

Condensed Interim Financial Statements

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

Three-month period ended March 31, 2023
with Independent Auditor's Report

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

Condensed interim financial statements

March 31, 2023

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

Independent auditor's review report on condensed interim financial statements

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

Introduction

We have reviewed the condensed interim financial statements of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (the "Bank") for the three-month period ended March 31, 2023, which comprise the statement of financial position as at March 31, 2023 and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory information.

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

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements referred to above do not present fairly, in all material respects, the financial position of Banco de Desenvolvimento de Minas Gerais S.A. - BDMG as at March 31, 2023, its financial performance and its cash flows for the three-month period then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Belo Horizonte, May 15, 2023

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


Rogério Xavier Magalhães
Accountant CRC-MG080613/O

A free translation from Portuguese into English of Condensed Interim Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

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

Statement of financial position
March 31, 2023 and December 31, 2022
(In thousands of reais)

	Note	03/31/2023	12/31/2022
Assets			
Current assets		3,327,660	3,539,804
Cash and banks	5	11,014	12,814
Financial instruments	6	3,312,894	3,522,358
Interbank investments	6.1	1,137,762	999,016
Marketable securities	6.2	165,702	211,807
Derivative financial instruments	6.3	13,517	9,291
Onlending	6.4	25,056	17,620
Loans and similar credit transactions	6.4	2,291,600	2,572,820
Other financial assets	6.5	38,656	68,249
Allowances for expected losses associated with credit risk	6.4-c	(359,399)	(356,445)
Other assets		3,752	4,632
Noncurrent assets		4,757,047	4,654,467
Long-term receivables		4,715,453	4,614,306
Financial instruments	6	4,107,497	3,970,745
Interbank investments	6.1	52,761	39,625
Marketable securities	6.2	1,014,471	891,937
Derivative financial instruments	6.3	12,269	22,214
Onlending	6.4	49,131	39,899
Loans and similar credit transactions	6.4	3,236,071	3,226,779
Other financial assets	6.5	141,451	139,615
Allowances for expected losses associated with credit risk	6.4-c	(398,657)	(389,324)
Deferred tax assets	14.b	574,737	609,891
Other assets		33,219	33,670
Property and equipment in use		15,640	15,539
Intangible assets		25,954	24,622
Total assets		8,084,707	8,194,271

	Note	03/31/2023	12/31/2022
Liabilities and equity			
Current liabilities		1,878,772	2,037,693
Financial liabilities	7	1,695,695	1,849,416
Deposits	7.1	184,142	171,157
Funds from acceptance and issue of securities	7.1	647,049	642,777
Borrowings and onlending	7.2	864,504	1,035,482
Provisions	8	27,918	24,436
Other liabilities	9	155,159	163,841
Noncurrent liabilities		3,954,811	3,972,337
Long-term liabilities		3,954,811	3,972,337
Financial liabilities	7	3,188,372	3,146,094
Deposits	7.1	222,261	188,198
Funds from acceptance and issue of securities	7.1	513,527	480,758
Borrowings and onlending	7.2	2,283,130	2,370,926
Derivative financial instruments	6.3	169,454	106,212
Provisions	8	520,819	592,187
Deferred tax obligations		21,602	21,457
Other liabilities	9	224,018	212,599
Equity	10	2,251,124	2,184,241
Capital	10.a	2,218,407	2,218,407
Income reserves		85,315	85,315
Other comprehensive income		(125,195)	(119,481)
Retained earnings	10.b	72,597	-
Total liabilities and equity		8,084,707	8,194,271

See accompanying notes.

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

Statement of profit or loss
 Three-month periods ended March 31, 2023 and 2022
 (In thousands of reais, unless otherwise stated)

		<u>03/31/2023</u>	<u>03/31/2022</u>
Trading income		287,650	501,672
Loan transactions	11.a	230,119	184,710
Gains on marketable securities	11.b (i)	49,977	56,144
Income (loss) from foreign exchange transactions	11.b (i)	7,554	260,818
Trading expenses	11.b (ii)	(160,020)	(379,521)
Loans and onlending		(114,179)	(349,216)
Open market funding		(45,841)	(30,305)
Allowance for loan losses, net of allowance reversal		(798)	(12,076)
Gross trading income		126,832	110,075
Other operating income/expenses		23,161	(40,348)
Service revenues		8,161	8,664
Personnel expenses	11.c	(31,405)	(28,448)
Other administrative expenses	11.c	(14,559)	(10,520)
Tax expenses	11.c	(7,626)	(6,963)
Other operating income/expenses	11.d	68,590	(3,081)
Expenses with provisions	11.c	(13,344)	(13,494)
Operating income (expenses)		136,649	56,233
Nonoperating income (expenses)		14	87
Income before income taxes and profit sharing		136,663	56,320
Income and social contribution taxes	12.a	(17,745)	(17,476)
Deferred tax assets	12.a	(41,094)	(6,543)
Statutory profit sharing		(5,227)	(2,420)
Net income for the quarter		72,597	29,881
Basic earnings per share		0.0009709	0.0004062

See accompanying notes.

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

Statement of comprehensive income
Three-month periods ended March 31, 2023 and 2022
(In thousands of reais, unless otherwise stated)

	<u>03/31/2023</u>	<u>03/31/2022</u>
Net income for the period	72,597	29,881
Items to be subsequently reclassified to profit or loss	(5,714)	(992)
Financial assets available for sale, net of tax effect	(5,714)	(992)
Other comprehensive income	(5,714)	(992)
Comprehensive income for the period	<u>66,883</u>	<u>28,889</u>

See accompanying notes.

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Statement of changes in equity

Three-month periods ended March 31, 2023 and 2022

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

	Capital	Income reserves	Other comprehensive income	Retained earnings	Total
Balance at December 31, 2021	2,111,184	98,089	(128,604)	-	2,080,669
Capital increase	107,223	-	-	-	107,223
Other comprehensive income, net of tax effects	-	-	(992)	-	(992)
Net income for the quarter (Note 10.b)	-	-	-	29,881	29,881
Balance at March 31, 2022	2,218,407	98,089	(129,596)	29,881	2,216,781
Balance at December 31, 2022	2,218,407	85,315	(119,481)	-	2,184,241
Other comprehensive income, net of tax effects	-	-	(5,714)	-	(5,714)
Net income for the quarter (Note 10.b)	-	-	-	72,597	72,597
Balance at March 31, 2023	2,218,407	85,315	(125,195)	72,597	2,251,124

See accompanying notes.

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Statement of cash flows

Three-month periods ended March 31, 2023 and 2022

(In thousands of reais)

	03/31/2023	03/31/2022
Cash flows from operating activities		
Income before taxes and profit sharing	136,663	56,320
Adjustments:		
Depreciation and amortization	2,785	2,163
Set up (reversal) of sundry provisions	(41,150)	26,386
Income (loss) from market value adjustment of derivative instruments and hedged items, net of foreign exchange differences	40,337	44,443
Gains (losses) on financial assets	(31,648)	61,986
Income from monetary restatement of noncurrent loans	-	(18,232)
Other (gains), net	(9,829)	(13,928)
Adjusted income	97,158	159,138
Changes in working capital	106,395	(75,648)
Interbank investments	(18,101)	(142,034)
Interbank accounts	(16,668)	(2,895)
Derivative financial instruments	(23,159)	(15,773)
Loan transactions	265,910	117,139
Other assets	32,109	11,129
Deposits and funding	84,090	51,324
Foreign borrowings	4,212	127,364
Onlending obligations	(210,625)	(208,514)
Other liabilities	(5,103)	(8,261)
Provisions	(6,270)	(5,127)
Cash from operating activities	203,553	83,490
Income and social contribution taxes paid	(11,021)	(33,288)
Net cash from operating activities	192,532	50,202
Cash flows from investing activities		
Acquisition of permanent assets	(4,218)	(1,568)
Measurement of financial assets	(132,278)	(204,053)
Derecognition of financial assets	76,148	111,014
Net cash (used) in investing activities	(60,348)	(94,607)
Increase (decrease) in cash and cash equivalents, net	132,184	(44,405)
Cash and cash equivalents at beginning of year	968,178	1,502,693
Foreign exchange losses on cash	(203)	(7,164)
Cash and cash equivalents at end of quarter	1,100,159	1,451,124

See accompanying notes.

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Notes to the condensed interim financial statements
Three-month periods ended March 31, 2023
(In thousands of reais, unless otherwise stated)

1. Operating Context

Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (hereinafter referred to as “BDMG” or “Bank”) is a privately held corporation run by the state of Minas Gerais, which holds 99.19% of its capital, having been established based on article 13 of the Transitory Provisions Act of the State Constitution, enacted on September 21, 1989, and according to Law No. 10092/1989.

BDMG’s economic activity is conducted in accordance with article 173 of the Brazilian Federal Constitution, and also with the provisions of Law No. 13303/2016 and State Decree No. 47154/2017, which regulates it.

BDMG is engaged in the promotion of the economic, social and environmental development of the State of Minas Gerais by exercising banking activities and the rendering of services related to its institutional purposes.

The Bank is headquartered at Rua da Bahia, 1,600, CEP 30160-907, Belo Horizonte, Minas Gerais, and does not have branches.

Net income for the 1st quarter of 2023 was R\$72,597 (R\$29,881 in the 1Q2022), with emphasis for the reversal of the provision for tax contingencies, net of tax credits and other corresponding adjustments, in the amount of R\$38,387, as per Notes 8b and 10d.

2. Presentation of the condensed interim financial statements

These interim financial statements were prepared in a condensed form and with selected explanatory information.

These condensed interim financial statements are in accordance with the accounting practices adopted in Brazil, which include the accounting guidelines contained in Law No. 6404/1976 and the changes introduced by Laws No. 11638/2007 and No. 11941/2009, together with the rules of the National Monetary Council (CMN) and of the Central Bank of Brazil (BACEN), specially CMN Resolution No. 4818/2020 and BCB Resolution No. 2/2020, and disclose all the applicable significant information related to the individual condensed interim financial statements, which is consistent with the information used by management in the performance of its duties.

In compliance with the rules set out, the balances of each of the groups and subgroups of accounts included in the statement of financial position for the period ended March 31, 2023 are presented in comparison with the balances corresponding to December 31, 2022. For the other statements, the balances refer to the periods ended March 31, 2023 and 2022. **2.**

Presentation of the condensed interim financial statements (Continued)

Management represents that these condensed interim financial statements, in addition to disclose all significant information used in managing the Bank, are based on the accounting practices

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applied in accordance with current standards and evidence that the Bank has the ability to continue as a going concern and that its resources are sufficient for the future continuity of its business.

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

On August 15, 2023, the Bank's Executive Board approved these condensed interim financial statements and authorized their disclosure.

3. Accounting practices

These interim financial statements are condensed and, in addition to providing significant information regarding new events and circumstances that occurred in the first three months ended March 31, 2023, were prepared using the same accounting practices that are presented in the financial statements for 2022.

Therefore, these condensed interim financial statements should be analyzed jointly with the complete financial statements as of December 31, 2022.

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

4. Application of accounting judgments and estimates with significant effects

The preparation of the financial statements requires management to use judgments and estimates that impact the book balances of assets and liabilities presented, due to the subjectivity and/or uncertainties involving certain classes that make up these assets and liabilities held by the Bank.

The estimates considered in the preparation of these condensed interim financial statements did not present changes in relation to the issues listed below, considered in the financial statements prepared for the base dates December 31, 2022 and March 31, 2022.

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Three-month periods ended March 31, 2023
(In thousands of reais, unless otherwise stated)

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

- Impairment of nonfinancial assets;
- Allowances for expected losses associated with credit risk;
- Fair value of derivative financial instruments;
- Deferred tax assets;
- Provision for tax, civil and labor contingencies;
- Obligations with defined post-employment benefits; and
- Provisions for loan commitments and guarantees provided.

5. Cash and cash equivalents

	<u>03/31/2023</u>	<u>12/31/2022</u>
Cash and banks	343	1,718
Cash and banks in foreign currency	10,671	11,096
Interbank investments (i)	1,089,145	955,364
	<u>1,100,159</u>	<u>968,178</u>

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

6. Financial instruments

6.1. Interbank investments

	<u>03/31/2023</u>	<u>12/31/2022</u>
Investments in repurchase agreements with government securities (self-funded position):	1,089,145	955,364
Investments in interbank deposits, net of provision	101,378	83,277
	<u>1,190,523</u>	<u>1,038,641</u>
Current	1,137,762	999,016
Noncurrent	52,761	39,625

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Notes to the condensed interim financial statements
Three-month periods ended March 31, 2023
(In thousands of reais, unless otherwise stated)

6. Financial instruments (Continued)

6.2. Marketable securities

	03/31/2023			12/31/2022		
	Number	Curve value	Market value	Number	Curve value	Market value
Securities available for sale		884,215	861,472		866,607	855,213
Government securities		629,887	630,585	73,650	611,755	611,749
LFT (Unrestricted)	32,654	423,739	423,350	33,055	415,420	414,831
LFT (Contingent on guarantee)	4,196	54,616	54,492	3,795	47,845	47,729
NTN-B (Unrestricted)	36,800	151,532	152,743	36,800	148,490	149,189
Corporate bonds		254,328	230,887	-	254,852	243,464
Investment fund shares	128,678,156	158,444	158,444	128,178,156	158,968	158,968
Floating income securities	4,045,835	95,884	72,443	4,043,845	95,884	84,496
Securities held to maturity		318,701	318,701		248,531	248,531
Corporate bonds	-	-	-	-	248,531	248,531
Debentures	67,144	96,868	96,868	67,144	92,795	92,795
Certificates: Agribusiness Receivables						
Certificates (CRA)	30,157	23,291	23,291	30,157	25,877	25,877
Mortgage-backed securities ("CRI")	55,000	55,721	55,721	--	-	-
Investments in Commodities - CPR	-	142,821	142,821	-	129,859	129,859
	-	1,202,916	1,180,173	-	1,115,138	1,103,744
Current			165,702			211,807
Noncurrent			1,014,471			891,937

Provisions for marketable securities

	03/31/2023	12/31/2022
Securities available for sale		
Provision for floating income securities	(57,028)	(57,028)
Securities held to maturity		
Provision for debenture credit risk	(96,868)	(92,795)
Provision for credit risk - CRI (i)	(16,716)	-
Provision for credit risk - Agricultural Commodities Note (CPR)	(270)	(260)
Total	170,882	(150,083)
Current	(1,457)	(167)
Noncurrent	(169,425)	(149,916)

(i) The Bank acquired CRIs in March 2023 in the process of rescheduling a loan classified as "E" risk in accordance with CMN Resolution No. 2682/1999. Therefore, the amount of the provision had no effect on P&L as the provision for the related loan was reversed.

6.3. Derivative financial instruments

The Bank uses swaps to hedge its assets from own risks arising from exchange differences and interest rate fluctuations of funds raised abroad.

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

6.3. Derivative financial instruments (Continued)

According to BACEN Circular No. 3082/2022, the financial instruments classified as derivatives and the related hedged items have their appreciation or devaluation in relation to the fair value recognized in profit or loss accounts for the period (hedge accounting).

a) Swap amounts recorded

		03/31/2023	03/31/2022
	Amount receivable/ payable (asset/liability account)	Net effect (profit or loss account)	Net effect (profit or loss account)
Notional value (memorandum account)			
(US\$ + Libor + Rate) vs. (BRL + %CDI) (1)	26,510	(2,011)	7,482
(EUR + Euribor + Rate) vs. (BRL + %CDI) (1)	18,428	(1,074)	(840)
(USD + Libor + Rate) vs. (BRL + Rate) (1)	36,430	(1,500)	1,697
(USD + Rate) vs. (BRL + %CDI) (1)	-	-	2,901
(US\$ + Libor + Rate) vs. (BRL + %CDI) (2)	960,944	(60,470)	(9,722)
(EUR + Euribor + Rate) vs. (BRL + %CDI) (2)	109,665	(7,759)	(3,262)
(USD + Rate) vs. (BRL + %CDI) (2)	410,127	(19,307)	-
	1,562,104	(92,121)	(1,744)

(1) Difference receivable

(2) Difference payable

6.4. Credit portfolio

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

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

6.4. Credit portfolio (Continued)

Breakdown of credit portfolio

	03/31/2023			12/31/2022		
	Gross balance	Provision	Net balance	Gross balance	Provision	Net balance
Loan transactions	5,526,271	(586,754)	4,939,517	5,797,279	(595,245)	5,202,034
Credits similar to loans	1,400	(17)	1,383	2,320	(38)	2,282
Onlending	74,187	(403)	73,784	57,519	(403)	57,116
Total	5,601,858	(587,174)	5,014,684	5,857,118	(595,686)	5,261,432
Current	2,316,656	(357,942)	1,958,714	2,590,440	(356,278)	2,234,162
Noncurrent	3,285,202	(229,232)	3,055,970	3,266,678	(239,408)	3,027,270

a) *Classification of the loan portfolio by type and segment of activity*

	03/31/2023	12/31/2022
Loans	1,440,650	1,609,805
Manufacturing	464,650	584,827
Trade	505,155	517,741
Other services	470,845	507,237
Financing to the private sector	3,577,601	3,679,249
Manufacturing	1,176,152	1,134,426
Trade	272,608	280,632
Other services	1,304,558	1,273,140
Agricultural and agro-industrial	821,693	987,461
Financial intermediaries	-	-
Individuals	1,190	1,270
Other	1,400	2,320
Financing to the public sector (direct and indirect municipal administrations)	509,420	510,545
Onlending	74,187	57,519
Subtotal	5,601,858	5,857,118
Allowance for loan losses	(586,754)	(595,245)
Allowance for losses on credits similar to loans	(17)	(38)
Provision for onlending	(403)	(403)
	5,014,684	5,261,432
Current	1,958,714	2,234,162
Noncurrent	3,055,970	3,027,270

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6. Financial instruments (Continued)

6.4. Credit portfolio (Continued)

Breakdown of loan portfolio (Continued)

b) *Classification by risk level and provision*

		Loan transactions			
		03/31/2023		12/31/2022	
		Allowance for expected credit losses based on minimum required percentages		Allowance for expected credit losses	
Risk level:	%	Portfolio		Portfolio	Allowance for expected credit losses
AA	0	2,057,706	-	-	-
A	0.5	878,248	(4,391)	(4,391)	(4,616)
B	1	1,178,842	(11,788)	(11,788)	(12,063)
C	3	692,237	(20,767)	(20,794)	(21,368)
D	10	138,959	(13,896)	(13,896)	(15,778)
E	30	53,046	(15,914)	(15,914)	(37,433)
F	50	6,491	(3,246)	(3,245)	(2,337)
G	70	17,995	(12,597)	(12,596)	(15,831)
H	100	504,147	(504,147)	(504,147)	(485,857)
		5,527,671	(586,746)	(586,771)	(595,283)

		Onlending			
		03/31/2023		12/31/2022	
		Allowance for expected credit losses based on minimum required percentages		Allowance for expected credit losses	
		Onlending		Onlending	Allowance for expected credit losses
AA	0	22,238	-	-	-
A	0.5	23,298	(116)	(116)	(157)
B	1	28,651	(287)	(287)	(246)
		74,187	(403)	(403)	(403)

6.5. Other financial assets

	03/31/2023	12/31/2022
Customers - escrow deposits	137,001	135,378
Taxes and contributions to be offset (a)	28,788	46,616
Other	14,318	25,870
	180,107	207,864
Current	38,656	68,249
Noncurrent	141,451	139,615

(a) The balance of R\$28,788 (R\$46,616 at December 31, 2022) referring to prepaid taxes to be offset includes the amount of R\$28,784 (R\$46,600 at December 31, 2022) of credit recognized by court decision arising from a lawsuit filed by BDMG against the Federal Government on September 12, 1995, seeking to rule out the payment of PIS/PASEP. It is expected to be realized within the next 12 months. Pursuant to the decision handed down by the Regional Court (TRF) - 1st Chapter, BDMG was granted the right to pay PASEP based on Supplementary Law No. 8/70. The final and unappealable decision on this suit was granted on December 3, 2021 according to the Certificate issued by the TRF - 1st Chapter. In May 2022, after the credits were validly reported before the Brazilian IRS, the Bank began to offset this credit.

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7. Financial liabilities

7.1. Deposits and funding

	03/31/2023	12/31/2022
Deposits		
Interbank deposits	23,189	22,695
Time deposits (a)	383,214	336,660
Funding	-	-
Financial bills	307,273	296,310
Agribusiness Credit Bills (LCA)	853,303	827,225
	1,566,979	1,482,890
Current	831,191	813,934
Noncurrent	735,788	668,956

(a) Time deposits includes securities issued for:

- Market funding: R\$174,460
- Guarantees provided for in loan agreements: R\$208,754

7.2. Borrowings and onlending

a) Foreign borrowings

	03/31/2023		12/31/2022	
	Curve	Market	Curve	Market
Institution:				
CAF	502,791	499,887	511,398	515,554
AFD	155,653	166,228	157,104	171,663
BEI	510,689	472,640	527,794	487,818
FONPLATA	156,929	156,066	158,007	159,188
BID INVEST	211,684	210,576	217,346	219,324
		1,505,397		1,553,547
Current		344,513		333,442
Noncurrent		1,160,884		1,220,105

At March 31, 2023, the restrictive conditions (covenants) contained in the funding contracts, as well as those resulting from additional agreements (waivers), are complied with.

b) Domestic onlending

The following onlending refers to obligations arising from resources obtained from funds and domestic official programs to be onlent to finance projects in the state of Minas Gerais.

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7. Financial liabilities (Continued)

7.2. Borrowings and onlending (Continued)

b) Domestic onlending (Continued)

	<u>03/31/2023</u>	<u>12/31/2022</u>
National Development Bank (BNDES)	624,813	658,245
FINAME	627,373	615,642
Funcafé	151,857	329,275
Fungetur	77,262	84,274
FINEP	62,854	67,161
FNDE - SUDENE	73,312	72,043
CEF	13,321	13,416
National treasury	6,702	7,444
BNB	4,743	5,361
	<u>1,642,237</u>	<u>1,852,861</u>
Current	519,991	702,040
Noncurrent	1,122,246	1,150,821

8. Provisions

	<u>03/31/2023</u>	<u>12/31/2022</u>
Actuarial obligations (a)	381,071	375,205
Contingent liabilities: tax, labor and civil (b)	160,508	234,362
Provision for other contingencies	7,158	7,056
Total	<u>548,737</u>	<u>616,623</u>
Current	27,918	24,436
Noncurrent	520,819	592,187

a) Provisions for actuarial obligations

These provisions arise from the following benefits sponsored by the Bank to its active employees and pensioner members:

	<u>03/31/2023</u>	<u>12/31/2022</u>
Actuarial liability related to the Pension Plan - defined benefit (DB) and variable contribution (VC)	241,747	238,186
Actuarial liability related to the Health Promotion Program (PRO-SAÚDE), and healthcare and dental care plan	125,277	123,084
Actuarial liability related to life insurance	14,047	13,935
Total	<u>381,071</u>	<u>375,205</u>
Current	27,014	23,549
Noncurrent	354,057	351,656

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8. Provisions (Continued)

b) Contingent liabilities: tax, labor and civil

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

By December 31, 2022, the Bank, in compliance with Bacen Circular Letter No. 3429/2010, also set up provisions for tax lawsuits in which the constitutionality of the laws that instituted them was discussed in court.

On November 4, 2022, BCB Regulatory Instruction No. 319/2022 was issued, which revoked BACEN Circular Letter No. 3429/2010 as of January 1, 2023. Due to the revocation, in January 2023, the Bank reversed provisions amounting to R\$75,210, referring to tax proceedings assessed as possible risk of loss. No taxes were levied on the reversed amount of provisions. The amount of this reversal net of the tax credit and other corresponding adjustments totals R\$38,387 (Note 10d).

i) *Provisions for contingent liabilities and related changes*

	12/31/2022	Provisions recorded	Restatement	Write-offs	03/31/2023
Tax (a)	208,431	20	1,766	(76,502)	133,715
Labor	18,832	116	-	(823)	18,125
Civil	7,099	-	1,569	-	8,668
Total	234,362	136	3,335	(77,325)	160,508
Current	-				-
Noncurrent	234,362				160,508

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

	2022	Provision	Restatement	2023
Change in COFINS tax base - Law No. 9718/1998	135,733	(75,210)	850	61,373
Change in PIS/PASEP tax base - Law No. 9718/1998	69,588	-	907	70,495
Other contingencies	3,110	(1,272)	9	1,847
	208,431	(76,482)	1,766	133,715

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8. Provisions (Continued)

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

i) *Provisions for contingent liabilities and related changes* (Continued)

a) Changes in provisions for tax contingencies, by proceeding, are as follows: (Continued)

Provisions for tax contingencies refer to liabilities related to taxes for which lawsuits and administrative proceedings are in progress with the Brazilian IRS or the Brazilian Administrative Board of Tax Appeals (CARF), whose likelihood of loss was assessed as probable or which constitute tax obligations.

These provisions are restated on a monthly basis at the SELIC rate and, in the projection of the Bank's P&L, the expected realization of the related tax credits considers the distribution over a 10-year period (Note 12-b).

ii) *The ongoing proceedings assessed as possible loss for which no provision was set up are shown below:*

	03/31/2023		12/31/2022	
	Number	Balance	Number	Balance
Tax (a)	12	182,041	12	108,278
Labor	2	5,255	2	5,255
Civil	38	4,541	38	4,449
	52	191,837	52	117,982

(a) The increase in the balance of tax contingencies assessed as possible risk of loss, for which no provision was recorded, refers to the reversal of a provision in the amount of R\$75,210 due to the revocation of BACEN Circular Letter No. 3429/2010, as mentioned at the beginning of this note.

9. Other liabilities

a) Balance breakdown

	03/31/2023	12/31/2022
Financial and development funds	234,234	222,612
Social and statutory obligations	67,221	67,221
Current tax liabilities	17,711	20,159
Sundry creditors - domestic	32,167	35,741
Accrued payments	25,760	28,397
Other	2,084	2,310
Total	379,177	376,440
Current	155,159	163,841
Noncurrent	224,018	212,599

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10. Equity

a) Capital

The subscribed capital of BDMG comprises 74,775,621,386 (74,775,621,386 at 12/31/2022) common registered shares with no par value, totaling R\$2,218,407 (R\$2,218,407 at 12/31/2022).

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

BDMG's shareholding structure at March 31, 2023:

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

b) Retained earnings

In the first quarter of 2023, net income of R\$72,597 was recorded (R\$29,881 in 1Q2022).

c) Earnings per share

	03/31/2023	03/31/2022
Net income	72,597	29,881
Number of shares (lot of 1000 shares)	74,775,621	74,775,621
Basic earnings per share	0.00097	0.00041

d) Recurring and nonrecurring income

The breakdown of recurring and nonrecurring income for 2023 and 2022 is prepared in accordance with BDMG's internal policy, pursuant to BCB Resolution No. 2/2020:

	03/31/2023	03/31/2022
Recurring income	34,210	29,881
Nonrecurring income ⁽¹⁾	38,387	-
. Reversal of provision for tax contingencies ⁽²⁾	38,387	-
Accounting profit	72,597	29,881

⁽¹⁾ Net income of tax effects and other adjustments, when applicable

⁽²⁾ Reversal of the provision for tax contingency in the gross amount of R\$75,210 (Notes 8b and 11d).

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11. Statement of profit or loss accounts

a) Income from loans

	Quarters ended	
	03/31/2023	03/31/2022
Income from loans and financing	202,333	172,294
Credits recovered	27,786	12,416
	230,119	184,710

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

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

	Quarters ended	
	03/31/2023	03/31/2022
Gains on repurchase agreements	36,102	36,467
Gains on exchange transactions (1)	7,554	260,818
Gains on fixed income securities	10,313	12,009
Other	3,562	7,668
	57,531	316,962

(1) In 2022, the relevant positive result is due to the exchange difference of obligations due to foreign borrowings, arising from the appreciation of the Brazilian currency in the period. From the gains/losses computed as at March 31, 2023, in the amount of R\$260,818, refer to gains from the decrease in the amount payable of borrowings/onlending in foreign currency, and this amount is matched against loss in the derivative instrument stated in Note 11.b.ii.

ii) *Trading expenses*

	Quarters ended	
	03/31/2023	03/31/2022
Foreign borrowing expenses, net of the effect of gains (losses) on derivative transactions - swap (1)	(70,558)	(304,739)
Expenses with domestic onlending	(43,621)	(44,477)
Interbank deposit and repurchase agreement expenses	(12,455)	(20,454)
Funding expenses with agribusiness credit bill and financial bills (2)	(33,386)	(9,851)
	(160,020)	(379,521)

(1) In 2022, due to the appreciation of the Brazilian currency, a foreign exchange gain on foreign borrowings was recorded, and the balance was duly reclassified as provided for in BACEN Circular Letter No. 3731/2015, as shown in Note 11 (b) (i).

(2) The increase in expense derived from the increase in the average funding balance of agribusiness credit bills in addition to funding of financial bills, which did not exist in the first quarter of 2022. The average balance of referred to funding increased from R\$489 million in the first quarter of 2022 to R\$1,150 million in the first quarter of 2023.

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11. Statement of profit or loss accounts (Continued)

c) Personnel expenses, expenses with provisions, administrative expenses, tax expenses and other operating expenses

	Quarters ended	
	03/31/2023	03/31/2022
Personnel expenses	(31,405)	(28,448)
. Salaries, social charges and benefits	(29,366)	(26,346)
. Officer and Board member fees	(1,201)	(1,282)
. Other	(838)	(820)
Expenses with provisions	(13,344)	(13,494)
. Post-employment benefits	(11,515)	(11,145)
. Other	(1,829)	(2,349)
Administrative expenses (i)	(14,559)	(10,520)
Tax expenses	(7,626)	(6,963)
	(66,934)	(59,425)

(i) The increase in Data Processing Expenses stands out, which increased from R\$2,503 in the 1st quarter of 2022 to R\$4,228 in the 1st quarter of 2023 due to the review of technology service contracts in view of market demands and BDMG needs.

d) Other operating income

	Quarters ended	
	03/31/2023	03/31/2022
Other operating income		
. Reversal of sundry provisions (1)	76,799	2,406
. Other	2,597	1,813
Other operating expenses	(10,806)	(7,300)
	68,590	(3,081)

(1) As described in Note 8 (b), in November 2022, BCB Regulatory Instruction No. 319/2022 was issued, which revoked BACEN Circular Letter No. 3429/2010 as of January 1, 2023. Due to the revocation, in January 2023, the Bank reversed provisions amounting to R\$75,210, referring to tax proceedings assessed as possible risk of loss.

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12. Income and social contribution taxes

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

	Quarters ended	
	03/31/2023	03/31/2022
Income before IRPJ, CSLL and profit sharing	136,663	56,320
Profit sharing	(5,227)	(2,420)
Income before income and social contribution taxes	131,436	53,900
Current rates	45%	45%
Income and social contribution taxes at current rates	(59,146)	(24,255)
Effects on tax calculation:		
Non deductible expenses and nontaxable income	5	126
Tax incentives	274	104
Other amounts (1)	28	6
Income and social contribution tax expenses	(58,839)	(24,019)
Deferred tax assets	(41,094)	(6,543)
Current income and social contribution taxes payable	(17,745)	(17,476)

b) Tax credits

BDMG tax credit on temporary differences and on income and social contribution tax losses amounts to R\$574,737 (R\$609,891 at December 31, 2022). It is recorded in accordance with CMN Resolution No. 4842/2020 and considers expected realization within 10 years, due to the positive tax results in the income projection.

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13. Transactions with related parties

Pursuant to CMN Resolution No. 4818/2020, the Bank's internal regulations, Law No. 13303/2016, and State Decree No. 47154/2017 regarding this issue, BDMG carried out the following transactions with related parties, with accounting effects in the first quarter of 2023:

Legal entities	Transaction base	Effects
	<u>Contracts entered into with Minas Gerais state through the managing agencies of state funds</u>	<u>Financing</u>
	Rendering of services as a financial agent/representative of state funds upon receipt of a commission included in the finance charges of financing taken out with resources from the funds.	Balance at 03/31/2023 - R\$607,420 Balance at 12/31/2022 - R\$614,652
		<u>Revenues allocated in the quarter ended:</u>
		03/31/2023 - R\$1,333 03/31/2022 - R\$1,474
	<u>Contracts entered into with SEDE - Minas Gerais State Department of Economic Development</u>	
	Advisory and technical assistance services for corporate restructuring, aiming at the future privatization of Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG. Contract amicably terminated in November 2022.	Amount received in March 2023 due to contract termination R\$263
	The contracts for the preparation of the asset divestment system and monitoring of the execution of CODEMGE's specific asset divestment alternatives and Structuring of the Real Estate Investment Fund - FII were terminated in February 2023 and April 2023, respectively.	
Minas Gerais state	<u>Contract executed through SEINFRA - Minas Gerais Infrastructure and Mobility State Office</u>	Revenues allocated in the quarter ended:
	Rendering of structuring service for the concession project for the road lot Ouro Preto - Brumadinho Contract execution: April 2020 Remuneration according to the success or failure of the project that is the subject matter of the service rendering, with the amounts annually restated by reference to the IPCA. Success: R\$5,665 and Failure: R\$3,600 Deadline as from the agreement effectiveness date: 36 months, and may be extended until completion of the subject matter.	03/31/2023: R\$0 03/31/2022: R\$0
	<u>Contract executed through SEMAD - State Office for the Environment and Sustainable Development</u>	Revenues allocated in the quarter ended:
	Rendering of specialized technical modeling services aimed at structuring concession projects for the rendering of collection, transportation, treatment and final disposal of urban solid waste services. Contract execution: July 2022 Deadline as from the agreement effectiveness date: 21 months, and may be extended until completion of the subject matter. Total remuneration: R\$6,888 (annual readjustment of the outstanding balance, by the IPCA)	03/31/2023: R\$0 03/31/2022: R\$0

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13. Transactions with related parties (Continued)

Legal entities	Transaction base	Effects
State Department of Planning and Management (SEPLAG)	<p><u>Assignment of government employees</u></p> <p>The Bank is responsible for the costs of government employees assigned to it by SEPLAG: (2023 - three government employees; 2022 - two government employees).</p>	<p>Expenses allocated in the quarter ended:</p> <p>03/31/2023 - R\$169 03/31/2022 - R\$178</p>
INVEST Minas (a nonprofit private legal entity linked to the Minas Gerais State Department of Economic Development (SEDE))	<p><u>Equity interest</u></p> <p>As established by state Law No. 22287 of September 14, 2016, the Bank holds 50% of the units of interest of Invest Minas (formerly Institute of Integrated Development of Minas Gerais - INDI), a nonprofit entity, and is responsible for 50% of the company's expenses recorded annually, through contributions of resources.</p>	<p>Contributions made in the quarter ended:</p> <p>03/31/2023 - R\$1,594 03/31/2022 - R\$1,706</p>
Instituto Cultural Banco de Desenvolvimento de Minas Gerais - BDMG Cultural (nonprofit civil association).	<p><u>Disbursements</u></p> <p>The Bank incurs expenses through contributions so that the Institute can carry out its cultural activities.</p> <p><u>Assignment of employees</u></p> <p>The Bank maintains, at its own cost, five employees assigned to the Institute.</p>	<p>Expenses allocated in the quarter ended:</p> <p>03/31/2023 - R\$413 03/31/2022 - R\$1,116</p>
DESBAN - BDMG Social Security Foundation (a nonprofit privately-held supplementary pension plan entity).	<p><u>Disbursements</u></p> <p>To meet the pension and health benefits of its employees, the Bank makes disbursements to DESBAN, which is responsible for the management of these benefits. The breakdown of disbursements and expenses with Post-Employment Benefits can be found in Note 15.</p> <p><u>Assignment of employee</u></p> <p>BDMG has an employee assigned to DESBAN which is responsible for the charges of this assignment.</p>	<p>Expenses allocated in the quarter</p> <ul style="list-style-type: none"> • with post-employment benefit <p>03/31/2023 - R\$10,929 03/31/2022 - R\$10,599</p> <p>with active employees without Post-employment and Defined Contribution portion, VC plan</p> <p>03/31/2023 - R\$826 03/31/2022 - R\$ 758</p>
AFBDMG - BDMG Employee's Association (nonprofit association)	<p><u>Contribution</u></p> <p>The Bank contributes with part of the Group Life Insurance for employees, which is managed by AFBDMG. The breakdown of this contribution expense can be found in Note 15.</p>	<p>Expenses allocated in the quarter ended:</p> <p>03/31/2023 - R\$ 392 03/31/2022 - R\$ 382</p>

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13. Transactions with related parties (Continued)

Legal entities	Transaction base	Effects
Biommm S.A.: publicly-traded company incorporated on 10/03/2001	<p><u>Equity interest</u></p> <p>The Bank holds 4.97% equity interest in Biommm's capital. This equity interest was acquired in September 2018, when the Bank, upon merging its wholly-owned subsidiary BDMGTEC, extinguished at that time, assumed the shares that the subsidiary held in Biommm.</p> <p>Under the terms of CMN Resolution No. 4636/2018, Biommm is constituted as a related party, since it has on its Board of Directors a member of the BDMG's executive board.</p> <p><u>Financing</u></p> <p>The Bank has financing that was granted to the company before becoming its shareholder.</p>	<p>Balance of financing at:</p> <p>03/31/2023 - R\$19,133 12/31/2022 - R\$20,130</p>
Individuals	<p><u>Participants</u></p> <p>The members of the Board of Directors, of the Supervisory Board, Audit Committee and of the Executive Board.</p>	<p>Compensations, social charges and benefits paid in the quarter:</p> <p>03/31/2023 - R\$1,553 03/31/2022 - R\$1,736</p>

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14. Risk and capital management

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

a) Capital management

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

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

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

	<u>03/31/2023</u>	<u>12/31/2022</u>
Equity	2,251,124	2,184,241
Capital requirement (Tier I) or Core capital (a)	2,160,595	2,063,951
Capital for operations with the public sector (b)	200,000	200,000
Capital requirement (a-b)	1,960,595	1,863,951
Total risk weighted assets (RWA)	6,623,833	6,764,486
Credit risk (RWAcpad)	5,739,255	5,866,379
Market risk (RWAmcpad)	143,215	198,154
Operational risk (RWAopad)	741,363	699,953
Portion of capital for coverage of interest rate risk of non-negotiable portfolio (RWA Rban)	58,988	71,957
Minimum capital requirement	721,371	748,406
Basel ratio (Capital Requirement/RWA)	29.60%	27.55%
Extended Basel ratio (Core Capital/(RWA + RBAN))	29.34%	27.26%

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14. Risk and capital management (Continued)

b) Risk management

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

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

15. Employee benefits

BDMG grants its employees the following post-employment benefits: private pension plan benefits, health and dental care, life insurance and benefits related to the Voluntary Resignation Program, when this program is implemented.

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

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15. Employee benefits (Continued)

a) Bank commitments on benefit plans

i) *Changes in net actuarial liabilities*

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

	Pension plan benefits - DB		Pension plan benefits - VC		Health Promotion Program - PRÓ-SAÚDE		Group life insurance	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Reconciliation								
(liabilities)/assets recognized								
Opening (liabilities), net	(276,307)	(364,264)	-	-	(123,084)	(120,812)	(13,935)	(14,809)
Participant's portion in surplus (-) / deficit (+)	38,121	117,117	-	-	-	-	-	-
Opening (liabilities), net (1)	(238,186)	(247,147)	-	-	(123,084)	(120,812)	(13,935)	(14,809)
(Expenses)/income recognized in profit or loss for the period	(7,113)	(33,400)	1	(24)	(3,817)	(15,910)	(392)	(1,725)
Gains/(losses) recognized in equity	-	27,767		(51)	-	7,433		1,517
Employer's contributions	3,360	13,837	18	75	1,624	6,205	280	1,082
Benefits paid directly by the company	173	757		-	-	-	-	-
Closing (liabilities), net (1)	(241,766)	(238,186)	19		(125,277)	(123,084)	(14,047)	(13,935)

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

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15. Employee benefits (Continued)

a) Bank commitments on benefit plans (Continued)

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

Amounts recognized in P&L

Expenses with benefit plans are detailed below:

	Quarter ended 03/31/2023				
	Pension Plan Benefits - DB	Pension Plan Benefits - VC	Health Promotion Program PRO-SAÚDE	Group life insurance	Total
Current service cost	(458)	1	-	-	(457)
Cost of interest, net	(6,655)	-	(3,495)	(392)	(10,542)
Expected contributions for administrative expenses	-	-	(322)	-	(322)
(Expenses) income recognized in the statement of profit or loss (1)	(7,113)	1	(3,817)	(392)	(11,321)
	Quarter ended 03/31/2022				
	Pension plan benefits - DB	Pension plan benefits - VC	Health Promotion Program PRO-SAÚDE	Group life insurance	Total
Current service cost	(818)	(9)	-	-	(827)
Cost of interest, net	(6,337)	1	(3,143)	(382)	(9,861)
Expected contributions for administrative expenses	-	-	(293)	-	(293)
(Expenses) income recognized in the statement of profit or loss (1)	(7,155)	(8)	(3,436)	(382)	(10,981)

(1) Expenses accounted for in the quarter were segregated as follows: R\$1,609 (R\$1,934 at March 31, 2022) referring to benefits to be granted (active employees) and R\$9,712 (R\$9,047 at March 31, 2022) referring to benefits granted (pensioner members). For the VC Pension Plan, the contributions related to the defined contribution portion (DC), recorded in expenses, amounted to R\$202 (R\$173 at 03/31/2022).

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

Notes to the condensed interim financial statements (Continued)

Three-month periods ended March 31, 2023

(In thousands of reais, unless otherwise state)

16. Events after the reporting period

On April 25, 2023, the Annual and Special General Meetings were held, which, among other matters, approved the financial statements for December 31, 2022 as well as the allocation of residual net income for 2022 in the amount of R\$67,419 to credit to shareholders through dividends combined with Interest on Equity, in the amounts of R\$54,402 and R\$13,017, respectively.

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

Notes to the condensed interim financial statements (Continued)

Three-month periods ended March 31, 2023

(In thousands of reais, unless otherwise state)

Executive Board

Gabriel Viégas Neto

Chief Executive Officer

Antônio Claret de Oliveira Junior

Deputy CEO

Edmilson Gama da Silva

Officer

Marcela Amorim Brant

Officer

Rômulo Martins de Freitas

Officer

Controllership Supervisory Board

Giovani Rosemberg Ferreira Gomes

Accountant CRC-MG-075701/O-5