance sheet

At June 30, 2015, the net amounts of the obligations with the defined benefit plans, in accordance with NBC TG 33 (R1), were as follows:

	<u>6/30/2015</u>			
	<u>Social security benefit plan - DB</u>	<u>Health Promotion Program PRO-SAÚDE</u>	<u>Group life insurance</u>	<u>Employment termination program</u>
Defined benefit obligation	(883,153)	(134,375)	(11,076)	(258)
Plan assets	<u>774,578</u>	<u>19,390</u>	<u> </u>	<u> </u>
Net actuarial (liability)	<u>(108,575)</u>	<u>(114,985)</u>	<u>(11,076)</u>	<u>(258)</u>

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(ii) Changes in the present value of the defined benefit obligation

At June 30, 2015, the net amounts of the obligations with the defined benefit plans, in accordance with NBC TG 33 (R1), were a result of the following changes in the six-month period:

	Social security benefit plan -DB	Health Promotion Program PRO-SAÚDE	Group life insurance	Employment termination program
Net (liability) at 12/31/2014	(93,707)	(99,439)	(11,138)	(1,253)
Current service cost	(2,228)	(497)	(45)	(8)
Net interest cost	(5,179)	(5,811)	(643)	
Expected contributions to administrative expenses		(489)		
Contributions - sponsor	3,973	1,614	488	1,102
Remeasurements				
- Return on plan assets, excluding interest	13,535	305		
- Actuarial (gain) / loss - Changes in assumptions (discount rate)	(510)	(105)	(6)	
- Actuarial (gain) / loss - experience adjustments	(24,459)	(10,563)	268	(99)
Net (liability) at 6/30/2015	<u>(108,575)</u>	<u>(114,985)</u>	<u>(11,076)</u>	<u>(258)</u>
	Social security benefit plan - DB	Health Promotion Program PRO-SAÚDE	Group life insurance	Employment termination program
Net (liability) at 12/31/2013	(40,900)	(65,520)	(10,141)	(1,855)
Current service cost	298	(429)	(40)	(15)
Net interest cost	(2,082)	(4,004)	(603)	
Expected contributions to administrative expenses		(539)		
Contributions - sponsor	3,608	1,438	378	827
Net (liability) at 6/30/2014	<u>(39,076)</u>	<u>(69,054)</u>	<u>(10,406)</u>	<u>(1,043)</u>

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(iii) Amounts recorded in the statement of income

The expenses incurred with defined benefit plans in the six-month period are as follows:

	6/30/2015			
	Social security benefit plan -DB	Health Promotion Program PRO-SAÚDE	Group life insurance	Employment termination program
Current service cost	(2,228)	(497)	(45)	(8)
Net interest cost	(5,179)	(5,811)	(643)	
Expected contributions to administrative expenses		(489)		
(Expense) recognized in the statement of income (*)	<u>(7,407)</u>	<u>(6,797)</u>	<u>(688)</u>	<u>(8)</u>

	6/30/2014			
	Social security benefit plan - DB	Health Promotion Program PRO-SAÚDE	Group life insurance	Employment termination program
Current service cost	298	(429)	(40)	(15)
Net interest cost	(2,082)	(4,004)	(603)	
Expected contributions to administrative expenses		(539)		
(Expense) recognized in the statement of income (*)	<u>(1,784)</u>	<u>(4,972)</u>	<u>(643)</u>	<u>(15)</u>

(*) The expenses were accounted for as follows: R\$ 5,080 (2014 - R\$ 1,837) in "Personnel" and R\$ 9,820 (2014 - R\$ 5,577) in "Other operating expenses".

In the first half of 2015, the sponsor's monthly contributions for the Pension Benefit Plan - Variable Contribution amounted to R\$ 197 (2014 - R\$ 166). These contributions are recognized monthly as personnel expenses.

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(iv) Allocation of the fair value of plan assets

The plan assets at June 30, 2015 are allocated into categories of assets as follows:

Asset category	Social security benefit plan - DB	Health Promotion Program PRO-SAÚDE
Government securities	52.804%	77.327%
Private credits and deposits	7.228%	13.436%
Linked investment funds	6.054%	
Shares and share funds	11.159%	
Real estate investments	5.418%	
Borrowings	1.530%	
Multimarket	3.911%	
Private equity funds	4.746%	
Other	7.151%	9.236%

(v) Main assumptions used in the actuarial valuation

The actuarial studies presenting the obligations of BDMG in June 2015 are based on the following assumptions:

Type of plan Actuarial valuation method	Defined benefit Projected Unit Credit
Nominal discount rate for the actuarial liability ⁽¹⁾	11.117%
Expected annual nominal rate of return on investments	11.117%
Estimated future annual inflation	4.66%
Nominal rate of future salary growth	
Technician	9.04%
Analyst	9.04%
Position of trust	9.04%
Annual real growth projection of medical expenses ⁽²⁾	3.50%
Turnover:	
- less than three years of service	7.35%
- from three to five years	0.48%
- over five years	0.48%
General Mortality Table	AT-2000 (Basic table reduced by 10%) - divided by gender
Disability Mortality Table	Álvaro Vindas - reduction of 60%
Disability Mortality Table	Winklevoss - reduction of 50%
Composition of pensioners (families)	Active: Standard family Retiree: Real family

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Type of plan Actuarial valuation method	Defined benefit Projected Unit Credit
Life expectancy used in the definition of the social contribution factor applied in the calculation of retirement benefit (in Brazil known as the "fator previdenciário").	IBGE 2012 Table
Other assumptions	All participants retire in the 1 st eligibility - no salary growth for self-sponsored participants.
Monetary restatement provision	Of salaries: 7.7607% (accumulated variation of the Amplified Consumer Price Index (IPCA) of September 2014 to May 2015) - Base date for the readjustment - September. Of the benefits granted: 8.9721% (accumulated variation of the Amplified Consumer Price Index (IPCA) of May 2014 to May 2015) - Base date for the readjustment - May.

- (1) Except for the Termination Program, the discount rate for which in June 2015 was 0%;
- (2) Applicable only to healthcare assistance.

(vi) Sensitivity of the defined benefit obligation

The changes in the assumptions on which the actuarial studies are based may have effects on the defined benefit obligation.

The following table presents the percentage of the increases in the defined benefit obligation arising from changes in the actuarial assumptions:

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	Changed assumptions					
	Increase of 0.5% p.a. in the discount rate	Decrease of 0.5% p.a. in the discount rate	Reduction of one year in the mortality table	Increase of 1% in the salary growth rate	Increase of 0.01% in the insurance premium rate	Increase of 1% in the medical cost trend rate
Social security benefit plan - DB	-5.1%	5.6%	1.5%	1.1%	N/A	N/A
Health Promotion Program - PRO-SAÚDE	-6.8%	7.7%	3.5%	-	N/A	27.9%
Group life insurance	-4.6%	5.0%	2.0%	-	4.5%	N/A
Employment termination program	N/A	N/A	N/A	-	N/A	N/A

(vii) Projected cash flow

The actuarial liabilities as at June 2015 included the following estimates for the payment of benefits and contributions of the sponsor for the second half of 2015:

	Social security benefit plan - DB	Social security benefit plan - VC	Health Promotion Program PRO-SAÚDE	Group life insurance	Employment termination program
Expected benefit payments	31,976		3,974	443	262
Expected contributions from the employer	4,867	236	1,781	443	262

29 Events after the reporting period

At the Extraordinary General Meeting of Stockholders held on August 26, 2015, the stockholders discussed the retrospective restatement of the financial statements, as commented in Note 3, and approved the allocation of the remaining profit for 2014, which amounted to R\$ 18,462, to a capital increase, as disclosed in the statement of changes in equity at June 30, 2015, classified as special revenue reserve.

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30 Other information

- **Provisional Measure 675 (MP)**

Provisional Measure (MP) 675, of May 21, 2015, increases the social contribution rate to 20%, effective as from September 1, 2015. MP 675 has not yet been converted into Law and is currently waiting for the consideration and approval of the Brazilian National Congress. Because of the number of suggested amendments being made to the project for converting it into Law, which reduce or increase the rate to different levels than originally proposed by the Government, no effects from the increase of the rate on tax credits were recorded at June 30, 2015.

- **Risk rating agencies**

On August 12, 2015, the Bank's rating granted by Moody's changed from Baa3 to Ba1 in the global scale, with stable outlook, which made the Bank lose its investment grade also granted by Moody's. This happened because the risk rating for the State of Minas Gerais was also reclassified to Ba1. The main reason for Moody's downgrading the state governments is the previous downgrading for Brazil from Baa2 to Baa3. BDMG's rating in the local scale remained the same (Aa1.br).

BDMG is also rated by Standard & Poor's rating agency, which granted the Bank with an investment grade and a BBB- rating in the global scale. In the local scale, the rating is brAA+.

* * *

Board of Directors

Helvécio Miranda Magalhães Júnior	Chairman
Marco Aurélio Crocco Afonso	Vice-chairman
Alúcio Eustáquio de Freitas Marques	Member
Ângelo Oswaldo de Araújo Santos	Member
Bernardo Gouthier Macedo	Member
César Cristiano de Lima	Member
João Cruz Reis Filho	Member

Executive Board

Marco Aurélio Crocco Afonso	Chairman
Luiz Guilherme Piva	Vice-chairman
Carlos Fernando da Silveira Vianna	Director
Carolina Marinho do Vale Duarte	Director
Otávio Silva Camargo	Director
Rogério Sobreira Bezerra	Director

Controllership Department

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