FINANCIAL STATEMENTS

BNB and FNE

In R$ thousand

Position:06.30.2020

CEO'S STATEMENT

In the first half of 2020, Banco do Nordeste invested R$ 18.35 billion in the economy of its area of operation, which comprises the Northeast region, the north of Minas Gerais and the north of Espírito Santo. Transactions of more than 2.4 million benefited projects of all segments and sizes.

We closed the first half with accumulated net income of R$ 332.5 million. When considering recurring net income, an increase of R$ 54.2 million is observed in relation to the same prior year period (R$ 538.7 million in June/2020 against R$ 484.6 million in June/2019).

We should emphasize that this year's investments were made under challenging conditions for economies worldwide, impacted by the serious health crisis resulting from the Covid-19 pandemic, infection caused by the new Sars-CoV-2 coronavirus. Given this scenario, analyses by the Technical Office for Economic Studies of the Northeast (Etene) point out, for the Northeastern economy, considerable effects resulting from the social distancing and isolation measures necessary to contain the spread of the disease, which impacted the Northeast most strongly as from March, and determined stoppages of productive systems and temporary and permanent closings of projects in various sectors.

Under these conditions, the funds of Fundo Constitucional de Financiamento do Nordeste (FNE), administered by Banco do Nordeste, were critical. The credits directed for promotion of production of projects of all segments and sizes, in urban and rural areas, especially in the Semiarid Region, played a decisive role in minimizing the effects of the crisis, contributing to maintenance of jobs, increase in income and social and financial inclusion.

Guided by the FNE's Annual Programming, Banco do Nordeste contracted the amount of R$ 12.51 billion in 1H20, with resources from the Fund. Of this amount, R$ 9.64 billion were allocated to the Rural (Agriculture, Livestock), Agroindustrial, Industrial, Trade and Services, Tourism sectors, while R$ 2.81 billion were invested in Infrastructure projects.

The economic impact resulting from the pandemic affected the demand for infrastructure investments, which led to 6.8% decrease in the overall volume of FNE resources invested in 1H20, compared to the amount invested in the same prior year period. However, for the other segments, Banco do Nordeste advanced, increasing the volume of financing signed in 1H20 by 26.3%, when compared to the same prior year period.

The Trade and Services and Tourism sectors are among the most affected by the changes in consumer behavior determined by the social distancing rules implemented to face the pandemic. Aware of its role in fostering the regional economy, BNB strengthened investments in these sectors, expanding investments by 41.7% for the Trade and Services sector and by 61.4% for the Tourism sector in relation to the same period of 2019.

In this context, Banco do Nordeste sought to support those who have less conditions to face instability. For this reason, micro and small companies were even more the focus of the work in the first half. A total of 18,111 micro and small companies were assisted through 24,214 loans, totaling investment of R$2.23 billion in financing with internal and FNE resources. The amount shows growth of 28% against the same prior year period, with a rise of 29.5% in the number of customers served. The micro and small companies that operate in Trade were the ones requiring the largest loans, contracting R$1.19 billion, that is, half of the total volume intended to companies of this size.

In order to preserve or recover productive activities in municipalities in an emergency situation or a state of public calamity recognized by the Federal Executive Branch as a result of the Covid-19 pandemic, the new FNE Emergency credit line was established in April of this year. Until June, the new financing possibility had already granted R$788.9 million, through 10,377 transactions contracted. Among individual microentrepreneurs (MEIs),

cooperatives and companies that benefited from special terms and grace periods and an interest rate of 2.5% p.a., micro and small companies stood out once again, absorbing 86.4% of the total amount financed.

With Crediamigo, Banco do Nordeste maintained its leadership as manager of the largest urban-oriented productive microcredit program in South America. During this period of economic downturn, the program offered support to millions of formal and informal entrepreneurs whose sales or demand for services had been affected. For such, in the first half, more than 2 million transactions were signed, increasing the volume of funds invested by 3.87% compared to the first half of 2019 and exceeding, in the first six months of 2020, the figure of R$ 4.95 billion contracted.

In the rural area, Banco do Nordeste has been working with dispersed loans, taking the benefits of financial stimulus to thousands of families. With only 8.3% of the banking network installed in its area of operation, the Institution remains the market leader by investing 55.1% of the rural credit offered in the territory. In addition to the lines of credit, BNB also provides technical advice, offered through partner institutions, and fosters the production of innovative solutions that favor productivity in the field.

This is how Banco do Nordeste released 3,949 loans to individual rural producers in 1H20, through which R$ 1.64 billion was invested, 33% higher than the amount contracted in the same period of 2019. Of the total transactions in this segment, 92% were signed with mini and small rural producers, who contracted 51% of the total amount invested in 2020. Only in FNE resources directed to this segment, R$ 836.7 million were used, which is 27% more than the amounts contracted in the same period last year.

With family farmers, through the Brazil's National Family Farming Strengthening Program (Pronaf), Banco do Nordeste carried out 251,400 financing transactions in the first half of the year, totaling investment of R$ 1.49 billion. Of this volume, 76.6% reached producers in the Semiarid region, which is the most impacted area due to its natural and socioeconomic conditions. When comparing the total amount invested through Pronaf in the region in the first six months of 2019, there is an increase of 12.17% in investments and 10.56% in the number of transactions signed this year.

Still regarding the small rural producer, but using the already recognized microcredit oriented methodology, the Agroamigo program invested, in six months, R$ 1.24 billion, through 242.9 thousand operations. In terms of volume of resources, there was a 12.2% increase in relation to 1H19. Of the total amount invested, 76.7% of the resources were intended to the Semiarid region.

Banco do Nordeste responded in a timely manner to the 1H20 challenges. Sanitary protocols have been established to make our 292 branches, 481 urban microcredit units and 215 rural microcredit units safe spaces for our teams and customers. Our processes have been adjusted to intensify business through digital means. Special conditions were offered to new hires and financing agreements were renegotiated supported by legal provisions. Hundreds of employees were placed on telework, ensuring the productivity necessary to achieve the results presented. With this, we maintained the confidence of the entrepreneurs in this area that serves as support to face challenges and build an even stronger Northeast.

Romildo Carneiro Rolim
Chief Executive Officer

1. Highlights

The highlights of Banco do Nordeste's performance relating to results, products launched, partnerships and awards/acknowledgements received in the first half of 2020 are presented as follows:

Results

- ✓ Banco do Nordeste closes the first half with investments of R$ 18.35 billion
- ✓ Banco do Nordeste contracts R$ 50 million in solar energy projects for individuals
- ✓ FNE Emergencial reaches investments of R$ 788.9 million

Products

- ✓ Banco do Nordeste facilitates conditions for settlement of debts in Crediamigo
- ✓ Banco do Nordeste offers emergency renegotiations for the agribusiness industry
- ✓ BNB provides working capital at monthly interest of 0.35% to micro and small companies
- ✓ Banco do Nordeste extends payment terms of Crediamigo installments
- ✓ To minimize the effects of Covid-19, BNB extends financing agreements and announces new loans
- ✓ Latin America's first credit line for startups marks the inauguration of BNB's innovation hub in Porto Digital
- ✓ Banco do Nordeste signs the first FNE Startup line agreement
- ✓ Federal Government launches the emergency loan to be operated by BNB in the Northeast
- ✓ BNB's investment funds reduce administration fees

Partnerships

- ✓ Banco do Nordeste and Codevasf sign cooperation agreement in Petrolina
- ✓ Partnership between BNB and Sebrae grants credit to micro and small companies of the state of Alagoas
- ✓ Banco do Nordeste and the Brazilian Cooperative Organization (OCB) sign technical cooperation agreement
- ✓ Banco do Nordeste inaugurates the Porto Digital Innovation Hub, in Recife
- ✓ Banco do Nordeste and Dnocs strengthen the partnership
- ✓ Banco do Nordeste and Icatu Seguros announce partnership for distribution of insurance
- ✓ Banco do Nordeste, Sebrae and Findes make presentation on credit for the north of Espírito Santo

Awards/Recognitions

- ✓ Banco do Nordeste is the top performer amongst Brazilian banks, according to a english specialist magazine

- ✓ Banco do Nordeste is recognized by Febraban with bank self-regulation stamps
- ✓ BNB's Scholarship Program receives award from CIEE
- ✓ Banco do Nordeste is top in the Ombudsman Quality Ranking of the Central Bank of Brazil in 2Q20
- ✓ Recognition by the Central Bank of Brazil for outstanding performance of the Internal Audit and the Audit Committee

2. BUSINESS MODEL

The objective of Banco do Nordeste's activities is to contribute to the transformation of the Region and its effective participation in the national socioeconomic scenario, prioritizing the Semiarid region (area of great economic need), expanding opportunities, strengthening productive agents, generating jobs, improving the income of families, and promoting social and financial inclusion.

The value proposal of the Bank's business model for its customers is to offer loan products and services to foster the development of the municipalities encompassed by the Bank's area of operation, with a view to producing results that guarantee its sustainability and meet the interests of society.

Customers served are classified into three categories:

i. ..... Producer: this category includes Corporate, Business, Micro and Small Companies (MPE), Agribusiness - Individuals, Rural Small and Mini Producer, Family Farming, Urban Micro Entrepreneur and Rural Micro Entrepreneur segments;

ii. ..... Consumer: this includes Individuals and Representative Entities segments;

iii. ..... Structurer: Government segment.

Through in-person and digital service channels, customers have access to the following products and services:

a) ..... Loans: Working capital, Long-term Loans, Discounts of Notes, Working Capital – Inputs, Direct Credit to Consumer (CDC), Overdraft Facilities, FNE Sol, MPE – Innovation, Insurance, among others;

b) ..... Rural and urban oriented production microcredit: Crediamigo and Agroamigo programs;

c) ..... Northeast Investment Fund (Finor);

d) ..... Northeast Development Fund (FDNE);

e) ..... Reinvestment in projects to modernize or complement equipment for companies operating in the area of the Northeast Development Supervisory Office (Sudene);

f) ..... Investments: Bank Deposit Certificates (CDB), Bank Deposit Receipts (RDB), Investment Funds and Savings Accounts;

g) ..... Foreign Exchange and Foreign Trade;

By offering customers an agile and selective development policy, the Bank contributes decisively to overcoming the challenges and building a standard of living compatible with the resources, potentialities and opportunities of the Northeast region.

To support the value proposition of the Bank's business model, actions prior and subsequent to the loan grant that contribute to higher effectiveness of the funds invested, either due to the capillarity provided to the Bank, allowing more proximity with the customer and knowledge of the customer's business, or for enabling the identification of partners for implementing joint initiatives such as in research, technical assistance and trade support areas.

In order to optimize the service provided to its customers, Banco do Nordeste uses key resources, by means of partnerships, among which we stress:

a) ..... FNE funds, which are annually programmed by Sudene Decision-making Board;

b) ..... Funds from the Brazilian Development Bank (BNDES), which are transferred by Banco do Nordeste;

c) ..... Service network shared with Caixa Econômica Federal, thus increasing Banco do Nordeste's capacity to 5,000 ATM points in the Northeast;

d) ..... An ATM network contracted from bank technology companies for bank agent services;

e) ..... Partnership with Visa Inc. to offer electronic payment services to micro entrepreneurs;

f) ..... Partnership with Instituto Nordeste de Cidadania (Inec) for operation of the rural microfinance and urban microcredit programs.

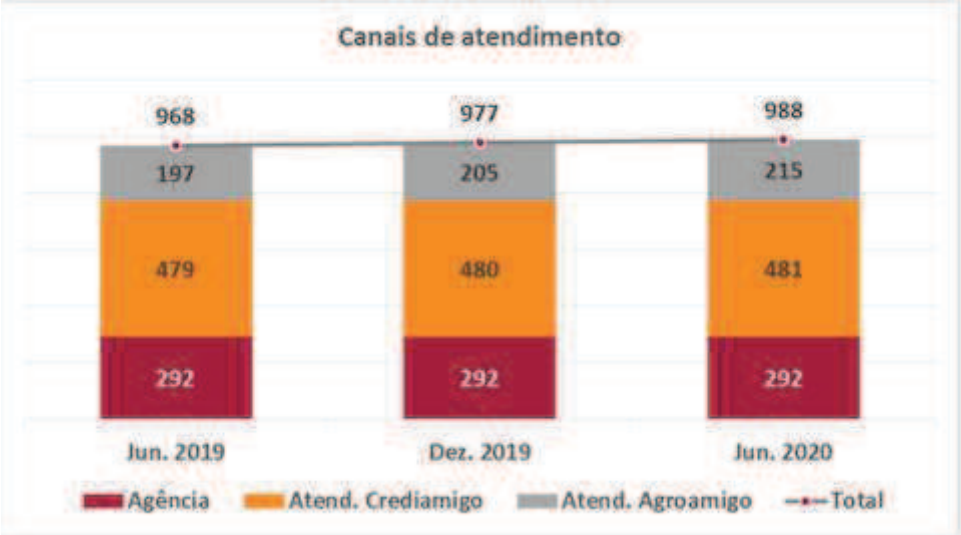
Among the actions and instruments created by the Bank to more effectively promote the Region's development, we stress Development Agents, Roving Branches, Territory Development Policies, Crediamigo and Agroamigo.

In 2009, the customer management methodology was adopted as the Bank's business model. This methodology contains the definition and structure of the segments, and observes grouping of characteristics, value proposals, relationship cycle and classification of groups of products.

This model renders the loan granting process more agile, diversifies and increases the scale of loans and financing, integrating the relationship in a variety of businesses to the perception of value added of the Bank's actions, besides developing products and services specifically for customers' needs.

In order to achieve a better geographic coverage and detect opportunities to boost its business, the Bank systematically conducts market sizing studies. Banco do Nordeste ended the first half of 2020 with 292 branches, 481 urban microcredit units, and 215 rural microcredit units, totaling 988 physical service points, corresponding to an increase of 1.1% compared to the first half of the previous year (Figure 1).

Figure 1 – Banco do Nordeste's in-person service channels



Source: Banco do Nordeste – Marketing Environment

3. BUSINESS STRATEGY

3.1 Business Planning

Banco do Nordeste's key strategy, which is directly linked to its institutional mission, is to operate as the development bank of the Northeast region, northern Minas Gerais (including Vale do Mucuri and Vale do Jequitinhonha) and northern Espírito Santo. Guided by this strategic objective, Banco do Nordeste devises its planning based on analysis of scenarios and trends, reflection of the results achieved, and mapping of risks and opportunities for strategies.

Banco do Nordeste's Business Planning includes strategic planning and tactical and operational plans, translated into the Action and Project Management Programs, through which the strategic alignment is carried out in the Institution, directing resources and efforts in the management and optimization of results. Indicators and targets are defined at all levels of planning, and are systematically monitored and evaluated, always seeking the best results.

Strategy definitions that provide a basis for the actions carried out by Banco do Nordeste are as follows:

Mission: To operate as the Development Bank for the Brazilian Northeast Region.

Vision: Be the preferred Bank in Northeastern Brazil, recognized for its ability to promote the welfare of families and the competitiveness of companies in the Region.

Principles: Meritocracy, Focus on Customers and Results, Innovation and Integrity.

Values: Justice, Governance, Honesty, Sustainability, Equality, Democracy, Commitment, Respect, Cooperation, Trust, Discipline, Civility, and Transparency.

Strategic mapping: Graphic representation of the Business Planning model.

Banco do Nordeste's actions are guided by five Strategic Guidelines:

- Improve FNE continuously;
- Advance in microcredit leadership;

- Be the Bank of micro, small and medium-sized companies;
- Innovate processes, products and services;
- Value human competencies.

3.2 Macroeconomic Scenario

International Economy

The new Corona virus pandemic is contributing to a worldwide recession similar to that of the Great Depression of 1929. The crisis will most severely affect countries in which the Covid-19 pandemic is most critical and where there is a strong dependence on international trade. It will be the first time since 1929 that advanced, emerging and developing countries will face economic recessions in a synchronized way.

Thus, the World Bank estimates a 6.2% reduction in world per capita income in 2020, with more than 90% of countries experiencing falls in their respective per capita incomes, rising unemployment and poverty, and intensification of economic and social inequalities.

The global economy is expected to drop 5.2% in 2020, significantly surpassing the financial crisis of 2009, when the world Gross Domestic Product (GDP) declined 0.1%. A contraction of 7.0% is projected for 2020 in advanced economies and a fall of 2.5% in developing countries, according to the World Bank. Table 1 shows the performance of GDP in recent years for a selected group of countries.

GDP in Latin America and the Caribbean will decrease by 7.2% in 2020, and this Region is expected to be severely impacted by Covid-19. The health crisis is being transmitted to the Region through five channels: reduction in international trade; drop in prices of primary products; intensification of risk aversion, with worsening global financial conditions; lower demand for tourist services; and decrease in remittances.

The pandemic led to total or partial suspension of productive activities. In this sense, three groups of sectors are identified according to the magnitude of the effects of the crisis: strong, significant and moderate. The sectors that have been affected the most are wholesale and retail; social and leisure activities; hotels and restaurants; real estate, commercial and rental activities; and manufacturing.

The sectors that have been significantly affected are mining; electricity, gas and water; construction and building materials; business services; financial activities; beverages; wood and furniture; chemical industry, electronics, machinery and equipment. The sectors that have been moderately affected are agriculture, livestock and fishing; food production; medical supplies and equipment; medication; telecommunications; and packaging, according to the Economic Commission for Latin America and the Caribbean (ECLAC).

ECLAC also estimates that more than a third of formal employment and a quarter of the GDP in Latin America and the Caribbean are generated in sectors affected by the economic crisis. In addition, less than a fifth of employment and GDP are generated in sectors that are being moderately affected.

In this sense, ECLAC emphasizes that the production chains would undergo a critical reorganization. Large companies will seek to increase the resilience of production networks, diversifying suppliers in terms of countries and companies to reduce their vulnerability, giving preference to closer suppliers and reallocating strategic production and technology processes. Likewise, the collapse of international supplier networks creates opportunities for the development of national and regional capacities.

In turn, the impact will be greater in the case of small and medium-sized companies. ECLAC estimates that more than 2.7 million formal companies in the Region - 2.6 million of which are micro-enterprises - will discontinue activities with a loss of 8.5 million jobs, not including the reductions in workers made in companies that will continue to operate.

Specifically in Brazil, the percentage of employed persons in working age group reached 49.5% in the quarter ended May, a decrease of five percentage points in relation to the quarter up to February. This is the lowest level of occupation since the beginning of the Continuous National Household Sample Survey (Continuous PNAD), in 2012, according to the Brazilian Institute of Geography and Statistics (IBGE).

For the first time in the historical survey series, the level of occupation was below 50%. This means that less than half of the working age population is employed. The unemployment rate rose from 11.6%, in the quarter until February, to 12.9% in the quarter ended May, reaching 12.7 million unemployed individuals.

Furthermore, a survey carried out by Sebrae/FGV in May, with about 10,000 small companies spread throughout Brazil, revealed that 49% of businesses interrupted activities or discontinued operations, while 51% remained in operation.

Table 1 – GDP variation (%) – Selected countries – 2018 to 2021[1]

País	2018	2019	2020 [1]	2021 [1]	País	2018	2019	2020 [1]	2021 [1]
Egito	5,3	5,6	2,0	2,0	Irã	-5,4	-7,6	-6,0	3,1
China	6,7	6,1	1,0	8,2	Rússia	2,5	1,3	-6,6	4,1
Indonésia	5,2	5,0	-0,3	6,1	Arábia Saudita	2,4	0,3	-6,8	3,1
Paquistão	5,5	1,9	-0,4	1,0	Argentina	-2,5	-2,2	-7,3	2,1
Coréia do Sul	2,9	2,0	-2,1	3,0	México	2,2	-0,3	-7,5	3,0
Cazaquistão	4,1	4,5	-2,7	3,0	Países Baixos	2,6	1,8	-7,7	5,0
Filipinas	6,3	6,0	-3,6	6,8	Tailândia	4,2	2,4	-7,7	5,0
Malásia	4,7	4,3	-3,8	6,3	Alemanha	1,5	0,6	-7,8	5,4
Chile	3,9	1,1	-4,3	3,1	África do Sul	0,8	0,2	-8,0	3,5
Austrália	2,8	1,8	-4,5	4,0	**Brasil**	**1,3**	**1,1**	**-8,0**	**2,2**
Índia	6,1	4,2	-4,5	6,0	Estados Unidos	2,9	2,3	-8,0	4,5
Polônia	5,3	4,1	-4,6	4,2	Canadá	2,0	1,7	-8,4	4,9
Colômbia	2,5	3,3	-4,9	3,6	Reino Unido	1,3	1,4	-10,2	6,3
Turquia	2,8	0,9	-5,0	5,0	França	1,8	1,5	-12,5	7,3
Nigéria	1,9	2,2	-5,4	2,6	Espanha	2,4	2,0	-12,8	6,3
Japão	0,3	0,7	-5,8	2,4	Itália	0,8	0,3	-12,8	6,3

Source: Prepared by BNB/Etene, with data from the World Bank and International Monetary Fund (IMF).
Note: (1) Projections.

Brazil and Regions

Given the pandemic scenario, with an unprecedented economic shock since the crisis of 1929, Covid-19 is causing a new recession in the Brazilian economy.

We should bear in mind, however, that before the outbreak of the health crisis, Brazil's Gross Domestic Product (GDP) decreased by 1.5% in 1Q20 (compared to 4Q19). GDP recorded a negative variation of 0.3% in relation to the same period in 2019. Accumulated in the four quarters ended March 2020, a moderate increase of 0.9% was recorded, compared to the four immediately preceding quarters, according to the IBGE.

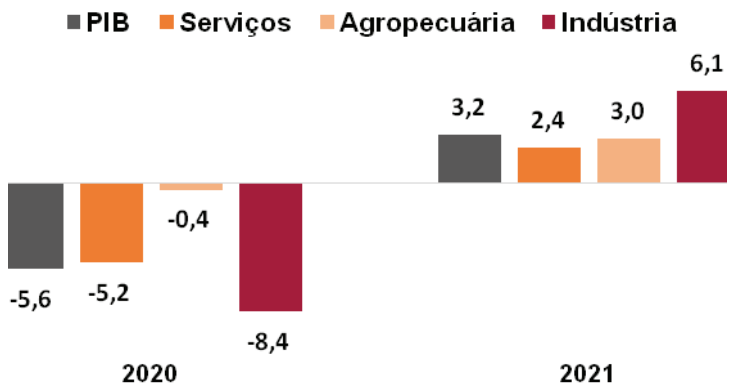
In this regard, the Country's economic performance was already fragile before the pandemic scenario. Covid-19 has substantially enhanced the negative impacts in different national economic sectors.

Regarding economic projections, Etene and LCA Consultoria estimate that the IPCA will remain at reduced levels, also due to the recession: 1.7% in 2020 and 3.0% in 2021. A similar trend should occur with the Selic rate at the end of the period: 2.0% in 2020 and 3.0% in 2021. On the other hand, the exchange rate will be pressured in view of the outflow of speculative capital from the stock exchange and the financial market: R$5.20/US$ in 2020 and R$5.00/US $ in 2021.

GDP projections contemplate three scenarios. In the neutral macroeconomic scenario, the forecast will be a retraction of the national economy of -5.6% in 2020 and growth of + 3.2% in 2021 (see Graph 1).

On the Supply side, taking into account the neutral scenario in 2020, the projections for Agriculture and Livestock (-0.4%), Services (-5.2%) and Industry (-8.4%) are downward.

Figure 2 - Graph Brazil - Variation (%) of GDP and Sector Breakdown - 2020 and 2021[1]



Source: Prepared by BNB/Etene with data from LCA Consultoria.

Note: [1] Projections.

In the construction of two other alternative scenarios, Brazil's economy is also expected to change negatively in 2020. In the benign scenario, that is, more optimistic, the GDP retraction will be -3.3%. In the most severe adverse scenario, the economic contraction will be -9.7% (Table 2).

Table 2 - Variation (%) of Brazil's Total and Sector GDP - 2020 and 2021[1]

GDP and Sector Breakdown	2020 Scenarios			2021 Scenarios		
	Benign	Neutral	Adverse	Benign	Neutral	Adverse
Agriculture and Livestock	-0.1	-0.4	-2.6	3.3	3.0	2.0
Services	-2.9	-5.2	-9.6	3.4	2.4	0.7
Industrial Manufacturing	-5.6	-8.4	-11.9	6.7	6.1	2.0
GDP	**-3.3**	**-5.6**	**-9.7**	**4.0**	**3.2**	**1.0**

Source: Prepared by BNB/Etene with data from LCA Consultoria.

Note: [1] Projections.

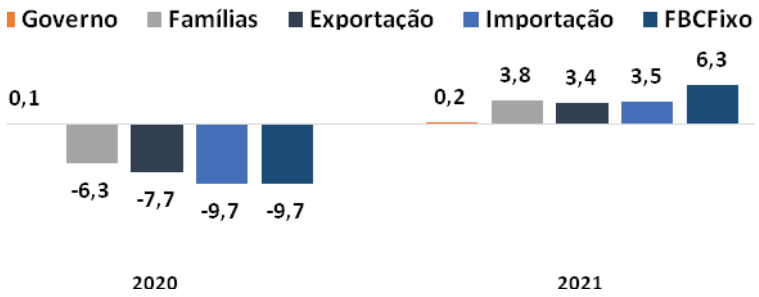
Within the components of domestic demand, with the result mainly affected by the loss of pace of household consumption and private investment, a shrinkage of -6.3% is estimated for household consumption and of -9.7% for Gross Fixed Capital Formation (GFCF), as shown in Figure 3.

In the Government's projections, consumption is stable (+ 0.1%) in 2020. It should be noted that increases in public sector spending, aiming to mitigate the effects of Covid-19's impact, are largely transient: anticipation of flows, postponement of tax collection and expansion of credit.

The estimated contraction in exports (-7.7%) is associated, among other factors, with the effects of external overflow. In other words, it refers to the financial effects and the effective economy of a global slowdown, which includes the inevitable reduction in exports.

The drop in the projection for imports (-9.7%) reflects the unfavorable outlook for the transformation industry, including the potential interruption of production chains via reduced imports, in addition to GFCF, with a consequent reduction in demand for inputs, machinery and equipment, as well as a decrease in the projection for household consumption.

Figure 3 - Graph Brazil - Variation (%) of GDP due to Demand and Breakdown - 2020 and 2021[1]



Source: Prepared by BNB/Etene with data from LCA Consultoria.

Note: [1] Projections.

The year 2020 should be marked by an economic downturn in the Regions of Brazil. The Northeast (-8.1%) and Southeast (-5.6%) tend to decline in greater intensity compared to the national average (-5.6%). The economies of the North (-5.0%), Midwest (-5.1%) and South (-5.2%) will also decline in 2020, as per Table 3.

In terms of sectors, the industry should be the most affected by the Coronavirus pandemic crisis, both in Brazil and in the regions of the country. Likewise, Services will also recede. Agriculture and livestock will grow moderately in the Midwest (+ 1.4%), Northeast (+ 0.9%) and South (+ 0.2%), while recession below the national average (-0.4%) will occur in the North (-3.0%) and Southeast (-2, 3%).

Table 3 – Brazil and Regions: Var. (%) of the GDP - 2020 and 2021 [1]

Brazil and Regions	GDP		Agriculture and Livestock		Industrial Manufacturing		Services	
	2020	2021	2020	2021	2020	2021	2020	2021
North	-5.0	3.6	-3.0	3.1	-2.9	5.3	-5.6	2.6
Northeast	**-8.1**	**3.1**	**0.9**	**2.2**	**-8.4**	**5.0**	**-8.8**	**2.8**
Midwest	-5.1	3.3	1.4	2.5	-8.3	6.3	-4.4	2.5
Southeast	-5.6	3.3	-2.3	3.0	-10.8	6.6	-4.0	2.3
South	-5.2	2.4	0.2	4.3	-6.1	4.9	-5.7	1.6
Brazil	**-5.6**	**3.2**	**-0.4**	**3.0**	**-8.4**	**6.1**	**-5.2**	**2.4**

Source: Prepared by BNB/Etene with data from LCA Consultoria.

Note: [1] Projections.

Northeast and States

Specifically in relation to the Northeast, regional GDP is expected to fall -8.1% in 2020, and this negative variation is mainly driven by the performance of the industrial sector, which will decrease -8.4%, in addition to services, with a projected retraction of -8.8%, the largest of the sector among the regions of the country. On the other hand, agriculture and livestock (+0.9%) will grow above the national average (0.4%), as shown in Table 3.

It should be noted that the Northeast was greatly impacted by the retraction of public sector investments that occurred in recent years, including the so-called public sector spending ceiling. By way of illustration, the Region, which had received R$19.4 billion in federal public investments in 2010, received only R$2.8 billion in 2018, representing a decrease of 85.4% in the period. In addition, the 2015/2016 economic crisis affected important production chains in this region, such as oil and gas, in addition to civil construction. The health crisis, in turn, is affecting the labor market, in addition to the trade, tourism and services sectors, which make up a substantial portion of the GDP of the Northeast and States.

Exports from the Northeast totaled US$6,264.2 million accumulated from January to May 2020, a decrease of 6.4% compared to the same period in 2019. Imports totaled US$6,366.2 million, decreasing 24.7%, in the same period interval. The Region's trade balance, therefore, recorded a deficit of US$102.0 million (less than the US$1,765.5 million accumulated from January to May last year), while the trade flow reached US$12,630.4 million (decrease of 16.6%).

The growth forecast for Agriculture and Livestock in the Northeast (+ 0.9%) is modest, having been moderately affected by Covid-19. In the domestic market, despite the drop in consumption of food service, bars and restaurants, demand for retail and wholesale in the markets for different types of food should continue.

In the states in which Banco do Nordeste operates, growth is projected for the agricultural and livestock sector in seven states, with emphasis on Piauí (+ 7.1%), Minas Gerais (+ 4.7%), and Paraíba (+4.1%), followed by Alagoas (+ 2.2%) and Bahia (+ 1.1%), with expansion above the regional average (+ 0.9%), except Maranhão (+ 0.7%) and Pernambuco (+ 0.8%) . Agriculture and livestock in Espírito Santo (+0.0) should remain stable. On the other hand, a reduction in the Gross Value Added (GVA) of Agriculture and Livestock should occur in Ceará (-3.6%), Sergipe (-0.9%) and Rio Grande do Norte (-0.4%).

The low dynamism of the industry in the Northeast (-8.4%) is still a reflection of the recent crisis of 2015/2017. In addition, the Covid-19 pandemic enhances the poor performance of this sector. In view of this scenario, the slowdown in the Chinese economy (the region's main trading partner) should have an impact on local production chains, contributing to the loss of physical production in import-intensive industrial sectors. In other words, as the production chains are interconnected, there is a risk of shortages of imported inputs, negatively impacting the productive process. As such, the production of the local industry could be impaired due to possible health embargoes on the import of raw materials and port congestion. Accordingly, there is a projected loss in the Gross Value Added of the industrial sector, in the national (-8.4%) and regional (-8.4%) context, in 2020.

All the Federative Units of Banco do Nordeste's area of operation will show strong declines in industrial Gross Value Added (GVA) (Table 4). Although showing negative variations, Rio Grande do Norte (-7.8%), Bahia (-7.8%), Ceará (-8.0%), and Sergipe (-8.2%) will present slightly superior performances in relation to the regional average (-8.4%). Pernambuco (-8.4%) remains with the same regional average. Piauí (-10.5%), Alagoas (-10.4%), Paraíba (-10.1%), Maranhão (-9.5%), Espírito Santo (-9.4%), and Minas Gerais (-9.1%) will show lower numbers compared to the regional average.

Services, the second sector most impacted by the spread of Covid-19, will decline in the Northeast (-8.8%), considering that various facilities remain under lockdown.

In Banco do Nordeste's area of operation in 2020, the Service GVA is expected to retract in all Federative Units. Despite showing negative variations, Paraíba (-4.8%), Minas Gerais (-5.0%), Maranhão (-5.6%), Espírito Santo (-7.2%), Rio Grande do Norte (-8 , 0%), Piauí (-8.0%) and Pernambuco (-8.1%) will register smaller falls compared to the Northeast average (-8.8%). On the other hand, Alagoas (-9.1%), Ceará (-9.7%), Sergipe (-10.8%) and Bahia (-11.0%) will record declines above the Northeast average in 2020.

Table 4 – Brazil, Northeast and Selected States: Variation (%) of Total and Sector Gross Domestic Product (GDP) – 2020 and 2021[1]

Brazil, Northeast and States of BNB's area of operation	GDP		Agriculture and Livestock		Industrial Manufacturing		Services	
	2020	2021	2020	2021	2020	2021	2020	2021
Maranhão	-5.6	3.5	0.7	1.4	-9.5	4.9	-5.6	3.5
Piauí	-6.7	3.1	7.1	6.1	-10.5	5.2	-8.0	2.3
Ceará	-9.1	4.3	-3.6	1.9	-8.0	8.3	-9.7	3.6
Rio G. do Norte	-7.7	2.9	-0.4	1.2	-7.8	4.1	-8.0	2.7
Paraíba	-5.3	3.2	4.1	0.9	-10.1	5.1	-4.8	3.0
Pernambuco	-7.9	3.2	0.4	1.7	-8.4	4.9	-8.1	2.8
Alagoas	-7.3	3.2	2.2	2.8	-10.4	5.2	-9.1	2.9
Sergipe	-9.8	2.2	-0.9	2.4	-8.2	4.4	-10.8	1.5
Bahia	-9.5	2.5	1.1	1.9	-7.8	3.8	-11.0	2.1
Minas Gerais	-5.2	3.3	4.7	3.3	-9.1	5.9	-5.0	2.5
Espírito Santo	-7.4	6.8	0.0	0.9	-9.4	22.9	-7.2	2.4
Northeast	**-8.1**	**3.1**	**0.9**	**2.2**	**-8.4**	**5.0**	**-8.8**	**2.8**
Brazil	**-5.6**	**3.2**	**-0.4**	**3.0**	**-8.4**	**6.1**	**-5.2**	**2.4**

Source: Prepared by BNB/Etene with LCA Consultoria data.

Note: [1] Projections.

As final considerations of the scenario presented, we highlight that the effects of the Covid-19 pandemic consolidate a projection of retraction in the world economy in 2020. The isolation of individuals, the forced interruptions in the productive system, the closure of agricultural and livestock, industrial, trade and service facilities and the sharp drop in foreign trade flows will have drastic implications for world economic production, with devastating social consequences.

Brazil and the Northeast are already experiencing the consequences of this crisis, with negative impacts on production. In the labor market, unemployment, precariousness and informality had been growing in years prior to the pandemic. The so-called labor and social security reforms did not contribute to expanding jobs offerings, on the contrary, intensified the precariousness of the labor market in the country.

Specifically in relation to the States in the area of operation of Banco do Nordeste, we point out that the performance of agriculture and livestock in 2020 in Piauí (+ 7.5%), Minas Gerais (+ 5.1%), Paraíba (+4.4 %) and Alagoas (+ 2.6%) tends to boost the agricultural and livestock products and services chain, and consequently, local services and trade, mitigating the effects of the Covid-19 pandemic, not preventing, however, an abrupt fall in the GDP of those states.

On the other hand, the economic performance of Bahia (-8.2%), Sergipe (-8.2%), Ceará (-7.2%), Pernambuco (-7.2%), Rio Grande do Norte (- 7.4%), Espírito Santo (-6.3%) and Alagoas (-6.1%) will be affected by the strong decline in their respective industries, with negative impacts on services and, consequently, on the total GDP of these Federative Units.

3.3 Fundo Constitucional de Financiamento do Nordeste (FNE)

FNE is made up of public funds intended to finance production activities, and its purpose is to contribute to the social and economic development of its area of operation, i.e., Northeastern Brazil and North of the Minas Gerais and Espírito Santo states.

As the financial institution that manages the FNE, Banco do Nordeste consolidates its mission as a development bank in the Northeast region, supporting production projects and public policies that impact the rural and urban Northeastern communities, through its credit and development activities.

The granting of loans with FNE funds is governed by specific regulations, which direct support to regional development priorities, and constitutes a public financing policy, with investment programming annually prepared by Sudene Decision-making Board (Condel), based on the programming prepared by Banco do Nordeste in a process involving the participation of the Northeast Development Supervisory Office (Sudene), Ministry of Regional Development (MDR), representation of productive sectors, support agencies, and government entities in the states.

Thus, the allocation of resources in terms of public, area and economic sector is linked to the achievement of the Fund objectives, the demands of the states and the expected results of BNB action as operator and administrator of this source of funds.

3.3.1 FNE Performance in 2020

Based on FNE annual program, Banco do Nordeste contracted financing in the first half of 2020 amounting to R$12.51 billion, R$9.64 billion of which were directed to the rural (agriculture and livestock), agro industrial, industrial manufacturing, trade and service, tourism sectors, and R$2.81 billion to the infrastructure sector. As for the financing to Urban Individuals, in this first half, 1,686 transactions were contracted under the FNE Verde Sol PF Program, totaling R$49.90 million; for the Student Financing Program (P-Fies), 333 transactions were contracted in the amount of R$4.79 million. Detailed information on financing contracted per state is presented in Table 5 below.

Table 5 - BNB/FNE – 1H20: Financing (R$ million)

State	FNE Infrastructure		FNE, except Infrastructure and Urban Individual		Total amount contracted
	Amount contracted	%	Amount contracted	%	
AL	-	-	439.70	4.6	439.70
BA	889.06	31.6	2,001.03	20.8	2,890.10
CE	649.58	23.1	1,496.77	15.5	2,146.35
ES	-	-	171.73	1.8	171.73
MA	490.06	17.4	1,051.54	10.9	1,541.60
MG	-	-	570.54	5.9	570.54
PB	270.54	9.6	608.59	6.3	879.12
PE	-	-	1,290.20	13.4	1,290.20
PI	-	-	926.28	9.6	926.28
RN	489.63	17.4	537.83	5.6	1,027.46
SE	20.30	0.7	548.60	5.7	568.90
Total	**2.809.17**	**100.0**	**9.642.81**	**100.0**	**12,451.98**
- FNE Sol Individual					**49.89**
- Student Financing Program (FNE P-Fies)					**4.79**
Total invested					**12,506.66**

Source: Banco do Nordeste – Planning Board

Table 6 below shows a total decrease of 6.87% in the volume of funds contracted in the first half of 2020, as compared to the same period of 2019, when the financed amount was of R$13,42 billion. The decrease observed was mainly due to operations in the Infrastructure sector, which was strongly impacted by the general state of expectations as a result of the negative scenario. With regard to the other sectors, however, it is important to highlight the increase of 26.3% in relation to financing made in the prior year period.

Even with the damaging effects of the Covid-19 pandemic on the level of activity, FNE's contracts in the Trade and Services and Tourism sectors significantly increased in comparison with the same period of 2019, i.e., 41.7% and 61.4% (Table 6), respectively, which shows the effectiveness of the measures adopted by BNB in relation to the pandemic, both in making operational requirements more flexible, without losing sight of the responsibility for granting public resources, and in creating and adhering to the emergency lines.

Until the end of the six-month period, the FNE Emergency line, operational from April 23, after approval of its budget by the Sudene Decision-making Board, invested approximately R$788.9 million, through 10,377 loans, to recovery and maintenance of the productive activities of the beneficiaries affected by the economic crisis, especially micro and small companies that absorbed 86.4% of the total financed amount under this line.

FNE program execution is in compliance with the National Policy for Regional Development (PNDR), which establishes support to regional sub-areas and aims at reducing regional inequalities and promoting equality in access to development opportunities.

Table 6 - FNE: Contracts by Economic Sector (R$ million)

Sector	1H19		1H20		Variation - % 2020/2019
	Number	Amount	Number	Amount	
Rural[1]	230,949	3,204.29	255,571	3,755.98	17.22
Agro industrial	157	208.72	239	245.48	17.61
Trade and Services	16,024	2,973.00	20,911	4,213.48	41.73
Industrial Manufacturing	1,881	1,051.52	2,579	1,112.98	5.85
Tourism	361	195.10	1,025	314.88	61.40
Infrastructure	54	5,772.29	33	2,809.17	-51.33
Individuals[2]	1,002	24.05	2,019	54.69	127.32
Total	**250,428**	**13,428.97**	**282,377**	**12,506.66**	**-6.87**

Source: Banco do Nordeste – Planning Board
Note:
[1] Rural – comprises the Agriculture and Livestock sectors.
[2] Includes FNE P-Fies and FNE Sol.

In this regard, until June 2020, FNE carried out transactions in 1,921 municipalities, which represents 96.5% of total municipalities in the area within the scope of the Fund, and financing amounted to R$6,70 billion for ventures in the Semiarid Region, 53.6% of the total financed until then, R$2,29 billion of which relating to infrastructure projects.

Financing to priority micro regions (low and medium income municipalities, regardless of the dynamism), sub-areas also included in PNDR, amounted to R$9.29 billion, approximately 74% of FNE financing until June 2020. This amount includes infrastructure financing.

The amount of R$5.57 billion, in turn, was granted to priority-sized entities, distributed in 280,325 loans, representing 57.7% of the amount contracted with FNE Except Infrastructure and Individuals in the first half. The highlight is the micro and small company segment, which contracted R$2.16 billion, representing a growth of 30.1% compared to 1H19, an extremely important result for the maintenance of these companies, most affected by the reduction in the circulation of people, goods and services.

The macroeconomic environment has a critical role in determining the supply and conditions of bank credit and, in this first half of 2020, it was drastically affected by an equal drop in the level of economic activity due to measures to combat and prevent the Covid-19 pandemic, which, given the need for social distancing, reduced the aggregate demand on a large scale, decreasing investment, employment and income levels in equal dimensions, which was decisive for the 6.87% decrease in FNE's contracting volume in 1H20. Despite the positive performance of Banco do Nordeste in the Trade, Services and Tourism segments, the uncertainty of the agents in the scenario is, in general, accentuated. Although inflation and interest rates have shown a downward trend, this change does not seem to improve expectations, since it is mostly the result of the sharp fall in aggregate demand, which is why analysts believe that economic activity will remain weak this year, with impacts in the next year, signaling the importance of actions, notably by public financial institutions, through their sources and countercyclical financing programs.

4. PERFORMANCE

4.1 Financial and Economic Performance

4.1.1 P&L

In 1H20, accumulated net income amounted to R$332.5 million, representing a decrease of 55.4% as compared to R$744.8 million computed in the same prior year period. Operating income reached R$477.8 million, representing a reduction of 59.1% in relation to the R$1,167.3 million recorded in 1H19. The positive result of first half of 2019 was due to the renegotiations made based on in the provisions of article 29-A of Law No. 13.606/18 (Prodecer III). The significant factors affecting the performance up to June/2020 are as follows:

a) the return of the Financial Intermediation Margin to normal levels, considering the recurring result;

b) the increase in the Provision for financial guarantees provided, which covers the Bank's risk in FNE and FDNE transactions (R$388.6 million in 1H20 against R$142.1 million in 1H19); and reduction of the allowance for loan losses (R$194.3 million in 1H20 against R$216.5 million in 1H19). The increase in total provisions is the result of the Prudential Provision set up in 2020, in the amount of R$146.2 million, which increases the percentages for each level of risk in relation to the minimum parameters of Resolution No. 2682/99;

c) impairment of Securities, resulting in expenses of R$230.0 million in 1H20;

d) increase in revenue of FNE Del Credere, R$143.1 million (R$910.1 million in 1H20 against R$767.0 million in 1H19); and

e) gain on sale of shares of B3: R$24.4 million.

It is important to highlight that when the extraordinary results of the compared periods are disregarded, there was an increase in Recurring Net Income in June/2020 of R$54.2 million (11.2%), as shown in the calculation of recurring income in Table 1 below:

Table 1 - Statement of Recurring Net Income (R$ million)

	1º sem./19	1º sem./20	Var. R$	Var. %
Lucro Líquido	**744,8**	**332,5**	**(412,2)**	**(55,4%)**
(-) Resultados Extraordinários do Período				
Lei 13.340/13.606 (inclui Prodecer III)	(438,2)	-	438,2	(100,0%)
Impairment de Títulos Públicos/Privados	-	230,1	230,1	
Balcão de seguros	-	(1,4)	(1,4)	
Programa de Incentivo ao Desligamento (PID)	4,5	-	(4,5)	(100,0%)
Provisão Prudencial	-	146,2	146,2	
Efeito Tributário (IR + CSLL)	173,5	(168,7)	(342,2)	(197,3%)
Lucro Líquido Recorrente	**484,6**	**538,7**	**54,2**	**11,2%**

Source: Banco do Nordeste, Control and Risk Board.

4.1.2 Total Assets

Banco do Nordeste's total assets amounted to R$59.0 billion at the end of the first half of 2020, with a 0.7% growth as compared with R$58.6 billion in December 2019. The Bank's assets also include FNE available funds and funds committed to FNE's loan transactions, i.e., relating to loans taken out, which are pending drawdown. Concerning breakdown of this balance, there was an increase of 0.3% in cash and cash equivalents, interbank investments and marketable securities. At the end of 1H20, the marketable securities portfolio balance amounts to R$39.9 billion. In relation to the balances of loans of BNB's own portfolio, net of allowances, there was a 1.1% increase (R$9.43 billion in June/2020 against R$9.04 billion in December/2019).

4.1.3 Cash and Cash Equivalents of FNE

Banco do Nordeste is responsible for investing the Fund's resources and implementing loan granting policies. While these funds are not intended for this purpose, they are remunerated at the extra market rate, disclosed by the Central Bank of Brazil, as provided for in Law No. 9126/95.

Committed resources consist of a minimum amount intended for disbursements established in loan agreements, with a schedule for dates prior to the statement of financial position, as well as for disbursements established for the next three hundred and sixty days subsequent to the statement of financial position, considered a liquidity reserve for the Fund. Amounts related to mismatches in the flow of disbursements established in the schedule may be added to this amount, in relation to future inflows of funds in the Fund.

In 1H20, an inflow of R$ 4.06 billion from the National Treasury took place, with repayment of loans totaling R$ 6.49. On the other hand, the amount of R$ 11.29 billion was disbursed as loans.

The balance of FNE's cash resources was reduced by 8.7% in relation to December 2019 (R$ 20.72 billion as of 06/30/2020 against R$ 22.69 billion as of 12/31/2019). The profile of these resources increased by 14.6 percentage points: while in December 2019, 73.2% of the cash resources were Committed Resources, in June 2020 this item holds 87.7% of the existing R$ 20.72 billion. This change was a result of the increase in loans contracted and the decrease in repayments of financing in view of the extension of credits authorized by legislation as a result of Covid 19.

4.1.4 Equity and Profitability

Banco do Nordeste recorded Equity of R$ 5.89 billion at the end of 1H20. Capital increase was approved at the Special General Meeting held on 03/27/2020, from R$ 3.81 billion to R$ 5,570.0 million, of which R$ 1,472.6 million was allocated to the Reserve for Operating Margin and R$ 284.4 million to the Reserve for Equalization of Supplementary Dividends, with no distribution of new shares. Capital is represented by 86,371,464 common, book-entry, paid-in shares with no par value, duly approved by the Central Bank.

Return on average equity in 1H20 was 12.2% p.a. When considering Recurring Income, the index rises to 20.1% p.a.

4.1.5 Capital Adequacy Ratio

In relation to compliance with the regulations determined by the Central Bank of Brazil, concerning the capital structure of financial institutions, known as Basel III, Banco do Nordeste has complied with the minimum capital requirements set, which guarantees the Bank a margin to continue expanding its business. At 06/30/2020, the Bank presented Reference Assets of 13.80% (14.42% at 12.31.2019). Tier I Capital was 10.46% (10.44% at 12.31.2019) and Principal Capital was 9.17% (9.04% at 12.31.2019). Reference Assets (RA) totaled R$ 8,502.4 million (R$ 8,265.6 million at 12.31.2019), Tier I amounted to R$6.448,0 million (R$ 5,983.0 million at 12.31.2019) and Principal Capital amounted to R$5,652.2 million (R$ 5.182,0 million at 12.31.2019), while Risk-Weighted Assets (RWA) totaled R$ 61,628.8 million (R$ 57,311.9 million at 12.31.2019). The fall in the Reference Asset ratios was due to expansion of RWA in a proportion higher than the increase of RA and decrease in Tier II. As for Tier I and Principal Capital ratios, the increase was higher than the increase in the requirement due to risk-weighted exposure.

4.2 Operational Performance

4.2.1 Volume of Transactions

In 1H20, Banco do Nordeste contracted 2.4 million loans in an amount of R$ 18.35 billion, which approximates the result of the same period of 2019, both in terms of quantity and amount, when 2.5 million transactions were contracted in the total amount R$ 18.83 billion.

Long-term financing, which encompass rural, manufacturing, agroindustry, infrastructure, trade and service investments, accounted for 70.8% of the funds taken out and amounted to R$ 13.0 billion and 285.7 thousand transactions.

Short-term loans intended for products Direct Credit to Consumer (CDC), Working Capital, Credit Card, Secured Account, Foreign Exchange, and Discount, in addition to Crediamigo program, amounted to R$ 5.4 billion, in 2.1 million transactions. These contracted amounts represent a decrease of 5.0% in long-term loans and 4.0% in short-term loans as compared to 1H19.

Table 7 - Loan transactions contracted

Type	1H19		1H20		Variation amount
	Number (unit)	Amount (million)	Number (unit)	Amount (million)	
Long Term	255,018	13,683.6	285,691	13,004.3	-5.0%
Short Term	2,246,289	5,150.8	2,084,360	5,355.1	4.0%
Total	**2,501,307**	**18,834.4**	**2,370,051**	**18,359.4**	**-2.5%**

Source: Banco do Nordeste, Control and Risk Board.

FNE accounted for 96,2% of the Bank's long-term loans contracted, in terms of amount, and 98.8% considering the number of operations. In 1H20, resources contracted from the Fund totaled R$12.5 billion, a decrease of 6.9% in relation to the same prior year period, even with the Pandemic scenario.

Table 8 – Long-term Financing Transactions

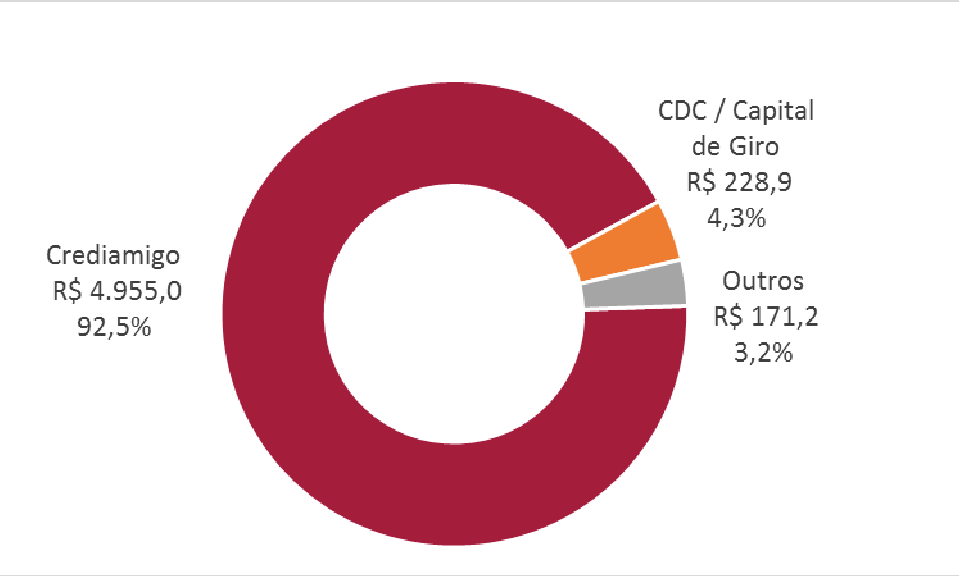
Type	1H19		1H20		Variation amount
	Number (unit)	Amount (million)	Number (unit)	Amount (million)	
FNE	250,428	13,429.0	282,377	12,506.7	-6.9%
Other	4,590	254.6	3,314	497.6	95.4%
Total	**255,018**	**13,683.6**	**285,691**	**13,004.3**	**-5.0%**

Source: Banco do Nordeste, Control and Risk Board.

In relation to short-term loans contracted, which grew 4.0%, BNB's productive and oriented microcredit program, Crediamigo, accounted for 92.5% of these contracts, with an increase of 3.9% in the contracted amount. CDC/Working Capital transactions grew by 60.4%, accounting for 4.3% of the total short-term volume contracted.

Graph 1 – Short-term loan transactions (R$ million)

Total R$5,355.1 million



Source: Banco do Nordeste, Control and Risk Board

4.2.2 Operational Efficiency

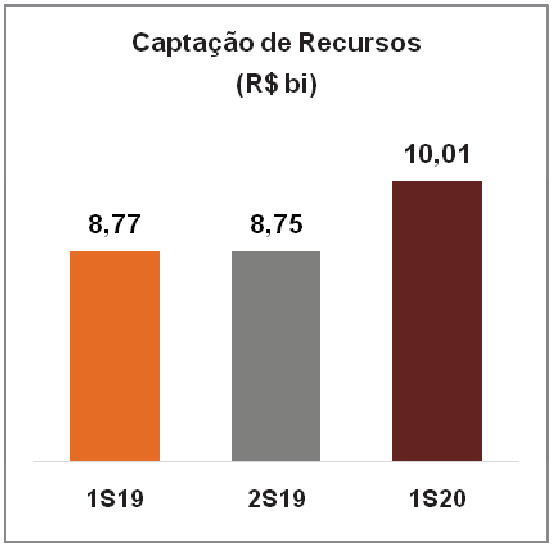
In 1H20, BNB presented an operational efficiency ratio of 68.4%, determined according to the management result statement model, whereby administrative expenses are managed in relation to the total margin of financial intermediation and revenue stemming from provision of services. In the period, there was a decrease of 15.5 percentage points compared to June 2019. This result is a reflection of the decrease in financial margin (-35.8%) compared to June 2019 (R$ 1,124.6 million in June/2020 against R$ 1,752.5 million in June/2019). In the period, there was a slight increase in personnel expenses (R$ 1,049.7 million in June/2020 versus R$ 999.8 million in June/2019), explained by the salary adjustment granted as of September 2019. As for other administrative expenses, a rise of 6.2% occurred in the period, with emphasis on the following increases: R$ 42.8 million (14.7%) in Third-Party Services and R$ 9.6 million (290.8%) in Advertising and Publicity, which contribute to generation of financial margin of loan portfolios. On the other hand, Revenue from Services in the period

increased by 6.3%, totaling R$ 1,364.8 million at the end of the first half of 2020. We should point out that in June/2019, there was an increase in the margins of Crediamigo's loan transactions and renegotiations based on article 29-A of Law No. 13606/18 (Prodecer III), significantly contributing to the result of the index in that period.

4.2.3 Fund Raising

The balance of funds in deposits of Banco do Nordeste reached R$10.01 billion in June 2020, representing an increase of 14.2% compared to 1H19. This performance is the result of the changes in the following portfolios: cash deposits, which increased by R$287.1 million in the period, reaching the volume of R$715.0 million; savings, which increased by 46.5% in 12 months, with a balance of R$3.65 billion in June 2020; and term deposits, which, even with a reduction of 3.4% compared to the previous period, totaled a balance of R$5.65 billion, in line with the Bank's funding strategy.

Figure 4 – Fund Raising



Source: Banco do Nordeste – Financial and Loan Board

Table 9 - Fund Raising (R$ million)

Fund raising	1H19	1H20	Δ% 12 months
Cash deposits	427.9	715.0	67.1%
Savings Deposits	2,491.5	3,651.2	46.5%
Term deposits - CDB	5,848.4	5,647.9	-3.4%
Total	**8,767.8**	**10,014.1**	**14.2%**

Source: Banco do Nordeste – Financial and Loan Board

4.2.5 Distribution and Management of Investments Funds

In 1H20, equity of investment funds amounted to R$9,011.3 million, an increase of 14.9% in relation to 1H19. In the same position, BNB managed 21 investment funds, with 92,044 shareholders, a 12.0% increase as compared to the prior year. Revenue from fund management fees totaled R$ 32.7 million in 1H20, up 26.4% compared to the same period last year.

Northeast Investment Fund (Finor)

Finor's Equity reached R$1,089.1 million in 1H20, representing an increase of 26.6% in relation to 1H19, due to the remuneration on the resources deposited in Banco do Nordeste not yet invested and the inflow of funds from tax incentives. Revenue from administration fee on Finor portfolio totaled R$10.2 million in 1H19, a 10.4% increase in relation to 1H19, due to the decrease in the Fund's equity.

4.3 Performance per Customer Segment

Family Farming

Brazil's National Family Farming Strengthening Program (Pronaf) is a Federal Government program supporting family farming. Banco do Nordeste is the main financial agent of Pronaf in the Northeast region, with an active portfolio of **R$ 9,67** billion, corresponding to **1.82** million loan operations. Only in 1H20, financing contracted amounted to **351.4 thousand**, totaling **R$ 1.49 billion** invested.

Out of this total, **76,6%** was allocated to financing for the semiarid region. When comparing the results achieved in 2020 with those in 2019, there was an increase of **12.17%** in the amount of funds invested in the segment, and the number of transactions increased by **10.56%**.

Family Agriculture Segment

The Family Farming Segment comprises the portfolio of family farmers served by Brazil's National Family Farming Strengthening Program (Pronaf), except for the customers included in the Rural Microentrepreneur Segment (Agroamigo), which counts on an active portfolio amounting to **R$ 4.95 billion** and **434 thousand** transactions.

In 1H20, the Bank contracted **8,574** transactions in this segment, amounting to approximately **R$ 253.0 million**, of which **79%** were allocated to financing in the semiarid region.

When comparing the results achieved in 2020 with those in 2019, there was an increase of **11.06%** in the amount of funds invested in the segment, and of **3.9%** in the number of transactions.

National Rural Property Financing Program (PNCF)

The Social PNCF includes the Land Acquisition Subproject (SAT), which comprises resources for acquisition of rural properties and improvements therein, in addition to ancillary expenses related to rural property acquisition, such as taxes, measurement services, including topography and georeferencing, fees, and registry costs.

In relation to resources for investments, PNCF Social presents the following types:

PNCF Social/SIC – comprises non-reimbursable resources from the Anti-Rural Poverty Sub-Program, consisting of appropriations in the General Federal Government Budget for the structuring of productive units, intended for families organized in associations with a maximum of 30 (thirty) families, whose beneficiaries have been granted the funding for acquisition of land through the PNCF Social.

PNCF Social/SIB – intended for families interested in having individual access to reimbursable resources from the Land Fund for structuring productive units.

In 1H20, **202 transactions** through the PNCF Social took place, totaling **R$ 13.5 million**.

Agribusiness

Banco do Nordeste is a leader in rural credit in its area of operation, operating differently and with innovative solutions for customers. To this end, it is attentive to the Agribusiness scenarios and trends, adjusting its products and services in order to provide greater competitiveness to rural producers.

With only 8.3% of the banking network installed in the nine states of the Northeast, north of Minas Gerais and northern Espírito Santo, the Bank accounts for 55.1% of rural credit, reaching 80% of the share in the state of Rio Grande do Norte. This data evidences the Bank's performance and places it as the key Agribusiness financing agent in the regional area of operation.

In this sense, it provides lines of credit for innovation, costing and sale, in addition to investment, and a program to enable solar energy in the field, digitally, when applying for the credit through the Internet.

For the competitiveness of agribusiness, innovation in the field and the incorporation of technologies aimed at productivity gains, process debureaucratization, cost efficiency, automation, and competitiveness of financed enterprises are fundamental. In this regard, the Bank offers the FNE Agro Inovação line of credit, which offers the best market rates.

In 1H20, Banco do Nordeste contracted 3,949 loans in the amount of R$1.64 billion with rural producers, 33% higher than the amount contracted in the same prior year period.

Specifically in relation to mini and small customers, Banco do Nordeste contracted 3,646 loans, representing a growth of 19% compared to 2019, and FNE resources in the amount of R$836.7 million were invested, corresponding to an increase of 27% compared to the amount contracted in 1H19. The investment in mini and small producers represents 92% of the number of transactions carried out with individual rural producers and 51% of the investment amounts. Of the transactions taken out, 54% were intended for costing and 45% for investment. Regarding the region where the resources were invested, 53% were intended to the semiarid northeastern region.

For customer of other sizes, the Bank contracted 303 transactions with FNE resources, corresponding to R$807.5 million invested, reaching 119% of the target established for the period. The volume invested represents an increase of 40% compared to the same period prior year period. As for the purpose of the loan, 65% were allocated to costing, 30% to investment, and 5% to sales.

Banco do Nordeste also participates in the AgroNordeste Plan at all levels, seeking to contribute from the preparation of strategies to operation in the municipalities, with the participation of employees of the Operational Units, including microcredit agents, having invested R$2.08 billion in the territories of the Program in 1H20.

We should highlight the strategic partnerships with federations, business and institutional entities that have a strong Agribusiness performance. In this sense, the cooperation agreement with Brazil’s Confederation of Agriculture and Livestock (CNA) aims to serve producers through access to credit, technical and managerial assistance, and monitoring of enterprises. On the other hand, partnerships with supplier companies seek to establish actions for modernization and mechanization of the sector. We stress that a broad partnership with the Emater of all states is maintained, which has enabled producers' access to loans with technical assistance.

We also emphasize that Banco do Nordeste follows the Federal Government guidelines and, specifically for Agribusiness, it operates in tandem with the Ministry of Regional Development and Ministry of Agriculture, Livestock and Supply, in addition to potentializing the actions

together with other regional institutions, such as the Northeast Development Supervisory Authority and the Vale do São Francisco Valley Development Company.

Banco do Nordeste participates in the Harvest Plan serving rural producers of all sizes operating in the Northeast and northern regions of the states of Espírito Santo and Minas Gerais, the Bank's area of operation. In the 2019/2020 Harvest Plan, Banco do Nordeste directed resources to costing, investing and sales operations, through the various financing lines, with an investment of R$ 8.14 billion, representing 104.5% of the target established for the period.

It is important to mention the Bank's strong strategic direction for improvement and enhancing of processes with the implementation of new projects during 2020, which will provide greater convenience, lower cost and increased business for this segment.

Urban Microentrepreneurs – Crediamigo

Crediamigo is BNB's urban guided productive microcredit program, which facilitates access to credit for millions of entrepreneurs belonging to informal or formal sectors of the Brazilian economy.

Customized services, specific methodology used for urban microcredit, financial and environmental guidance, as well as agile credit that is appropriate for the business cycle are Program differentials and consolidate Crediamigo as leading microcredit program in South America.

In 1H20, 2,036 million transactions were contracted under Crediamigo. The amount loaned in the six-month period exceeded R$ 4.95 billion, showing a growth of 3.87% compared to the accumulated until June 2019.

Rural Microentrepreneurs - Agroamigo

The assumption of the Agroamigo rural microcredit program of Banco do Nordeste, launched in 2005, is oriented and monitored loans to family farmers, using own methodology, specific to the conditions of the rural environment, through Pronaf.

In 1H20, Banco do Nordeste contracted **242.9 thousand** transactions through Agroamigo, involving resources of **R$ 1.24 billion**, which represents an increase of **12.2%** in relation to the amounts contracted in 1H19. Of the total resources, **76.7%** were allocated to financing in the semiarid region.

The Program reached an active portfolio of **R$ 4.72 billion** in over **1,39 million** transactions. Of the total of **1.27 million** customers, approximately **93.8%** hold a checking account at the Bank.

Agroamigo serves family farmers through two types of loans: Agroamigo Crescer, focused on customers of Pronaf Group B, and Agroamigo Mais, serving the other Pronaf groups, in transactions of up to R$ 15 thousand, except for Groups A and A/C. Approximately **53.7%** of the customers served by Agroamigo are beneficiaries of the Federal Government's Family Allowance Program (Bolsa Família).

Micro and Small Enterprises (MSE)

In 1H20, Banco do Nordeste obtained record results in loan investments for the Micro and Small Enterprises (MPE) segment. Internal and FNE funds amounted to **R$ 2.23 billion**, serving 18,111 micro and small enterprises in 24,214 loan transactions. This corresponds to an increase of approximately 28.0% in the volume invested as compared with the same prior year period, representing an increase of 29.5%% in the number of customers served.

Among the various measures to mitigate the effects of the pandemic arising from the new corona virus, the FNE-Emergency credit line was created at fixed interest rates of 2.5% p.a. In 1H20, the volume of R$ 650 million was contracted with the micro and small company segment, in line with the mission of offering financial support to entrepreneurs and consolidating Banco do Nordeste as an MSE partner in the Region.

Among the various actions developed in order to support micro and small companies, Banco do Nordeste has been increasing its partnerships with class entities. In the six-month period, due to the difficulties caused by the Covid-19 pandemic, disclosures were made through "livestreams" with partners such as Sebrae, Brazilian Board of Dentistry (CBO), CVC, BOB's, etc., which ensured the growth in the number of transactions with the partner entities' members. Furthermore, the qualification of business managers specialized in micro and small enterprises took place, by means in-person and distance training courses.

A significant action carried out in conjunction with various General Management areas was stimulation of suggestions for improvement of processes, standards and systems. Of the 92 suggestions received from the Agencies, 45 initiatives were effectively implemented by June/20. Another 22 initiatives are expected to be implemented by the end of this year. The enhancements aim to improve customer experience and satisfaction.

The trade sector was the main beneficiary of the lines of credit intended to micro and small companies in the six-month period, with R$ 1.19 billion in contracts, corresponding to 55.9% of FNE's resources invested by Banco do Nordeste in this segment, as presented in Table 10.

In the Brazilian semiarid region, one of the priority sub-areas under the National Policy on Regional Development (PNDR), 10,478 loans were taken out with FNE funds, representing 51.0% of total loan transactions.

Table 10 – Contracts of the MSE Sector or Economic Segment

Economic Sector	% of contracts
Trade	55.9%
Services	24.4%
Industrial Manufacturing	18.1%
Rural	1.6%
Total	**100%**

Source: Banco do Nordeste – Business Board

Corporate

The Corporate segment comprises large companies with gross annual revenue exceeding R$400.0 million, as well as companies with syndicated operations or in infrastructure, regardless of revenue. In the first half of 2020, the 14 Corporate portfolios had 922 customers, up 13.0% as compared with the existing customer base at the end of the first half of 2019. Of the 922 customers, 337 had loans contracted and disbursed.

Until June 2020, the Corporate segment portfolios presented the following results:

i) contracts with FNE resources, including Infrastructure and NE Export operations of R$3.43 billion;

ii) short-term loans and Foreign Trade in the amount of R$216,1 billion; and

iii) disbursements of transactions with FNE resources, including Infrastructure operations, of R$3.34 billion.

Investment of FNE resources by the Corporate segment in 1H20 accounted for 27.5% of all Bank contracts with this source of funds, mostly influenced by contracts within infrastructure. The contracts for the six-month period totaled R$3.43 billion, with a stock of consultation letters of inquiry and proposals being processed of around R$16.55 billion, which is more than sufficient to comply with the annual schedule of FNE Traditional and Infrastructure in the amount of R$9.52 billion.

Individuals

The Individual segment operates preferably as digital service, with prioritization of student financing and credit products for solar energy.

The service is focused on the partners of customer companies, students, FNE Sol borrowers, Bank employees, and companies that conduct business with BNB.

In 1H20, more than R$49.9 million were contracted under the FNE Sol Individual program, corresponding to a total of 1,687 transactions, the value of which represents 184.8% of the target for the period. In addition, student financing transactions (P-Fies), also with FNE resources, exceeded R$4.7 million contracts.

With the Commercial Credit business, until June of this year, the segment recorded more than R$200 million in average balance, as well as reached R$1.95 billion in Fundraising.

It is important to highlight the digital tools available to customers, such as FNE Sol Pessoa Física, via the Internet, as well as applications for STUDENTS and UNIVERSITY, in order to facilitate access to student financing.

Government

At the end of June 2020, the government portfolio reached 1,745 customers, representing a 7,66% decrease in relation to the same period of 2019. Government portfolio assets (services and specialized) reached R$542,9 million in debt balance and average balance of R$454,3 million in short-term investments.

Business

The Business segment consists of small-medium, medium and large-sized companies, covering legal entities with annual revenue from R$4.8 million to R$400.0 million. At the end of the first half of 2020, the Bank reached a total of 12,247 customers, which represents a

10% increase as compared with the existing customer base at the end of the first half of 2019.

In 1H20, the Business segment carried out 11,048 transactions amounting to R$4,230.28 million, which is 13.6% higher than 1H19. Until June 2020, the Business segment portfolios presented the following results: assets of R$780.65 million in short-term loans; contracted amount of R$118.58 million in foreign trade; specialized credit contracts, including transactions with FNE resources and some remaining FNE Infrastructure transactions in the amount of R$3.49 billion. The amount of R$3.19 billion was disbursed in FNE transactions.

The business segment also stood out with R$208.06 million contracted in BNB cards in 1H20. Also in relation to BNB card, the amount of R$286.45 million was disbursed for working capital purposes and R$37.74 million for investment purposes. In relation to funding, the segment maintains an average balance of R$5,143.93 in savings and investment fund.

4.4 Credit Recovery

In 1H20, more than R$1.49 billion overdue amounts receivable, recorded as loss and/or overdue for over 60 days, were settled, among which R$176.2 million were received in cash. This number comprised 55,683 transactions settled with FNE resources and 3,828 with other sources.

The volume of settlement presented renegotiations lower than the same period of 2019, in view of the end of the effectiveness of Law No. 13340/2016, which allowed, until the end of that year, the settlement or renegotiation of transactions contracted until 2011. The fall in performance is also the result of the economic impacts of the social distancing measures resulting from the COVID-19 pandemic, which strongly affected companies in the Region due to the health measures adopted by health agencies.

In order to face the damaging effects on the economy, measures were taken with the Bank's implementation of the “Emergency Debt Renegotiation - Negative Impacts of Covid-19” and the publication of CMN Resolutions No. 4798 and No. 4801, with the objective of mitigating operational difficulties and financial issues caused by the pandemic, with highlight to the settlement of transactions in digital and automatic forms, through which more than R$825.2 million of the total amount were settled. See Table 11.

Table 11 – Number of Transactions and Amounts of Debt Settlements through “Emergency Renegotiation” and CMN Resolutions No. 4798 and No. 4801
(R$ thousand)

Type of settlement	Number of transactions	Amount settled
Emergency Renegotiation	1,357	112,238
CMN Resolution No. 4798	7,815	645,535
CMN Resolution No. 4801	28,221	67,436

Source: Banco do Nordeste – Financial and Loan Board

Table 12 below shows the number or transactions and amounts settled in 2019 and 2020:

Table 12 – Number of Debt-related Transactions and Amounts Settled

(R$ thousand)

1H19		1H20	
Number of transactions	Amount	Number of transactions	Cost
89,453	7,665,301	59,511	1,498,743

Source: Banco do Nordeste – Financial and Loan Board

5. CORPORATE GOVERNANCE

Governance in the public sector is understood as "a set of mechanisms of leadership, strategy and control put into practice to assess, direct and monitor management, with a view to conducting public policies and providing services of interest to society" (available at: http://www.tcu.gov.br/governanca).

Banco do Nordeste's Corporate Governance Structure is defined in its Articles of Incorporation, represented as follows:

- General Meeting;
- Board of Directors;
- Executive Board;
- Supervisory Board;
- Audit Committee;
- Compensation and Eligibility Committee;
- Risk and Capital Committee;
- Internal Audit;
- Ombudsman;
- Internal Control and Compliance;
- Ethics Committee; and
- External audit.

In addition, in order to strengthen corporate governance, the Bank has joint committees for internal decision making purposes, whose duties are defined in bylaws.

5.1 Audit

The purpose of Banco do Nordeste's Audit Supervisory Office is to evaluate risk management and governance processes with a view to adding value to the organization, reporting the effectiveness of the internal control system to senior management. It uses the audit process methodology focused on risks, through which it obtains in-depth knowledge of corporate processes, contributing to the improvement of control structures, independently and objectively. In 1H20, the following audit work was performed in the period examined: Internal Controls; Covenants, Agreements and Adjustments; Investment Funds - Finor; Treasury Resource Management; Risk Management - Impacts of the Pandemic; Accountability - FAT; Credit Recovery – Off-Court Collection; and Cyber Security.

5.2 Internal Controls

BNB has an integrated risk management structure, in which internal controls are present at all levels of the Institution, exercised by the three lines of defense of the Internal Control System.

Best governance practices are the pillars of this structure; the integrity of people and ethical values; the employees' commitment to act focusing on corporate objectives; transparency and the search for segregation of duties, enabling the appropriate delegation of authority and roles; and risk management, internal control, compliance and information security policies.

Banco do Nordeste's Internal Control Structure is described in item 6 of the Annual Charter of Public Policy and Corporate Governance, available on the Bank's website at: https://www.bnb.gov.br/sobre-o-bnb/carta-anual-de-politicas-publicas-e-governanca-corporativa.

In order to assess whether the processes are performed in accordance with the policies, standards and procedures, the Bank uses compliance indicators, and 95% has been established as the floor percentage. The indicator for the period accumulated from January to June 2020 was of approximately 98%, which is higher than the 2019 indicator, with an increase in relation to the floor established for this indicator.

In view of the foregoing, BNB's set of policies and guidelines reinforces the Bank's direction towards transparency, compliance with the laws, rules and regulations of the Brazilian financial system, and management of the institution based on models aimed at compliance with the mission, organization continuity and generation of favorable and sustainable results.

5.3 Risk Management

The Corporate Risk Management Policy of Banco do Nordeste establishes, as an essential principle, maintenance of a structured risk management system that is integrated to the Bank's management activities. In integrated risk management, risk significance is defined based on the risk's potential impact on the Institution's strategic objectives. Models, strategies, processes, procedures and systems for management of risks considered significant are defined, i.e., credit risk, market risk, liquidity risk, interest rate risk (IRRBB), concentration risk, operational risk, and social and environmental risk. These risks are monitored and systematically and periodically reported to the Executive Board, the Risk Management Committee, the Capital and Risk Committee, and the Board of Directors.

In order to define the risk appetite limits, the Institution's strategic planning, historical indicators already used in risk management, expected business for the following years, as well as the economic and financial scenario were taken into consideration, among other aspects. The Board of Directors is responsible for the definition and periodic review of the risk appetite of Banco do Nordeste, with the assistance of the Capital and Risk Committee, the Executive Board, and the Control and Risk Officer (CRO).

Banco do Nordeste's risk management process is therefore based on the observation of current legislation, the Risk Management Corporate Policy, the Risk Appetite Statement (RAS), the adoption of best market practices, and use of defined and documented methodological models, which can be tested for consistency, reliability and transparency of results.

Other information on our Risk Management and Internal Control policy is available in section 5 of Reference Form 2020 base year 2019, at https://www.bnb.gov.br/demonstrativos-contabeis-e-documentos-cvm

6. RELATIONSHIPS

6.1 Customer Relationship

In 1H20, the Relationship Center served 2,906,798 customers, an increase of 25.2% compared to 1H19. The Receptive Voice channel (telephone) served 240,962 customers, representing a 49.7% increase over the same prior-year period. The Multimedia channels served 57,771* customers, representing an increase of 106% compared to 1H19. Payment slips issued decreased to 12,463, representing a fall of 30% compared to 1H19, due to implementation of the Interbank Clearing House, which allows the customer not to request a new payment slip, even after maturity. Active customer services served 2,595,602 customers, representing an increase of 22.8% in relation to 1H19.

*The calculation of the number of customers served through Multimedia Channels does not consider the Monitoring of the Bank's Institutional Mailbox and Active Transparency Monitoring. Considering this data, the figure is 69,958 in 1H19, while without such data, the number of customers served is 28,042. If we consider this data in 1H20, the number of customers served this year rises to 122,822.

Ombudsman

Banco do Nordeste's Ombudsman represents the citizen, ultimately, in his/her demands with the Institution, mediating conflicts and contributing to the improvement of processes, products and services. Its vision is to be recognized as an inducer of excellence in customer service, partner in the promotion of improvements in processes, products and services, and reference in banking ombudsman.

In 1H20, 525 customers were served, including complaints, whistleblowing events, compliments, suggestions and information, representing an increase of 17.58% in relation to 1H19.

In accordance with CMN/Bacen Resolution No. 4433/2015, the Ombudsman must reply to the demands made by BNB's customers and users within ten business days. This deadline may be exceptionally extended for a further 10 business days. Worth highlighting that, in 1H20, Banco do Nordeste’s Ombudsman replied to 100% of the complaints within the legal term.

In April 2017, Banco do Nordeste committed to reply to at least 50% of the complaints received within 5 business days, in line with Regulation 001/2018, issued by the Banking Self-Regulation System (Sarb) of the Brazilian Federation of Bank Associations (Febraban). Banco do Nordeste’s Ombudsman has achieved rates above expected in 1H20, having replied to 93% of the complaints within this deadline.

6.2 Digital Experience, and Information and Communication Technology (ICT)

Despite the challenging scenario, Banco do Nordeste was able to implement various Information Technology projects in 1H20, which are critical to its development since they enable inclusion in the digital transformation scenario, a current requirement of companies, given that businesses are increasingly dependent on technology and any technological failure or delay greatly affects the Institution's level of competitiveness. The key measures implemented over the 1H20 are listed below:

- ..... **Storage Mainframe:** This Project updated the basic storage infrastructure, which supports the Bank's mainframe technological platform, increasing its centralized computing capacity and supporting the operation of the Bank's systems with robustness and security.
- ..... **Updating of the z/OS operating system of primary and secondary mainframes to version 2.3:** This Project brought the following benefits: greater security and resilience in helping to reduce risks, the possibility of data security processing for mobile devices, excellence in Work Management and Resource Optimization, and facilitated management of the z/OS operating system.
- ..... **Modernization of the switch park:** This Project enabled local network performance improvement, streamlined use of VoIP devices, and the guarantee of the Bank's expansion in the branches.
- ..... **Implementation of Telework:** This Project allowed that Banco do Nordeste employees be placed rapidly on telework.
- ..... **TED Management:** The Project enabled the activation of debit TED (electronic transfer) messages on Internet Banking and Banking Automation.
- ..... **Customer Portfolio Management and Assessment System:** This Project allowed a more agile and reliable assessment of the performance of business portfolios, with evaluation of the progress of the set of business of portfolio customers of various segments. It also enabled managers to access significant information to improve the performance and profitability of their portfolios.
- ..... **Improvement of the Internal Control System:** Products and processes were included and new integrations were made with other systems, providing access to all parties involved in the process and extinguishing the existence of parallel tools.
- ..... **Electronic Signature:** This Project implemented digital signature services linked to the GED system, in several channels, enabling agile signature of file documents without the need to use paper.
- ..... **Statutory Joint Committee System:** Acquisition of a solution to summon and hold meetings, organize and make available information (documents, spreadsheets, graphs, images, etc.), among other requirements, facilitating interaction and improving the performance of duties of the joint committee members and their advisors.
- ..... **Engagement of Agile Factories:** Acquisition of specialized IT services to increase the speed of delivery of new software versions and improve the quality of the final product.
- ..... **Improvement in the Project Management Methodology:** Enabled the performance of reviews of the cost planning and control

processes, including discipline to review estimated project costs, with resubmission to the IT Committees.

- ..... **Creation of Dashboard for Monitoring of Team Hours:** Enabled daily monitoring by managers of activities carried out by employees on telework.

7. PENSION PLAN AND HEALTH CARE ENTITIES FOR EMPLOYEES

7.1 Camed

The Assistance for Banco do Nordeste do Brasil Employees (Camed Saúde), established in 1979, is part of the Camed Group, together with Camed Administradora e Corretora de Seguros Ltda. and Creche Paulo VI. Camed Saúde has a portfolio of 37,552 beneficiaries in June 2020, and is present in the Northeast region, northern Minas Gerais and northern Espírito Santo, in addition to the Federal District.

In 1H20, Camed Saúde recorded surplus of R$49 million. This result was higher than the same prior year period by 192% due to the lower care cost presented in the period as a result of the lower volume of appointments booked by beneficiaries, as presented by the accredited service providers, given the pandemic caused by the new coronavirus, as well as the positive equity, resulting from the investment in equity interest in Camed Vida, whose revenue was atypical for having prevailed in the ISS lawsuit filed against the city of Recife (PE), in the amount of R$20 million.

Camed Administradora e Corretora de Seguros Ltda. (Camed Corretora) is present mainly in the Northeast region, through the branches of Banco do Nordeste, having ended this six-month period with a positive P&L of R$6.3 million, representing a 45% growth over the same prior year period. This result derives mainly from increase in revenue from insurance sale commissions from R$29.2 million in the first six months of 2019 to R$32.4 million in the same period of 2020, representing an increase of 11%.

7.2 Capef

Banco do Nordeste Employees' Pension Fund (Capef) is a closed Supplementary Pension Plan Entity (EFPC), created in 1967, which administers an investment equity of R$ 4.97 billion at 06.30.20. Capef has 12,455 participants and beneficiaries. These participants are grouped into two pension plans: a defined benefit plan - DB Plan, closed for new participants, and a variable contribution plan - VC Plan I, created in 2010. The DB Plan closed 1H20 with 1,266 active participants, 3,821 retirees and 1,341 pensioners, and obtained a return of 2.01%, equivalent to 66.25% of its actuarial target of 3.04% (INPC + 5.50% per year). The VC I Plan is in the reserve accumulation phase. Until June 2020, this plan achieved a return of -1,72%, equivalent to -67,87% of its actuarial target of 2.53% (INPC + 5.00% per year). This negative return of the VC I Plan stems from the market crisis due to the Covid-19 pandemic, which led to a collapse in the health area combined with an economic crisis, strongly impacting the Financial Market. We point out, however, that Capef management has sought strategies that minimize the losses suffered. At 1H20, the plan had 5,714 active members, 271 retirees and 42 pensioners.

8. LEGAL INFORMATION

In relation to Brazilian Securities and Exchange Commission (CVM) Ruling No. 381/03, dated January 14, 2003, Banco do Nordeste informs hereby that Ernst & Young Auditores Independentes S/S, engaged as Independent Auditor, did not provide, in the first half of 2020, any services other than independent audit services.

Banco do Nordeste

MINISTÉRIO DA ECONOMIA

PÁTRIA AMADA BRASIL
GOVERNO FEDERAL

Financial Statements

BANK

In thousand of reais (R$)

Position:06.30.2020

BANCO DO NORDESTE DO BRASIL S.A.

HEAD OFFICE: Av. Dr. SILAS MUNGUBA, 5700 - FORTALEZA - CEARÁ

PUBLICLY HELD - CNPJ No. 07.237.373/0001-20

Individual Financial Statements

BALANCE SHEETS

Six-month period ended June 30, 2020 and year ended December 31, 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

ASSETS

		06.30.2020	12.31.2019
CURRENT ASSETS		**13.236.279**	**12.766.795**
CASH AND CASH EQUIVALENTS	**(Note 5)**	**3.028.418**	**3.444.451**
FINANCIAL INSTRUMENTS		**10.704.132**	**9.787.989**
INTERBANK INVESTMENTS	**(Note 6.a)**	**426.626**	**100.431**
SECURITIES	**(Note 7)**	**2.187.080**	**1.823.441**
Own portfolio		1.672.074	1.438.346
Linked to repurchase agreements		363.176	242.819
Linked to guarantees given		151.830	142.276
INTERBANK ACCOUNTS		**755.870**	**526.650**
Receipts and payments pending settlement		65.844	508
Linked Credits:			
Central Bank Deposits	(Note 8.a)	689.391	525.291
Correspondents		635	851
LOANS	(Note 9.a)	**5.604.189**	**5.412.295**
Public sector		75.396	75.318
Private sector		5.528.793	5.336.977
OTHER CREDITS		**1.730.367**	**1.925.172**
Exchange portfolio	(Note 10.a)	1.137.076	855.128
Income receivable	(Note 10.b)	22.107	18.319
Securities Trading	(Note 10.c)	37	20
Sundry	(Note 10.d)	571.147	1.051.705
ALLOWANCE FOR LOAN LOSSES ASSOCIATED WITH CREDIT RISK	(Note 9.d)	**(382.195)**	**(419.939)**
Allowance for loan losses		(284.835)	(330.178)
Allowance for losses on other credits		(97.360)	(89.761)
OTHER ASSETS		**22.686**	**29.952**
Other assets		16.125	15.412
(Valuation Allowance)		(572)	(581)
Prepaid expenses		7.133	15.121
PROVISIONS FOR IMPAIRMENT OF ASSETS	(Note 7.a.3)	**(136.762)**	**(75.658)**
NON-CURRENT ASSETS		**45.783.391**	**45.863.976**
FINANCIAL INSTRUMENTS		**43.091.599**	**42.923.186**
SECURITIES	(Note 7)	**38.080.730**	**37.998.820**
Own portfolio		35.788.958	36.112.739
Linked to repurchase agreements		1.700.111	1.304.444
Linked to guarantees given		585.614	575.692
Securities under Repurchase Agreements with Free Movement		6.047	5.945
INTERBANK ACCOUNTS		**76.926**	**74.903**
Linked Credits:			
National Treasury - Rural Credit Funds		-	152
National Housing System (SFH)	(Note 8.a)	76.926	74.751
LOANS	(Note 9.a)	**4.476.464**	**4.622.988**
Public sector		467.906	370.603
Private sector		4.008.558	4.252.385
OTHER CREDITS		**457.479**	**199.121**
Sundry	(Note 10.d)	484.852	226.475
(Allowance for Losses on Other Credits without Loan Features)	(Note 10.e)	(27.373)	(27.354)
ALLOWANCE FOR LOAN LOSSES ASSOCIATED WITH CREDIT RISK	(Note 9.d)	**(261.968)**	**(273.991)**
Allowance for loan losses		(261.968)	(273.991)
TAX CREDITS	(Note 21.c)	**2.944.172**	**3.066.241**
INVESTMENTS	(Note 12.a)	**1.412**	**1.592**
Other investments		6.697	6.878
(Provision for losses)		(5.285)	(5.286)
PROPERTY AND EQUIPMENT	(Note 12.b)	**602.699**	**595.890**
Property and equipment in use		281.360	174.027
Revaluation of property and equipment in use		-	107.132
Other property and equipment in use		321.339	314.731
INTANGIBLE ASSETS	(Note 12.c)	**721**	**563**
DEPRECIATION AND AMORTIZATION	(Note 12.b)	**(369.646)**	**(365.572)**
PROVISIONS FOR IMPAIRMENT OF ASSETS	(Note 7.a.3)	**(225.598)**	**(56.579)**
TOTAL ASSETS		**59.019.670**	**58.630.771**

BANCO DO NORDESTE DO BRASIL S.A.

HEAD OFFICE: Av. Dr. SILAS MUNGUBA, 5700 - FORTALEZA - CEARÁ

PUBLICLY HELD - CNPJ No. 07.237.373/0001-20

Individual Financial Statements

BALANCE SHEETS

Six-month period ended June 30, 2020 and year ended December 31, 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

LIABILITIES AND EQUITY

		30.06.2020	31.12.2019
CURRENT LIABILITIES		**16.314.462**	**13.619.087**
DEPOSITS AND OTHER FINANCIAL INSTRUMENTS		**13.416.114**	**9.952.358**
DEPOSITS	(Note 13.b)	**7.324.382**	**5.870.828**
Demand deposits		714.883	405.302
Savings deposits		3.651.232	2.633.831
Interbank deposits		1.705.681	1.165.021
Time deposits		1.252.586	1.666.674
OPEN MARKET FUNDING	(Note 13.c)	**2.062.369**	**1.545.801**
Own portfolio		2.062.369	1.545.801
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	**1.217**	**46.107**
INTERBANK ACCOUNTS		**50.131**	**429**
INTERDEPARTMENTAL ACCOUNTS		**4.792**	**3.493**
Third-party funds in transit		4.662	3.381
Internal transfers of funds		130	112
BORROWINGS	(Note 14.c)	**1.135.700**	**881.557**
DOMESTIC ONLENDING - OFFICIAL INSTITUTIONS	(Note 14.b)	**117.762**	**102.555**
National Treasury		123	168
National Bank for Economic and Social Development (BNDES)		100.870	88.080
FINAME		16.769	14.307
FOREIGN ONLENDING	(Note 14.d)	**76.673**	**57.504**
OTHER FINANCIAL INSTRUMENTS		**2.643.088**	**1.444.084**
Securities Trading		153	153
Financial and development funds		2.642.935	1.193.931
Debt Instruments Eligible to Capital	(Note 17)	-	250.000
OTHER LIABILITIES		**1.785.296**	**2.537.610**
Collection of taxes and other contributions	(Note 16.a)	45.517	1.699
Exchange portfolio	(Note 16.b)	1.489	1.354
Social and statutory	(Note 16.c)	23.158	337.855
Tax and social security	(Note 16.d)	476.042	951.086
Sundry	(Note 16.e)	1.239.090	1.245.616
INCOME RECEIVED IN ADVANCE	(Note 18)	**10.000**	-
PROVISIONS		**1.103.052**	**1.129.119**
Provision for Financial Guarantees Provided	(Note 9.f.1)	939.544	960.882
Actuarial Liabilities	(Note 24.j)	163.508	168.237
NON-CURRENT LIABILITIES		**36.816.612**	**39.584.279**
DEPOSITS AND OTHER FINANCIAL INSTRUMENTS		**31.319.210**	**34.133.276**
DEPOSITS	(Note 13.b)	**6.895.942**	**6.379.026**
Time deposits		6.895.942	6.379.026
OPEN MARKET FUNDING	(Note 13.c)	**6.028**	**5.924**
DOMESTIC ONLENDING - OFFICIAL INSTITUTIONS	(Note 14.b)	**1.020.025**	**1.065.182**
National Treasury		403	337
National Bank for Economic and Social Development (BNDES)		994.984	1.030.853
FINAME		24.638	33.992
FOREIGN ONLENDING	(Note 14.d)	**471.801**	**374.358**
Foreign onlending		471.801	374.358
OTHER FINANCIAL INSTRUMENTS		**22.925.414**	**26.308.786**
Subordinated Debt Eligible to Capital	(Note 17)	2.613.477	2.545.199
Financial and development funds		19.016.048	22.462.547
Debt Instruments Eligible to Capital	(Note 17)	1.295.889	1.301.040
INCOME RECEIVED IN ADVANCE	(Note 18)	**188.602**	-
PROVISIONS		**4.778.940**	**5.049.879**
Provision for Financial Guarantees Provided	(Note 9.f.1)	1.905.292	1.787.943
Actuarial Liabilities	(Note 24.j)	2.873.648	3.261.936
DEFERRED TAX OBLIGATIONS		**529.860**	**401.124**
EQUITY	(Note 19)	**5.888.596**	**5.427.405**
CAPITAL		**5.569.988**	**3.813.000**
REVALUATION RESERVES		**13.698**	**13.726**
INCOME RESERVES		**1.224.431**	**2.651.514**
OTHER COMPREHENSIVE INCOME		**(919.521)**	**(1.050.835)**
TOTAL LIABILITIES AND EQUITY		**59.019.670**	**58.630.771**

BANCO DO NORDESTE DO BRASIL S.A.

Individual Financial Statements

INCOME STATEMENTS

Six-month periods ended June 30, 2020 and 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

		06.30.2020	06.30.2019
INCOME FROM FINANCIAL INTERMEDIATION		**2.048.070**	**2.857.130**
Loans	(Note 9.a.2)	1.137.971	1.319.292
Gain (loss) on securities transactions	(Note 7.b)	561.487	1.408.204
Gain (loss) on derivative financial instruments		-	47.343
Foreign exchange gains (losses)	(Note 11.b)	338.507	69.486
Compulsory deposit gains (losses)	(Note 8.b)	10.105	12.805
EXPENSES FROM FINANCIAL INTERMEDIATION		**(1.374.771)**	**(1.610.486)**
Open Market Funding	(Note 13.d)	(237.791)	(489.654)
Borrowings and onlending	(Note 14.e)	(942.656)	(904.333)
Allowance for loan losses	(Note 9.e)	(194.324)	(216.499)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		**673.299**	**1.246.644**
OTHER OPERATING INCOME		**2.342.125**	2.318.036
Income from services provided	(Note 20.a)	1.310.782	**1.233.015**
Income from bank fees	(Note 20.b)	48.167	**44.745**
FNE-Del credere	(Note 20.f)	910.075	766.983
Other operating income	(Note 20.g)	73.101	273.293
OTHER OPERATING EXPENSES		**(2.537.673)**	**(2.397.359)**
Personnel expenses	(Note 20.c)	(1.049.747)	(999.790)
Other Administrative Expenses	(Note 20.d)	(659.885)	**(621.489)**
Tax Expenses	(Note 20.e)	(162.119)	(178.035)
Provission for Financial Guarantees Provided	(Note 20.h)	(388.620)	(142.052)
Provision for Contingent Liabilities	(Note 20.i)	(147.610)	(84.890)
Other operating expenses	(Note 20.j)	(129.692)	(371.103)
OPERATING INCOME (EXPENSES)		**477.751**	**1.167.321**
NON-OPERATING INCOME (EXPENSES)		**27.828**	**(3.319)**
INCOME BEFORE INCOME TAXES AND PROFIT SHARING		**505.579**	**1.164.002**
INCOME TAX AND SOCIAL CONTRIBUTION	(Note 21)	**(152.381)**	**(372.895)**
Provision for income tax		(177.046)	(155.406)
Provision for social contribution		(138.463)	(96.200)
Deferred tax asset		163.128	(121.289)
STATUTORY PROFIT SHARING	(Note 25)	**(20.661)**	**(46.330)**
NET INCOME		**332.537**	**744.777**
Number of shares (in thousands)		86.371	86.371
Basic/diluted earnings per share (in R$)		3,85	8,62

BANCO DO NORDESTE DO BRASIL S. A.

Individual Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

Six-month periods ended June 30, 2020 and 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2020	06.30.2019
NET INCOME FOR THE SIX-MONTH PERIOD	**332.537**	**744.777**
Items that may be reclassified to the Income Statement	**(123.243)**	**315.996**
Equity adjustments to available-for-sale securities	(228.915)	529.534
Tax effect on Equity adjustments to available-for-sale securities	105.644	(211.181)
Realization of Revaluation Reserve	50	(3.928)
Tax Effect on Realization of Revaluation Reserve	(22)	1.571
Items that may not be reclassified to the Income Statement	**254.585**	**(362.959)**
Actuarial Gains or losses	462.882	(604.931)
Tax Effect on Actuarial Gains or Losses	(208.297)	241.972
COMPREHENSIVE INCOME	**463.879**	**697.814**

BANCO DO NORDESTE DO BRASIL S.A.

Individual Financial Statements

STATEMENTS OF CHANGES IN EQUITY

Six-month periods ended June 30, 2020 and 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

EVENTS	PAID-IN CAPITAL	Revaluation Reserves	INCOME RESERVES				OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
		OWN ASSETS	LEGAL RESERVE	RESERVE FOR OPERATIONAL MARGIN	RESERVE FOR COMPLEMENTARY DIVIDEND EQUALIZATION	SPECIAL INCOME RESERVES			
BALANCES AT 12.31.2018	**2.844.000**	**13.979**	**307.691**	**1.400.900**	**568.800**	**-**	**(950.962)**	**28.471**	**4.212.879**
PRIOR YEARS' ADJUSTMENTS									
Creditors								(919)	(919)
OTHER COMPREHENSIVE INCOME									
Equity Adjustments to Securities (Net of Taxes)							318.353		318.353
Actuarial Gains or Losses (Net of Taxes)							(362.959)		(362.959)
CAPITAL INCREASE:									
From Reserves:									
Incorporation into Capital	969.000			(969.000)					-
OTHER EVENTS:									
Revaluation of Assets:									
Realization of Revaluation Reserves (Net of Taxes)		12						(12)	-
Realization of Revaluation Reserve JUN19-CMN Resolution No. 4535 (Net of Taxes)		(42)						42	-
NET INCOME FOR THE SIX-MONTH								744.777	744.777
Allocations:									
Reserves			37.239	550.771				(588.010)	-
Remuneration of Capital Payable:									
Dividends								(17.507)	(17.507)
Interest on Equity (IOE)								(166.842)	(166.842)
BALANCES AT 06.30.2019	**3.813.000**	**13.949**	**344.930**	**982.671**	**568.800**	**-**	**(995.568)**	**-**	**4.727.782**
CHANGES FOR THE SIX-MONTH	**969.000**	**(30)**	**37.239**	**(418.229)**	**-**	**-**	**(44.606)**	**(28.471)**	**514.903**
BALANCES AT 12.31.2019	**3.813.000**	**13.726**	**394.525**	**1.494.389**	**762.600**	**-**	**(1.050.835)**	**-**	**5.427.405**
PRIOR YEARS' ADJUSTMENTS									
Creditors								218	218
Debtors								(2.809)	(2.809)
OTHER COMPREHENSIVE INCOME:									
Equity Adjustments to Securities (Net of Taxes)							(123.271)		(123.271)
Actuarial Gains or Losses (Net of Taxes)							254.585		254.585
CAPITAL INCREASE:									
From Reserves:									
Incorporation into Capital	1.756.988			(1.472.588)	(284.400)				-
OTHER EVENTS:									
Revaluation of Assets:									
Set up of Reserves (Net of Tax)		(28)						28	-
OTHER (Transfer to Retained Earnings (Accumulated Losses) - AGM held on 03.27.2020)				(69)				69	-
Provision for Complementary Dividends - Year 2019 - AGM held on 03.27.2020								(69)	(69)
NET INCOME FOR THE SIX-MONTH PERIOD								332.537	332.537
Allocations:									
Legal and Statutory Reserves			16.627	176.075	58.691			(251.393)	-
Special Income Reserves						78.581		(78.581)	-
BALANCES AT 06.30.2020	**5.569.988**	**13.698**	**411.152**	**197.807**	**536.891**	**78.581**	**(919.521)**	**-**	**5.888.596**
CHANGES FOR THE SIX-MONTH	**1.756.988**	**(28)**	**16.627**	**(1.296.582)**	**(225.709)**	**78.581**	**131.314**	**-**	**461.191**

BANCO DO NORDESTE DO BRASIL S.A.

Individual Financial Statements

STATEMENTS OF CASH FLOWS

Six-month periods ended June 30, 2020 and 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2020	06.30.2019
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME FOR THE SIX-MONTH PERIOD	**332.537**	**744.777**
Adjustments to Net Income:		
Depreciation and Amortization Expenses	6.203	5.736
Provision for Impairment of Other Assets, net	5	2.644
Allowance for loan losses, Bank's Credit Risk - net	184.671	176.265
Allowance for other credits, Bank's Credit Risk - net	9.653	40.234
Provision for Financial Guarantees Provided, net (FNE risks)	385.980	140.031
Provision for Financial Guarantees Provided, net (FDNE risks)	597	41
Provision for Contingencies, net	50.073	41.647
Provision for Other Contingencies, net	96.505	43.032
Actuarial Liabilities (Post-Employment Benefits)	177.195	137.863
Provision for Debt Instruments Eligible to Principal Capital	28.236	157.532
Monetary Restatement of Judicial Deposits	5.891	8.810
Deferred Tax Asset	(163.128)	121.289
Provision for Losses on Linked Credits - SFH	(50)	(49)
Restatement of Debt Instruments Eligible to Principal Capital	3.251	4.674
Provision for charges on issue of Financial Bills	16.388	2.072
Monetary Restatement of Appeal Deposits	(6.548)	(6.264)
Monetary Restatement of Dividends and IOE	1.828	-
Provisions for Impairment of Assets	230.122	-
Adjusted Net Income for the Six-Month Period	**1.359.409**	**1.620.334**
Interbank investments	(326.194)	88.853
Interbank and Interdepartmental accounts	(180.194)	6.128
Loans	(230.042)	(128.238)
Other Credits	458.351	17.633
Allowance on Loan Losses Associated with Credit Risk	(49.766)	51.042
Tax Credits	122.069	(105.561)
Other Assets	7.941	2.573
Deposits	1.964.579	(454.419)
Open Market Funding	516.672	188.717
Funds from acceptance and issue of securities	(44.890)	38.686
Borrowings and Onlending	340.805	(73.596)
Derivative financial instruments	-	564.072
Other Liabilities	(662.345)	(558.886)
Provisions	(297.006)	473.344
Income Received in Advance	198.602	-
Other Financial Instruments	(2.184.369)	1.247.632
Deferred Tax Obligations	128.736	190.483
Reversal of Realization of Revaluation Reserve - CMN Resolution No. 4535	-	2.387
Realization of Revaluation Reserve of June 2019 - CMN Resolution No. 4535	-	(30)
Income Tax and Social Contribution Paid	(368.602)	(135.227)
Prior Years' Adjustments	(2.591)	27.582
CASH PROVIDED BY OPERATING ACTIVITIES	**751.165**	**3.063.509**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	-	(1)
Investments in property and equipment in use	(9.499)	(60.496)
Investments in Intangible Assets	(158)	-
Investments in assets not for own use	(678)	(6.428)
Disposal of Investments	180	-
Disposal (Write-off) of Property and Equipment in Use	561	395
Write-off of Intangible Assets	-	19.385
Disposal of assets not for own use	-	3.144
Securities Available for Sale	(568.820)	(2.179.606)
CASH USED IN INVESTING ACTIVITIES	**(578.414)**	**(2.223.607)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Dividends as IOE	(95.545)	(131.021)
Payment of Eurobonds	-	(1.208.582)
Payment of Interest on Debt Instruments Eligible to Principal Capital	(243.239)	(178.156)
Amortization of Debt Instruments Eligible to Principal Capital	(250.000)	-
CASH USED IN FINANCING ACTIVITIES	**(588.784)**	**(1.517.759)**
Decrease in cash and cash equivalents	**(416.033)**	**(677.857)**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
At beginning of period	3.444.451	7.615.109
At end of period	3.028.418	6.937.252
Decrease in cash and cash equivalents	**(416.033)**	**(677.857)**

BANCO DO NORDESTE DO BRASIL S. A.

Individual Financial Statements

STATEMENTS OF VALUE ADDED

Six-month periods ended June 30, 2020 and 2019

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2020	%	06.30.2019	%
INCOME	**3.557.777**		**4.357.303**	
Financial intermediation	2.048.070		2.857.130	
Services rendered and bank fees	1.358.949		1.277.760	
Allowance for loan losses	(194.324)		(216.499)	
Other income/expenses	345.082		438.912	
EXPENSES FROM FINANCIAL INTERMEDIATION	**(1.180.447)**		**(1.393.987)**	
INPUTS ACQUIRED FROM THIRD PARTIES	**(633.004)**		**(598.164)**	
Materials, energy and other expenses	(44.056)		(46.302)	
Third-party services	(371.271)		(328.424)	
Other	**(217.677)**		**(223.438)**	
Data processing and telecommunications	(124.111)		(135.897)	
Advertising, promotions and publications	(16.697)		(8.146)	
Transportation	(13.611)		(13.616)	
Security	(30.535)		(31.525)	
Travel	(4.352)		(7.846)	
Other	(28.371)		(26.408)	
GROSS VALUE ADDED	**1.744.326**		**2.365.152**	
RETENTIONS	**(6.203)**		**(5.736)**	
Depreciation, Amortization and Depletion	(6.203)		(5.736)	
NET VALUE ADDED PRODUCED BY THE ENTITY	**1.738.123**		**2.359.416**	
TOTAL VALUE ADDED TO BE DISTRIBUTED	**1.738.123**		**2.359.416**	
DISTRIBUTION OF VALUE ADDED	**1.738.123**		**2.359.416**	
PERSONNEL	**928.489**	**53,4**	**911.337**	**38,6**
WORK COMPENSATION	**610.792**	**35,14**	**636.216**	**27,0**
Salaries	590.131		589.886	
Profit sharing	20.661		46.330	
BENEFITS	**271.543**	**15,62**	**231.182**	**9,8**
Provisions (post-employment benefits)	177.755		138.516	
Benefits – Other	93.788		92.666	
Unemployment Compensation Fund (FGTS)	**46.154**	**2,66**	**43.939**	**1,9**
TAXES, RATES AND CONTRIBUTIONS	**456.419**	**26,3**	**685.713**	**29,1**
Federal	435.049		665.519	
State	10		35	
Municipal	21.360		20.159	
THIRD-PARTIES CAPITAL REMUNERATION	**20.678**	**1,2**	**17.589**	**0,7**
Rent	20.678		17.589	
EQUITY REMUNERATION	**332.537**	**19,1**	**744.777**	**31,6**
INTEREST ON EQUITY (IOE)	**-**	**4,5**	**166.842**	**7,1**
Federal Government	-		92.521	
Other	-		74.321	
DIVIDENDS	**-**	**0,0**	**17.507**	**0,7**
Federal Government	-		9.709	
Other	-		7.798	
RETAINED PROFITS FOR THE SIX-MONTH PERIOD	**332.537**	**14,6**	**560.428**	**23,8**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF BANCO DO NORDESTE DO BRASIL S.A.

Six-month periods ended June 30, 2020 and 2019 and year ended December 31, 2019

Amounts expressed in thousands of reais, unless otherwise stated

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NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of 07.19.1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará State, Brazil, and its mission is: "to operate as the Development Bank for the Brazilian Northeast Region".Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks.As an institution devoted to regional development, the Bank operates as the executive agent of public policies and is responsible for managing Fundo Constitucional de Financiamento do Nordeste (FNE) - the main source of funds used by the Bank for long-term financing - and the operation of the National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf) in its jurisdiction. The Bank is also the operator of the Northeast Investment Fund (Fundo de Investimentos do Nordeste - FINOR) and the Northeast Development Fund (Fundo de Desenvolvimento do Nordeste - FDNE).It has the largest micro-financing program in Latin America, consolidated under Crediamigo and Agroamigo, which facilitate access to loans to small entrepreneurs who engage in production-related, product sale, and service activities in urban and rural areas.In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through funds raised directly, as well as partnerships with domestic and foreign institutions, including multilateral institutions such as the World Bank and the InterAmerican Development Bank (IDB).

NOTE 2 - Basis of Preparation and Presentation of Financial Statements

The financial statements were prepared in accordance with the provisions of the Brazilian Corporation Law (Law No. 6404 of 12.15.1976, as amended), and regulations of the National Monetary Council (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - BACEN), and the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM).

CMN Resolution No. 4720 of 05.30.2019 and Bacen Circular No. 3959 of 09.04.2019 changed, as of 01.01.2020, the general criteria for preparing and disclosing Financial Statements in effect until then, with emphasis on the segregation of Assets and Liabilities of the Balance Sheet into Current and Non-Current, change in the presentation of the Income Statement and the requirement to present the Statement of Comprehensive Income. It should be stressed that the adoption of these measures had no impact in relation to the criteria until then adopted by the Bank; however, for the purposes of comparison, the presentation formats

of the Balance Sheet and of the Income Statement for 2019 were changed to adapt to the new format, without any changes to the items and amounts of these Statements.

The Financial Statements were prepared on agoing-concern basis, since management considers that the Bank has sufficient resources to continue operating in order to fulfill its mission and business purpose. There are no material uncertainties that may cast significant doubts as to the Bank's ability to continue as a going concern.

The pronouncements issued by Brazil's Financial Accounting Standards Board - FASB (Comitê de Pronunciamentos Contábeis - CPC) in the process of convergence between the Brazilian accounting standards and the International Financial Reporting Standards (IFRS), adopted by the CMN by way of rules amended as well as those approved by the CVM that do not clash with CMN rules, are included in these Financial Statements as follows:

- CPC 00 (R1) - Conceptual Framework for the Preparation and Presentation of Financial Statements (CMN Resolution No. 4144 of 09.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566 of 05.29.2008);
- CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements (CVM Rule No. 640 of 10.07.2010);
- CPC 03 - Statement of Cash Flows (CMN Resolution No. 3604 of 08.29.2008);
- CPC 05 - Related-Party Disclosures (CMN Resolution No. 3750 of 06.30.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557 of 11.12.2008);
- CPC 12 - Present Value Adjustment (CVM Rule No. 564 of 12.17.2008);
- CPC 22 - Segment Reporting (CVM Rule No. 582 of 07.31.2009);
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors (CMN Resolution No. 4007 of 08.25.2011);
- CPC 24 - Subsequent Events (CMN Resolution No. 3973 of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823 of 12.16.2009);
- CPC 26 (R1) - Presentation of Financial Statements (CVM Rule No. 760 of 12.22.2016);
- CPC 27 - Property and Equipment (CMN Resolution No. 4535 of 11.24.2016);
- CPC 32 - Income Taxes (CVM Rule No. 599 of 09.15.2009);
- CPC 33 (R1) - Employee Benefits (CMN Resolution No. 4424 of 06.25.2015);
- CPC 41 - Earnings per Share (CVM Rule No. 636 of 08.06.2010); and
- CPC 46 - Fair Value Measurement (CMN Resolution No. 4748 of 08.29.2019);

Note 3 - Summary of Significant Accounting Practices

a) Functional Currency

The Bank's functional and reporting currency is the Brazilian real.

Assets and liabilities denominated in foreign currency are recognized at the average currency rate in force on the transaction date, while nonmonetary assets are stated at historical cost.

At the end of each period, monetary assets and liabilities denominated in foreign currency are restated by the average exchange rate, and variations are recorded in P&L.

b) P&L recognition criteria

Revenues and expenses are recognized on a monthly basis, following the accrual method and considering the pro rata temporis criterion.

c) Current and Non-Current Assets and Liabilities

Assets and receivables are stated at realizable values, plus income earned and currency variations and currency fluctuation, less unearned income or allowance, if applicable.Liabilities are stated at original amounts plus, if applicable, charges and monetary and currency variations incurred, less deferred expenses. Funds available from FNE are classified in Current liabilities and Non-Current payables according to the expected outflow of funds.

Receivables and payables are recorded in Current assets and Non-Current receivables and in Current liabilities and Non-Current payables, respectively, according to maturity dates.

d) Cash and cash equivalents

These correspond to the balances of cash and cash equivalents, interbank investments and securities immediately convertible into cash or with original maturity equal to or less than ninety days from the investment date, with an insignificant risk of change in their market value.

e) Interbank Investments

Interbank investments are recorded at acquisition cost or investment value, plus income earned and adjusted by the provision for losses, when applicable.

f) Securities

Securities are recorded at cost, plus brokerage and other fees, and are classified and evaluated as follows:

Available-for-sale securities: securities not classified as either trading securities or held-to-maturity securities and reported at marked value, net of taxes, matched against Equity; and

Held-to-maturity securities: securities that the Bank has the positive intent and ability to hold to maturity, stated at acquisition cost, plus income earned, matched against P&L for the period.

The classification of Available-for-sale securities and Held-to-maturity securities in current assets and non-current receivables was determined according to their maturities, which does not mean unavailability of the securities, which are of the highest quality and highly liquid.

The methodology for adjusting the market value of securities was established in accordance with consistent and verifiable criteria, according to the following order of priority:

1st - Market Prices disclosed by the National Association of Financial Market Institutions (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais - Anbima) and B3 S.A (Brasil Bolsa Balcão);

2nd - Goodwill/Negative Goodwill on transactions occurred over the past 3 months in B3 S.A.; and

3rd - calculation of probable realizable value based on own pricing model. In this case, the present value is determined by discounted cash flow by the market rate, net of the risk factor and of the discount for the low liquidity, such as the Financial Bills and Debentures.

Gains on securities, irrespective of the category into which they are classified, are appropriated on a pro rata day basis and on an accrual basis, through maturity date or definitive sale of the security, according to the compound interest method or the straight-line method, based on remuneration clauses and acquisition rate distributed in the passage of time and recorded directly in P&L for the period.

Losses on available-for-sale and held-to-maturity securities that are not characterized as temporary losses are recognized directly in P&L for the period and begin to compose the new base of the asset cost.

At the time of disposal, the difference between the sale price and the acquisition cost restated by income is considered as a result of the transaction and is recorded at the transaction date as gain or loss on securities.

g) Loans, Advances on Exchange Contracts, Other Credits with Loan Features and Allowance for Loan Losses Associated with Credit Risk

These are classified in accordance with ,management's judgment on risk level, taking into consideration the economic scenario, past experience and specific risks related to the operation, debtors and guarantors, considering the standards established by CMN Resolution No. 2682 of 12.21.1999, which require the periodic analysis of the portfolio and its rating into nine risk levels, where "AA" is the minimum risk and "H" is the maximum risk, as well as the classification of operations in arrears for more than 15 days as past due operations.

Income from loans overdue for more than 59 days, regardless of the risk level, is only recognized as revenue when effectively received.

H-rated operations remain under this rating for 180 days, when they are then written off against the existing allowance and controlled for at least five years, no longer being included in the balance sheets.

Renegotiated operations remain, at least, at the same level as previously classified.

Renegotiated loans that have been written off against the allowance are rated as H, and any recoveries are recognized as income when received.

Considering the pandemic scenario due to COVID-19, loans are considered susceptible to the impacts caused on all sectors of the economy, to a greater or lesser extent, in view of social and economic uncertainties. Accordingly, for the coming months, with regard to credit risk management, an increase in default levels is possible and, as a result, in the volumes of the allowance for loan losses. To mitigate these risks, the Bank recorded the prudential allowances/provisions as described in Notes 9.c, 26.d and 30.a.

h) Prepaid expenses

These refer to funds used in prepayments, whose benefits or service rendering will occur in coming years. Prepaid expenses are recorded at cost and amortized as the services are rendered and benefits generated.

i) Investments, property and equipment and intangible assets

Investments: these are stated at cost, net of Provision for Losses.

Property and equipment in use: stated at acquisition cost, less impairment losses and related depreciation, are calculated by the straight-line method, from the moment of availability of the asset for use, considering the estimated useful lives of the assets, as follows:Buildings and Facilities - 40 to 60 years; Furniture and Fixtures - 10 to 45 years; Machinery and Equipment - 15 to 35 years; Aircraft - 20 years; and Vehicles (cars, tractors and bicycles) - 10 to 30 years.Land and works of art are not depreciated.The depreciation method, useful life and residual values are reviewed every year.

Intangible assets: correspond to identifiable non-monetary assets, without physical substances, internally acquired or developed and intended for the maintenance of the Bank's activities.

j) Taxes

Corporate Income Tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R$240 thousand for the year), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 15%, after adjustments in Corporate Profit defined in tax legislation. The Constitutional Amendment No. 103/2019 increased the CSLL rate to 20%, from 03.01.2020. The federal contribution taxes on gross revenue for Public Service Employee Savings Program (Pasep) and for Social Security Financing (Cofins) are calculated at the rates of 0.65% and 4%, respectively. The Service Tax (ISSQN) is calculated according to the legislation of each municipality, with rates ranging from 2% to 5%.

The total IRPJ and CSLL tax burden is comprised of the provision for these taxes (current expense + deferred tax liability) and of deferred tax asset. Current expense refers to the amount effectively paid to the federal treasury. Deferred tax assets and liabilities are deferred taxes arising from income tax and social contribution losses and temporary differences between accounting and tax base. Temporary differences arise, for example, from allowances for loan losses, provisions for post-employment benefits, other provisions for contingencies, market value adjustments, income from renegotiations - taxed on a cash basis (article 12, paragraph 2 of Law No. 9430 of 12.27.1996), depreciation, etc.

The recognition of IRPJ/CSLL deferred tax assets and liabilities is based on their estimated realization, according to technical studies performed by management every six month, considering the tax rates in force in the realization period of these assets.Under assets, these tax credits are recorded in "Other credits - Sundry", according to the expected generation of deferred income, in accordance with the criteria for recognition, maintenance and write-off established by CMN Resolution No. 3059/2002 and Bacen Circular No. 3171/2002. In the case of Deferred Tax Liabilities, this legislation has not established limits for recognition and maintenance, since their realization does not require future profits.

Deferred Tax Assets and Liabilities are realizable according to their origin.Those arising from temporary differences are realized through the use or reversal of the provisions that served as the basis for their recognition, and the main realization criteria are as follows:

- Allowances for loan losses associated with credit risk: a) credit reimbursement schedule; and b) classification under losses according to Law No. 9430/1996;
- Other Provisions: payment forecast (contribution flow, stock market prediction, etc.);
- Market Value Adjustment: contractual term;
- Revenues from renegotiations, taxed on a cash basis (article 12, paragraph 2 of Law No. 9430/1996: credit reimbursement schedule; and
- Depreciation: forecast for appropriation of depreciation expenses.

In turn, the tax credits on income tax and social contribution losses are realized upon generation of taxable profits, through offsetting in the tax base of referred to taxes, respecting the limit of 30% of referred to base.

Current and deferred taxes are recognized in the Income Statement, except when they result from a transaction recognized directly in Equity, case in which the tax effect is recognized in Equity (in Other Comprehensive Income).

k) Employee benefits

The Bank grants its employees current and post-employment benefits. Current benefits are recognized and measured at their original amounts (excluding the effect of the discount to present value or actuarial calculation), on an accrual basis.
Post-employment benefits refer to “defined benefit” and “variable contribution” pension plans, as well as a defined benefit health care plan and defined benefit group life insurance.
For “defined benefit” plans and for the portion of unplanned benefits of the variable contribution plan, which has characteristics of defined benefit plan, the net current service cost and net interest on net actuarial liabilities, including interest on the defined benefit asset limit effect, as applicable, are recognized in P&L, whereas actuarial gains and losses and return on plan assets, less amounts considered in net interest, are recognized under “Other Comprehensive Income”, in Equity.
Contributions referring to the portion of defined contribution of the variable contribution plan are recognized in P&L.
To mitigate the uncertainties arising from actuarial calculations, the Bank counts on specialized advisory service firms that, on a quarterly basis, remeasure these calculations, which include sensitivity analysis, encompassing the simulation of scenarios of assumptions considered most significant, such as interest rate, mortality table and healthcare inflation.

m) Deposits and open market funding

These are recognized at the amount of liabilities, and related charges, when applicable, are recorded on a pro rata day basis.

n) Impairment of assets

Impairment losses are recognized when the carrying amount of an asset exceeds its recoverable amount. Significant nonfinancial assets and financial assets classified as available-for-sale and held-to-maturity are reviewed at least at the end of each reporting period, to determine if there is any indication of impairment loss.

o) Provisions, Contingent Assets, Contingent Liabilities and Legal Obligations

Provisions, contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3823 of 12.16.2009, and BACEN Circular Letter No. 3429 of 02.11.2010.
Provisions for civil, tax, labor and other claims are recognized in the financial statements when, based on the opinion of legal advisors and management, the likelihood of loss in a given legal or administrative proceeding is assessed as probable, the settlement of which is likely to result in an outflow of economic benefits, and the amounts involved can be reliably measured upon court reference/notification, reviewed as required by procedural changes, and monetarily restated on a monthly basis.
The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing lawsuits are made case by case and classified according to the likelihood of loss, as probable, possible and remote, except for the proceedings under procedural steps in the Special Civil Courts and Regional Labor Offices, whose provision are assessed based on the historical average of losses.
Contingencies classified as probable losses are accounted for and represented by Civil proceedings (claiming compensation for pain and suffering and property damage, including, among others, protest of notes, return of checks, and provision of information to credit reporting agencies); Labor claims (claiming labor rights, in light of specific professional category legislation, such as overtime pay, salary equalization, job reinstatement, transfer allowance, severance pay, retirement supplementation, including enforcement notices issued by Regional Labor Offices and others); Tax and Social Security proceedings (represented by legal and administrative proceedings involving federal and municipal taxes); and Other proceedings (such as enforcement notices issued by Regional Councils that regulate the exercise of professions).For lawsuits unfavorable outcome of which is possible or remote, provisions are not set up, as provided for in legal and regulatory requirements, except for legal obligations.
Contingent assets are not recognized in the financial statements.
Legal obligations derive from tax obligations and a provision in their full amount is recognized in the financial statements, regardless of the likelihood of success in ongoing lawsuits.

p) Subordinated debts

These are recorded at the cost of acquisition, restated by reference to the extra-market rate disclosed by Bacen when the funds are available and, when invested, by reference to the charges agreed upon by the borrowers.

q) Interest on Equity (IOE) and Dividends

The shareholders are entitled to receive, as mandatory minimum dividend for each year, 25% (twenty-five percent) of the net income for the year, pursuant to legislation, as established in the Bank's Charter.Interest on equity may be attributed on minimum dividends.

r) Use of estimates

The preparation of the financial statements includes estimates and assumptions, such as in determining allowances for loan losses, market value measurement of financial instruments, provision for contingencies, impairment losses and other provisions, e.g. provision for actuarial liabilities for health care and complementary pension plans, and life insurance, as well as for set up and realization of Deferred tax Assets/Liabilities.Actual results could differ from such estimates and assumptions.

s) Earnings (loss) per share

The Bank's basic and diluted earnings per share were calculated by dividing net income attributable to shareholders by the weighted average number of total common shares. The Bank has no stock option, subscription bonus or any other right to acquire shares. Accordingly, basic and diluted earnings per share are the same.

NOTE 4 - Segment Reporting

For management purposes, the Bank is organized into two operating segments based on products and services:

a) Own Portfolio - comprises own portfolio products and services such as: lending and market operations, fund management and provision of other banking services and collaterals; and

b) FNE - comprises loans within the scope of FNE.

Bank management manages operating income separately in order to make decisions on the fund allocation and performance assessment. The performance of each segment is assessed based on the financial margin plus bank fees.

For the periods ended 06.30.2020 and 06.30.2019, no revenue from transactions with one single customer accounted for 10% or more of the Bank's total revenue.

The table below shows information on revenues, costs, expenses and financial margin of operating segments. Administrative expenses, as well as other expenses not directly allocated to each operating segment, are classified as corporate expenses and were included in column "Total":

Specification	01.01 to 06.30.2020			01.01 to 06.30.2019		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	**1,716,044**	**1,343,030**	**3,059,074**	**2,303,954**	**1,590,133**	**3,894,087**
Income from Loans	1,137,971	-	1,137,971	1,319,292	-	1,319,292
Gain (Loss) securities	130,563	430,924	561,487	587,034	821,170	1,408,204
Gain (loss) on derivative financial instruments	-	-	-	47,343	-	47,343
Foreign Exchange Gain (Loss)	338,507	-	338,507	69,486	-	69,486
Compulsory Investment Gains (Losses)	10,105	-	10,105	12,805	-	12,805
Other Revenues	98,898	912,106	1,011,004	267,994	768,963	1,036,957
Expenses	**-924,114**	**-838,668**	**-1,762,782**	**-779,255**	**-973,242**	**-1,752,497**
Open market expenses	-237,791	-	-237,791	-489,654	-	-489,654
Expenses on Borrowings and Onlending	-491,999	-450,657	-942,656	-73,102	-831,231	-904,333
Allowance for Credit Risk (Note 9)	-194,324	-388,011	-582,335	-216,499	-142,011	-358,510
Financial Margin	**791,930**	**504,362**	**1,296,292**	**1,524,699**	**616,891**	**2,141,590**
Service Revenues	338,457	972,325	1,310,782	308,083	924,932	1,233,015
Income from Fees, Charges and Commissions	48,167	-	48,167	44,745	-	44,745
PASEP and COFINS	**-36,943**	**-103,417**	**-140,360**	**-45,816**	**-111,479**	**-157,295**
Income after Fees and Commissions	**1,141,611**	**1,373,270**	**2,514,881**	**1,831,711**	**1,430,344**	**3,262,055**
Administrative Expenses			**-1,709,632**			**-1,621,279**
Personnel Expenses			-1,049,747			-999,790
Depreciation and Amortization			-6,203			-5,736
Other Administrative Expenses			-653,682			-615,753
Other expenses			**-152,104**			**-392,095**
Expenses with Provisions, Except Allowance for Loan Losses			**-147,566**			**-84,679**
Income Before Taxation and Profit Sharing			**505,579**			**1,164,002**
Income Tax and Social Contribution			-152,381			-372,895
Profit Sharing			-20,661			-46,330
Net Income			**332,537**			**744,777**

Note 5 - Cash and Cash Equivalents

Specification	06.30.2020	12.31.2019
Cash and cash equivalents in local currency	177,110	166,586
Cash and cash equivalents in foreign currency	2,664	1,939
Total cash and cash equivalents	**179,774**	**168,525**
Interbank investments[1]	2,848,644	3,275,926
Total cash and cash equivalents	**3,028,418**	**3,444,451**

(1)Transactions whose maturity on the investment date is within 90 days.

Note 6 - Interbank Investments

a) Breakdown

Specification	06.30.2020	12.31.2019
Interbank Deposits investment	**426,626**	**100,431**
Foreign Currency Investment	33,459	24,440
Interbank Deposits Investment	393,167	75,991
Total	**426,626**	**100,431**
Current	426,626	100,431

NOTE 7 - Securities

a) Securities

The restated cost (plus income earned) and the market value of securities are as follows:

a.1) Securities Portfolio

Specification	06.30.2020	12.31.2019
Securities available for sale [1]	39,628,901	39,423,052
Securities held to maturity	276,549	266,972
Total	**39,905,450**	**39,690,024**
Current	2,050,318	1,747,783
Non-Current	37,855,132	37,942,241

[1] Net of Provisions for Impairment of Assets.

a.2) Securities portfolio

Securities available for sale	06.30.2020										12.31.2019	
	Market value					Final maturity	Cost value	Market/book value	Market adjustment	Fair value measurement Level	Market/ book value	Market adjustment
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days							
Fixed Income Securities	**13,000**	**-**	**1,734,792**	**106,532**	**36,992,969**		**38,695,748**	**38,847,293**	**151,545**		**38,650,858**	**371,940**
Financial Treasury Bills (LFT)	-	-	1,498,039	106,532	32,823,775	2020 to 2025	34,434,773	34,428,346	-6,427	Level 1	34,367,391	9,960
National Treasury Notes (NTN)	-	-	-	-	3,023,932	2050 to 2055	2,535,447	3,023,932	488,485	Level 1	3,255,427	878,789
Financial Bills	-	-	236,729	-	1,047,939	2020 to 2023	1,323,702	1,284,667	-39,034	Level 3	887,069	-33,827
Debentures [1]	13,000	-	-	-	94,529	2026 to 2041	398,448	107,529	-290,919	Level 3	137,935	-444,237
Federal Government Securities - FCVS	-	-	-	-	2,739	2027	3,293	2,739	-554	Level 2	2,959	-597
Federal Government Securities - Other	-	-	-	-	-		-	-	-		-	-38,141
Agrarian Debt Bonds (TDAs)	-	-	24	-	56	2020 to 2022	85	79	-6	Level 2	77	-7
Investment Fund Shares	**498**	**-**	**-**	**-**	**-**		**2,086**	**498**	**-1,588**		**487**	**-1,602**
Social Development Funds (FDS)	-	-	-	-	-	No Maturity	1,588	-	-1,588	Level 3	-	-1,602
Investment Guarantee Fund (FGI)	453	-	-	-	-	No Maturity	453	453	-	Level 2	445	-
Operation Guarantee Fund (FGO)	45	-	-	-	-	No Maturity	45	45	-	Level 2	42	-
Variable Income Securities	**44,680**	-	-		**-**		**23,241**	**44,680**	**21,439**		**53,739**	**30,498**
Other Tax Incentives (FINOR)	163	-	-	-	-	No Maturity	109	163	54	Level 1	171	62

Shares Issued by Publicly-Held Companies	44,517	-	-	-	-	No Maturity	23,132	44,517	21,385	Level 1	53,568	30,436
Security Deposits [1]	**-**	**-**	**150,816**	**-**	**585,614**		**735,998**	**736,430**	**432**		**717,968**	**-91**
Financial Treasury Bills (LFT)	-	-	144,783	-	585,614	2020 to 2025	729,909	730,397	488	Level 1	717,968	875
Federal Government Securities - Other	-	-	-	-	-		-	-	-		-	-966
Debentures	-	-	6,033	-	-	2020	6,089	6,033	-56	Level 3	-	-
Total of Category	**58,178**	**-**	**1,885,608**	**106,532**	**37,578,583**		**39,457,073**	**39,628,901**	**171,828**		**39,423,052**	**400,745**
Tax credit (Note 21.c)									154,528			231,429
Provision for Deferred Taxes and Contributions (Note 21.d)									-230,779			-413,323
Total Market Value Adjustment									**95,577**			**218,851**

[1] Breakdown:Guarantees on Stock Exchange Transactions R$545,094 (R$535,858 at 12.31.2019); Guarantees on Clearing House Association Transactions R$3,322 (R$3,265 at 12.31.2019); Guarantees on Legal Proceedings R$157,948 (R$149,288 at 12.31.2019); and Other Guarantees R$30,066 (R$29,557 at 12.31.2019).

In view of the classification of assets under “Available-for-sale securities”, the amount of R$ 171,828 (R$ 400,745 at 12.31.2019) are recorded in the Bank’s Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to R$ 95,577 (R$ 218,851 at 12.31.2019).

a.3) Permanent Losses on Available-for-sale securities

Specification	Cost	Provisions for impairment of Assets[1]	Cost, net of provision	
			06.30.2020	12.31.2019
Financial Bills	1,330,069	(278)	1,329,791	920,896
Debentures	720,705	(322,257)	398,448	582,172
Federal government securities - other	39,825	(39,825)	-	39,107
Total at 06.30.2020	**2,090,599**	**(362,360)**	**1,728,239**	
Total at 12.31.2019	**1,674,412**	**(132,237)**		**1,542,175**

[1] As provided for in article 6 of Bacen Circular No. 3068 of 11.08.2001, the amount of R$230,122 was recognized as permanent loss, of which:(a) R$39,825 that was recorded in "Federal Government Securities - Other", referring to the write-off of government securities denominated by the National Treasury as NUCL910801, from information obtained by the Bank, regarding difficulties for its recoverability; (b) R$190,019 of the Debentures portfolio; and (c) R$278 of the Financial Bills (LF) portfolio.(In 2019, the amount of R$126,781, in the Debentures portfolio, was recognized as permanent loss).

Changes in Securities measured at fair value (Level 3):

Specification	Financial Bills	Debentures	BlockedFinancial Bills
Balance at 12.31.2019	**887,068**	**137,935**	**-**
Purchases / Judicial Block	380,846	-	6,054
Income	22,208	6,294	66
Permanent Losses[1]	(247)	(190,019)	(31)
Market Adjustment[2]	(5,207)	153,319	(56)
Balance at 06.30.2020	**1,284,668**	**107,529**	**6,033**

[1] Amounts recognized in P&L.
[2] Amounts recognized in other comprehensive income.

Securities held to maturity	06.30.2020							12.31.2019	
	Cost value				Final maturity	Cost (book) value	Market value[1]	Cost (book) value	Market value [1]
	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days					
Fixed Income Securities	**-**	**-**	**-**	**276,549**		**276,549**	**288,962**	**266,972**	**251,995**
National Treasury Notes (NTN) - P	-	-	-	193,369	2030	193,369	205,782	187,756	172,779
FIP Criatec	-	-	-	18,701	2021	18,701	18,701	22,040	22,040
FIP Criatec II	-	-	-	15,820	2023	15,820	15,820	14,963	14,963
FIP Criatec III	-	-	-	4,561	2026	4,561	4,561	3,829	3,829
FIP Brazil Agribusiness	-	-	-	10,201	2022	10,201	10,201	12,419	12,419
Northeast III FIP	-	-	-	33,897	2023	33,897	33,897	25,965	25,965
Total of Category	**-**	**-**	**-**	**276,549**		**276,549**	**288,962**	**266,972**	**251,995**

[1] The market values described above are for illustrative purposes only, and no accounting record has been made in this respect, as required by BACEN Circular No. 3068 of 11.08.2001.

a.3) In the first half, there were no reclassifications of securities into the categories above, and no held-to-maturity securities were sold.

a.4) Bank Management states that the institution has the financial capacity and the intention to keep these securities held under this category until maturity.

b)Gain (Loss) on Securities

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Open Market Investments (Note 6.b)	50,090	226,668
Interbank Deposit Investments (Note 6.b)	7,176	3,624
Fixed Income Securities	503,696	1,177,719
Variable Income Securities	525	193
Total	**561,487**	**1,408,204**

NOTE 8 - Linked Credits

a) Linked Credits

Specification	06.30.2020			12.31.2019		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory Payments - Savings Deposits	682,447	-	682,447	518,222	-	518,222
Compulsory Reserves - Cash Funds	6,944	-	6,944	7,069	-	7,069
National Housing System (SFH)	85,351	(8,425)	76,926	83,126	(8,375)	74,751
National Treasury - Rural credit	-	-	-	152	-	152
Total	**774,742**	**(8,425)**	**766,317**	**608,569**	**(8,375)**	**600,194**
Current	689,391	-	689,391	525,291	-	525,291
Non-Current	85,351	(8,425)	76,926	83,278	(8,375)	74,903

b) Compulsory investment gain/loss

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Income from Linked Credits - Central Bank of Brazil	7,930	10,750
Income from Linked Credits - SFH	2,225	2,104
Appreciation (Devaluation) of Linked Credits	(50)	(49)
Total	**10,105**	**12,805**

NOTE 9 - Loan portfolio and Allowance for Loan Losses

a) Loan Portfolio and Allowance for Loan Losses Associated with Credit Risk

Specification	06.30.2020		12.31.2019	
	Gross amount	Allowance	Gross amount	Allowance
Loans	**10,080,653**	**(546,803)**	**10,035,283**	**(604,169)**
Current	5,604,189	(284,835)	5,412,295	(330,178)
Non-Current	4,476,464	(261,968)	4,622,988	(273,991)
Other Accounts with Loan Features	**907,996**	**(97,360)**	**903,400**	**(89,761)**
Current	890,639	(97,360)	886,812	(89,761)
Non-Current	17,357	-	16,588	-
Total	**10,988,649**	**(644,163)**	**10,938,683**	**(693,930)**

a.1) Breakdown of loan portfolio

Specification	06.30.2020	12.31.2019
Advances to Depositors	756	283
Loans	5,692,224	5,371,883
Discounted Credit Notes	4,571	7,311
Financing	1,582,860	1,583,077
Financing in foreign currency	7,630	24,525
Agribusiness Financing	5,395	5,273
Rural Financing	1,096,701	1,162,224
Infrastructure and Development Financing	1,690,516	1,880,707
Loans Subtotal	**10,080,653**	**10,035,283**
Income Receivable from Advances Granted	40,868	13,602
Debtors for Purchase of Assets	16,844	15,894
Notes and Credits Receivable	42,769	51,174
Advances on Exchange Contracts (ACC)[1] (Note 11.a)	807,515	822,730
Other Accounts with Loan Features Subtotal	**907,996**	**903,400**
Total	**10,988,649**	**10,938,683**

(1) Accounts classified as "Other Obligations/ Foreign Exchange Portfolio".

a.2) Income from Loans

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Loans and Discounted Credit Notes	655,486	538,921
Financing	315,238	210,851
Agribusiness Financing	415	508
Rural Financing	80,400	331,609
Recovery of Loans Written off as Losses	86,432	237,403
Total	**1,137,971**	**1,319,292**

b) Operations broken down by maturity

b.1) Current Loans(1)

Type of Customer/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 06.30.2020	Total at 12.31.2019
Rural	51,408	1,307	2,664	69,435	17,246	926,821	1,068,881	1,140,390
Manufacturing	23,835	433,663	124,482	130,950	137,283	1,314,084	2,164,297	2,207,801
Government	3,009	19	35,994	56	36,318	467,906	543,302	445,918
Other Services	92,943	98,806	79,258	300,370	274,970	1,221,112	2,067,459	2,292,348
Trade	808,421	733,291	692,425	1,336,911	678,764	447,820	4,697,632	4,289,381
Financial Brokers	72	72	73	224	468	11,674	12,583	12,376
Individuals	19,422	8,642	5,585	9,788	8,059	9,687	61,183	75,437
Total at 06.30.2020	**999,110**	**1,275,800**	**940,481**	**1,847,734**	**1,153,108**	**4,399,104**	**10,615,337**	
Total at 12.31.2019	**1,085,381**	**963,577**	**896,079**	**1,545,567**	**1,512,388**	**4,460,659**		**10,463,651**

(1) Include loans overdue up to 14 days.

b.2) Past due loans

Falling due installments								
Type of Customer/Activity	**01 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total at 06.30.2020**	**Total at 12.31.2019**
Rural	13	56	58	399	2,853	3,684	7,063	628
Manufacturing	911	885	949	3,109	5,360	30,020	41,234	107,014
Other Services	3,940	3,468	3,228	13,793	25,209	40,272	89,910	67,656
Trade	9,393	6,805	5,149	8,895	8,622	19,977	58,841	117,487
Individuals	229	104	101	304	250	651	1,639	2,885
Total at 06.30.2020	**14,486**	**11,318**	**9,485**	**26,500**	**42,294**	**94,604**	**198,687**	
Total at 12.31.2019	**57,127**	**6,354**	**6,068**	**18,062**	**29,146**	**178,913**		**295,670**

Past due installments									
Type of Customer/Activity	**01 to 14 days**	**15 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days(1)**	**Total at06.30.2020**	**Total at12.31.2019**
Rural	16	327	757	367	605	231	23,850	26,153	26,480
Manufacturing	198	12,736	26,540	1,049	1,890	1,936	-	44,349	19,052
Other Services	1,299	2,068	4,137	3,187	12,667	6,945	93	30,396	26,578
Trade	5,275	695	1,293	1,415	28,132	30,824	69	67,703	100,427
Individuals	13	275	424	658	1,752	2,884	18	6,024	6,825
Total at 06.30.2020	**6,801**	**16,101**	**33,151**	**6,676**	**45,046**	**42,820**	**24,030**	**174,625**	
Total at 12.31.2019	**101,658**	**5,417**	**8,487**	**6,809**	**17,576**	**13,950**	**25,465**		**179,362**

(1) These include amounts referring to loans taken out based on CMN Resolution No. 2471 of 02.26.1998 and classified under Current Assets in the Balance Sheet.

c) Breakdown by Risk Level

Risk level	06.30.2020						12.31.2019			
	Current loan (1)	**Past due loan**	**Total portfolio**	**Regular allowance**	**Prudential allowance (2)**	**Total allowance**	**Current loan (1)**	**Past due loan**	**Total portfolio**	**Allowance**
AA	2,808,162	-	2,808,162	-	-	-	2,920,892	-	2,920,892	-
A	6,253,254	-	6,253,254	(31,266)	(8,129)	(39,395)	5,875,376	-	5,875,376	(29,377)
B	511,283	2,347	513,630	(5,136)	(2,568)	(7,704)	630,622	41,610	672,232	(6,722)
C	575,733	12,720	588,453	(17,654)	(10,298)	(27,952)	560,877	33,315	594,192	(17,826)
D	152,451	13,253	165,704	(16,570)	(8,285)	(24,855)	126,094	36,557	162,651	(16,265)
E	34,184	17,826	52,010	(15,063)	(2,601)	(17,664)	36,034	20,377	56,411	(16,923)
F	76,054	87,611	163,665	(81,832)	(8,183)	(90,015)	7,744	31,801	39,545	(19,772)
G	9,255	25,114	34,369	(24,058)	(2,578)	(26,636)	79,523	21,606	101,129	(70,790)
H	194,961	214,441	409,402	(409,402)	-	(409,402)	226,489	289,766	516,255	(516,255)
Total	**10,615,337**	**373,312**	**10,988,649**	**(601,521)**	**(42,642)**	**(644,163)**	**10,463,651**	**475,032**	**10,938,683**	**(693,930)**

(1) These include loans overdue up to 14 days.
(2) Recorded based on an internally established model of credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

d) Changes in the Allowance for the period

Specification	06.30.2020	12.31.2019
Opening Balance of the Allowance for Loan Losses Associated with Credit Risk	693,930	627,659
(+) Allowance Recognized/(Reversed) for the Period	194,305	398,121
(-) Loans Written off as Loss for the Period	(244,072)	(331,850)
(=) Allowance for Loan Losses Associated with Credit Risk, Net	**644,163**	**693,930**
Opening Balance of Allowance for Losses on other Credits without Loan Features	27,354	27,848
(+) Allowance Recognized for the Period	94	153
(-) Reversal of Allowance for the Period	(75)	(647)
(=) Net Allowance for Losses on Other Credits without Loan Features (Note 10.e)	**27,373**	**27,354**
(=) Balance of Allowance for Loan Losses Associated with Credit Risk (1)	**671,536**	**721,284**

(1) At 06.30.2020, this includes a prudential allowance in percentages higher than the minimum required by CMN Resolution No. 2682 of 12.21.1999, recorded based on an internally established model for credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

e) Breakdown of the Allowance Expense Balance

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
(+) Expenses with Allowance for Loan Losses Associated with Credit Risk	184,671	176,265
(+) Expenses with Allowance for Losses on Other Credits	9,634	40,974
(-) Reversal of Operating Provisions	-	(684)
(=) Balance of Expenses with Allowance for Losses on Other Credits with Loan Features	**194,305**	**216,555**
(+) Allowance for Losses on Other Credits without Loan Features	19	-
(-) Reversals of Allowances for Other Credits without Loan Features	-	(56)
(=) Net Allowance for Loan Losses Associated with Credit Risk (1)	**194,324**	**216,499**

(1) At 06.30.2020, this includes a prudential allowance in percentages higher than the minimum required by CMN Resolution No. 2682 of 12.21.1999, recorded based on an internally established model for credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

f) Financial Guarantees Provided

Specification	06.30.2020		12.31.2019	
	Balance	Provision	Balance	Provision
Public Sector	**31,297,911**	**(2,844,836)**	**28,525,698**	**(2,748,825)**
FDNE	122,629	(1,830) (1)	136,129	(1,234)
FNE	31,175,179	(2,843,006)	28,387,515	(2,747,591)
Proagro	103	-	2,054	-

(1) Including additional provision of R$610, recorded based on an internally established model of credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

f.1) Changes in Provision for Financial Guarantees Provided

Specification	06.30.2020	12.31.2019
Opening Balance of Provision for Financial Guarantees Provided	2,748,825	2,990,936
(+) Provision Recognized/(Reversed) for the Period	1,122,323	1,360,304
(-) Reversal/Use/Write-off	(1,026,312)	(1,602,415)
(=) Provision for Financial Guarantees Provided (1)	**2,844,836**	**2,748,825**

(1) At 06.30.2020, this includes a prudential provision in percentages higher than the minimum required by CMN Resolution No. 2682 of 12.21.1999, recorded based on an internally established model for credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

f.2) Balance Breakdown of Provision for Financial Guarantees Provided

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
(+) Recognition of Expenses with Provision for Financial Guarantees Provided	130,570	93,518
(-) Reversals of Provisions for Financial Guarantees Provided	(519,190)	(235,570)
(=) Balance of Expenses with Provision for Financial Guarantees Provided(1)	**(386,620)**	**(142,046)**

(1) At 06.30.2020, this includes a prudential provision in percentages higher than the minimum required by CMN Resolution No. 2682 of 12.21.1999, recorded based on an internally established model for credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

g) Loan Concentration

Specification	06.30.2020		12.31.2019	
	Balance	% of portfolio	Balance	% of portfolio
10 Major debtors	1,969,411	17.92	1,983,570	18.13
50 Major debtors	3,802,121	34.60	4,003,785	36.60
100 Major debtors	4,322,409	39.34	4,576,639	41.84

f) In the 1st half of 2020, loans that had been written off as loss were recovered in the amount of R$86,432 (R$237,403 at 06.30.2019) and renegotiations amounted to R$1,819,215 (R$217,583 at 06.30.2019).

NOTE 10 - Other Credits

Specification	06.30.2020	12.31.2019
a) Foreign Exchange Portfolio (Note 11.a)	**1,137,076**	**855,128**
b) Income receivable	**22,107**	**18,319**
c) Securities Trading	**37**	**20**
e) Sundry	**1,055,999**	**1,278,180**
Debtors for Escrow Deposits	444,577	513,595
Taxes and contributions to be offset	318,085	456,321
Tax incentive options	26,748	26,748
Notes and Credits Receivable	42,769	51,174
Advances and Early Salary Payments	39,585	2,981
Payments to be Refunded	2,093	3,587
Amounts receivable - bonus/rebates	50,819	62,396
Other Amounts	131,323	161,378
e)Allowance for Losses on Other Credits Without Loan Features (Note 9.d)	**(27,373)**	**(27,354)**
Total	**2,187,846**	**2,124,293**
Current	1,730,367	1,925,172
Non-Current	457,479	199,121

NOTE 11 - Foreign Exchange Portfolio

a) Breakdown

Specification	06.30.2020	12.31.2019
Assets - Other Credits (Note 10.a)	**1,137,076**	**855,128**
Exchange Purchased to be Settled	1,096,208	841,527
Rights on Exchange Sales	130	629
Advances Received in Local Currency	(130)	(629)
Income Receivable from Advances Granted	40,868	13,601
Current assets (Note 10.a)	**1,137,076**	**855,128**
Liabilities - Other obligations (Note 16.b)	**1,489**	**1,354**
Exchange Purchase Obligations	808,871	823,454
Exchange Sold to be Settled	131	629
(Advances on Exchange Contracts - ACC) (Note 9.a.1)	(807,515)	(822,730)
Other Amounts	2	1
Current Liabilities (Note 16.b)	**1,489**	**1,354**

b) Foreign Exchange Gains (Losses)

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Exchange Income	339,072	69,789
Exchange Expenses	(565)	(303)
Total	**338,507**	**69,486**

NOTE 12 - Investments, Property and Equipment and Intangible Assets

a) Investments

Represented by investments in Shares, Units of Interest, and Artworks and Valuables. Balance at 06.30.2020: R$ 1,412 (R$ 1,592 at 12.31.2019).

b) Property and Equipment

Specification	12.31.2019	01.01.2020 to 06.30.2020			06.30.2020		
	Accounting balance	Changes			Cost value	Accumulated depreciation	Accounting balance
		Additions	Write-offs	Depreciation			
Buildings	83,057	200	-	(844)	264,390	(181,977)	82,413
Data processing system	83,185	8,278	(354)	(3,701)	189,098	(101,690)	87,408
Furniture and equipment in use	34,209	969	(11,529)	(1,424)	80,045	(57,820)	22,225
Land	16,969	-	-	-	16,969	-	16,969
Facilities	5,634	-	(8)	(52)	19,130	(13,556)	5,574
Communication system	100	-	-	(5)	302	(207)	95
Security system	7,143	11,407	(25)	(177)	18,414	(66)	18,348
Transportation system	21	-	-	-	14,351	(14,330)	21
Total	**230,318**	**20,854**	**(11,916)**	**(6,203)**	**602,699**	**(369,646)**	**233,053**

c) Intangible assets

Represented by expenses with intangible assets in use. Balance at 06.30.2020: R$721 (R$ 563 at 12.31.2019).

NOTE 13 - Deposits, Open Market Funding, Funds from Acceptance and Issue of Securities, Debt Instruments Eligible to Capital and Subordinated Debts

a) Breakdown of deposits, funds from acceptance and issue of securities, debt instruments eligible to capital and subordinated debts by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	From 5 to 15 years	Over 15 years	Total at 06.30.2020	Total at 12.31.2019
Demand deposits	**714,883**	**-**	**-**	**-**	**-**	**-**	**714,883**	**405,302**
Savings deposits	**3,651,232**	**-**	**-**	**-**	**-**	**-**	**3,651,232**	**2,633,831**
Interbank Deposits	**1,036,033**	**669,648**	**-**	**-**	**-**	**-**	**1,705,681**	**1,165,021**
Time deposits	**474,164**	**778,422**	**4,517,558**	**1,523,981**	**715,028**	**139,375**	8,148,528	**8,045,700**
Time deposits	106,132	753,144	2,606,304	1,448,582	594,354	139,375	5,647,891	5,711,384
Interest-Yielding Judicial Deposits	365,250	-	-	-	-	-	365,250	329,858
Finor/Cash and cash Equivalents and Reinvestments - Law No. 8167	-	-	1,905,817	75,399	75,398	-	2,056,614	1,932,733
FAT - Funds Available	140	415	277	-	-	-	832	1,105
FAT - Funds Applied	2,642	7,740	5,160	-	-	-	15,542	17,718
Other	-	17,123	-	-	45,276	-	62,399	52,902
Funds from acceptance and issue of securities	**-**	**1,217**	**-**	**-**	**-**	**-**	**1,217**	**46,107**
Agribusiness Credit Bills (LCA)	-	-	-	-	-	-	-	44,074
Financial Bills - charges	-	1,217	-	-	-	-	1,217	2,033
Debt instruments eligible to capital	**-**	**-**	**-**	**-**	**-**	**1,295,889**	**1,295,889**	**1,551,040**
Subordinated Debts Eligible to Capital	**-**	**-**	**-**	**-**	**-**	**2,613,477**	**2,613,477**	**2,545,199**
Total at 06.30.2020	**5,876,312**	**1,449,287**	**4,517,558**	**1,523,981**	**715,028**	**4,048,741**	**18,130,907**	
Total at 12.31.2019	**4,172,932**	**1,994,003**	**3,676,111**	**1,704,789**	**886,107**	**3,958,258**		**16,392,200**

b) Deposits

Specification	06.30.2020	12.31.2019
Demand deposits	**714,883**	**405,302**
Government deposits	12,135	6,527
Linked Deposits	261,311	175,616
Legal entities	355,876	173,543
Individuals	82,731	48,152
Other Amounts	2,830	1,464
Savings deposits	**3,651,232**	**2,633,831**
Free savings deposits - Individuals	2,072,602	1,741,528
Free savings deposits - Legal entities	1,577,577	891,360
From related parties and Financial System Institutions	1,051	943
Other Deposits	2	-
Interbank Deposits	**1,705,681**	**1,165,021**
Time deposits	**8,148,528**	**8,045,700**
Time deposits	5,647,891	5,711,384
Interest-Yielding Judicial Deposits	365,250	329,858
Other time deposits	**2,135,387**	**2,004,458**
Interest-yielding special deposits/FAT (Notes 27 and 29.a.1)	**16,374**	**18,823**
Funds Available (Note 27)	**832**	**1,105**
Protrabalho	832	346
PNMPO	-	759
Funds Applied (Note 27)	**15,542**	**17,718**
Protrabalho	15,542	17,718
Finor/Cash and cash equivalents and Reinvestments (Law No. 8167/91)	**2,056,614**	**1,932,733**
Other Amounts	**62,399**	**52,902**
Total	**14,220,324**	**12,249,854**
Current	7,324,382	5,870,828
Non-Current	6,895,942	6,379,026

c) Open Market Funding

Specification	06.30.2020	12.31.2019
Own portfolio	**2,068,397**	**1,551,725**
Financial Treasury Bills (LFT)	2,068,397	1,551,725
Total	**2,068,397**	**1,551,725**
Current	2,062,369	1,545,801
Non-Current	6,028	5,924

d) Expenses with Open Market Funding

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Funding expenses	**(191,225)**	**(441,815)**
Time deposits	(96,521)	(177,079)
Savings deposits	(34,807)	(41,952)
Judicial deposits	(5,891)	(8,810)
Interbank Deposits	(15,885)	(19,627)
Special deposits	(32,756)	(54,199)
Funds from acceptance and issue of securities	(139)	(134,875)
Other deposits	(5,226)	(5,273)
Expenses with open market funding	**(46,566)**	**(47,839)**
Third-party portfolio	-	(3,852)
Own portfolio	(30,178)	(41,915)
Financial Bills	(16,388)	(2,072)
Total	**(237,791)**	**(489,654)**

NOTE 14 - Borrowings and Onlending

a) Breakdown Borrowings and Onlending by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total at 06.30.2020	Total at 12.31.2019
Foreign Borrowings	866,881	268,819	-	-	-	-	1,135,700	881,557
Domestic onlending	23,735	94,027	302,453	303,987	382,340	31,245	1,137,787	1,167,737
Foreign onlending	20,356	56,317	147,167	144,733	179,901	-	548,474	431,862
Total at 06.30.2020	**910,972**	**419,163**	**449,620**	**448,720**	**562,241**	**31,245**	**2,821,961**	
Total at 12.31.2019	**194,151**	**847,465**	**491,331**	**451,005**	**459,362**	**37,842**		**2,481,156**
Current							1,330,135	1,041,616
Non-Current							1,491,826	1,439,540

b) Domestic Onlending - Official Institutions

Specification	Annual restatement rate (%)	06.30.2020	12.31.2019
National Treasury	IGP - DI + 2.00	**526**	**505**
BNDES	Fixed rate 1.5 to 11.10 TJLP+1.30 TJLP + 0.00 to 4.00 IPCA + 9.41 Exchange variation + 2.00 to 4.00 IGP - DI + 2.00	**1,095,854**	**1,118,933**
FINAME	Fixed rate 1.5 to 11.10 TLP+1.30 TJLP + 0.00 to 4.00 IPCA + 9.41 Exchange variation + 2.00 to 4.00	**41,407**	**48,299**
Total (Note 29.a.1)		**1,137,787**	**1,167,737**
Current		117,762	102,555
Non-Current		1,020,025	1,065,182

c) Borrowings

Specification	Annual restatement rate (%)	06.30.2020	12.31.2019
Foreign borrowings/Foreign currency payables	USD	1,135,700	881,557
Total		**1,135,700**	**881,557**
Current		1,135,700	881,557

d) Foreign Onlending

Specification	Annual restatement rate (%)	06.30.2020	12.31.2019
BID-Prodetur	USD + 2.75	548,474	431,862
Total		**548,474**	**431,862**
Current		76,673	57,504
Non-Current		471,801	374,358

e) Expenses with borrowings and onlending

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Expenses with Onlending	**(217,016)**	**(92,561)**
Domestic onlending - Official institutions	**(58,491)**	**(54,516)**
National Treasury	(21)	(15)
BNDES	(56,673)	(52,855)
Finame	(1,797)	(1,646)
Foreign onlending expenses	**(158,525)**	**(38,045)**
Expenses on Onlending with Foreign Banks	**(316,641)**	**(57,729)**
Expenses with Financial and Development Funds	**(408,999)**	**(754,043)**
Total	**(942,656)**	**(904,333)**

NOTE 15 - Funds from Acceptance and Issue of Securities

a) Funds from Real Estate, Mortgage, Credit and Similar Notes

Specification	Remuneration	Nominal value	06.30.2020	12.31.2019
Agribusiness Credit Bills (LCA)[1]	-	-	-	44,074
Financial Bills - contractual charges	-	-	1,217	2,033
Total			**1,217**	**46,107**
Current			1,217	46,107

[1] These matured on 03.23.2020.

NOTE 16 - Other Liabilities

Specification	06.30.2020	12.31.2019
a) Collection of taxes and other contributions	**45,517**	**1,699**
Funds from Proagro	92	76
Federal taxes received	44,252	-
Tax on Financial Transactions (IOF) payable	58	832
Other taxes and levies	1,115	791
b) Foreign exchange portfolio (Note 11.a)	**1,489**	**1,354**
c) Social and statutory	**23,158**	**337,855**
Remuneration on Capital Payable	460	232,293
Profit Sharing	22,698	105,562
d) Tax and Social Security	**476,042**	**657,199**
Provision for Income Tax and Social Contribution (Note 21.a.2)	**322,153**	**543,083**
Income Tax	181,691	331,949
Social Contribution	140,462	211,134
Taxes and Contributions Payable	**153,889**	**114,116**
e) Other	**1,239,090**	**1,245,616**
Provision for Contingencies	**686,979**	**562,438**
Labor claims (Note 22.f.1.ii)	371,234	334,025
Civil proceedings (Note 22.f.1.iii)	207,124	176,738
Other Tax Proceedings (Note 22.a.1)	19,935	17,815
Other contingencies	**88,686**	**33,860**
Other (Note 22.f.1.iv)	88,686	33,860
Accrued Payments	**385,707**	**519,213**
Personnel expenses	249,031	189,823
Other Amounts	108,440	89,402
Interest and charges on debt instruments eligible to principal capital	28,236	239,988
Other Amounts	**166,404**	**163,965**
Total	**1,785,296**	**2,243,723**
Current	1,785,296	2,243,723

NOTE 17 - Debt Instruments Eligible to Capital (Note 28.g.ii)

a) Tier I Referential Equity - Principal Capital:

On 01.19.2016, the Bank and Federal Government entered into a loan agreement in the amount of R$1,000,000 for purposes of classification as instrument eligible to principal capital, as provided for in article 16 of CMN Resolution No. 4192 of 03.01.2013, amended by CMN Resolution No. 4278 of 12.31.2013 and CMN Resolution No. 4311 of 02.20.2014.

Interest will be settled in an annual lump-sum payment, restated by the Selic rate up to the effective payment date, within 30 days from the payment of dividends referring to P&L determined in the closing balance sheet of the fiscal year.

In case the retained earnings balance, of income reserves, including legal reserve and capital reserves of the Bank, is not sufficient to absorb its losses calculated upon closing of the balance sheet of the fiscal year, the Bank will be relieved from the remuneration and will use the amounts due as interest overdue and the principal balance, in that order, up to the amount required to offset losses, the debt to which the agreement refers being duly settled for all purposes.

Any unpaid charges will not accrue.In the event the payment or dividend credit is not performed (including as interest on equity) until December 31 of the subsequent fiscal year, the financial charges unpaid will no longer be enforceable definitely.

The obligation has no maturity date and it may only be redeemed or repurchased by the issuer, subject to prior authorization by BACEN.

Specification	Amount issued	Remuneration	Funding date	06.30.2020	12.31.2019
Debt Instruments Eligible to Principal Capital (Note 29.a.1)	1,000,000	Profitability on Equity	01.19.2016	500,000	750,000
Current				-	250,000
Non-Current				500,000	500,000

b) Tier I Referential Equity - Complementary Capital:

In June 2019, the Bank issued 2,667 (two thousand six hundred sixty-seven) Subordinated Financial Bills, without maturity date. Bacen authorized to compose the Tier I Referential Equity, as Complementary Capital, by the funding amount (R$801,040).

Specification	Amount issued	Remuneration	Funding date	06.30.2020	12.31.2019
Financial Bills[1]	801,040	117% of Selic	June 2019	795,889	801,040
Non-Current				795,889	801,040

[1] Interest paid every six months.
[2] In the 1st half of the year, Financial Bills amounting to R$5,151 were repurchased.

c) Tier II Referential Equity:

Subordinated Debts comprise two funding operations with FNE in the original amounts of R$600,000 and R$400,000, maturing on 07.20.2009 and 03.01.2010, respectively.

Specification	06.30.2020	12.31.2019
Fundo Constitucional de Financiamento do Nordeste (FNE)	2,613,477	2,545,199
Funds available	2,098,345	1,629,532
Funds applied	515,132	915,667
Total (Note 29.a.1)	**2,613,477**	**2,545,199**

NOTE 18 - Income Received in Advance

Income from the strategic commercial partnership agreement entered into with Icatu Seguros, exclusively for the development and sale of Insurance services relating to Life Insurance, Credit Life Insurance and Private Pension Products insurance lines, in the Bank's distribution network. Income was originally recognized in an Income statement account; however, after a more detailed analysis and, in line with accounting practices, a conclusion was reached for the deferral for a 20-year period, which corresponds to the contract period. The amount corresponding to 1/240th is monthly recognized in an Income statement account.

Specification	06.30.2020	12.31.2019
Opening Balance of Income Received in Advance	200,000	-
(-) Recognition for the Period (2/240th)	(1,398)	-
(=) Closing Balance to be Recognized	**198,602**	**-**
Current	10,000	-
Non-Current	188,602	-

NOTE 19 - Equity

a) Capital

The Bank's capital in the amount of R$5,569,988 (R$3,813,000 at 12.31.2019) is represented by 86,371,464 common, book-entry, paid-in shares, with no par value, held as follows:

Specification	06.30.2020		12.31.2019	
Shareholders	**Number of shares**	**% of Capital**	**Number of shares**	**% of Capital**
Federal Government	47,896,415	55.45	47,896,415	55.45
FI CAIXA FGEDUC MULTIMERCADO	30,205,568	34.97	30,205,568	34.97
BB FGO Investment Fund Shares	6,206,000	7.19	6,206,000	7.19
Other	2,063,481	2.39	2,063,481	2.39
Total	**86,371,464**	**100.00**	**86,371,464**	**100.00**

At the Extraordinary General Meeting held on 03.27.2020, shareholders approved the capital increase by R$1,756,988, arising from the incorporation of Statutory Reserves - Reserve for Operational Margin amounting to R$1,472,588 and Reserve for Complementary Dividend Equalization amounting to R$284,400, without issuing new shares. Capital increased from R$3,813,000 to R$5,569,988, represented by 86,371,464 common, book-entry, paid-in shares, with no par value. The capital increase was approved by the Central Bank.

b) Revaluation Reserve

The amount of R$13,695 (R$13,726 at 12.31.2019) refers to the balance revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its effective realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565 of 05.29.2008. In the period, the amount of R$28 (R$253 at 12.31.2019) was transferred to Retained Earnings (Accumulated Losses) and comprised the calculation basis of Dividends/IOE for the period.

c) Dividends/Interest on Equity (IOE)

The Bank's Charter provides in its article 45, paragraph 3, the following: "After the preparation of the balance sheet for the first half of the year, at least 25% (twenty-five percent) of the adjusted net income, until then calculated, may be paid out as prepayment of dividend for the year, in accordance with the law."

Considering the COVID-19 Pandemic moment currently experienced in the country, with the repercussions reported in Note 30 and the provisions of CMN Resolution No. 4820 of 05.29.2020, there is no proposal to antecipate the distribution of the mandatory minimum dividend calculated for the 1st half of 2020, therefore, the proposal for distribution of dividends, including in the form of IOE, must be submitted to resolution at the Annual General Meeting that approves the Financial Statements for 2020 and, in this case, taking into consideration the result to be determined in the year. In 2019, Dividends and IOE amounting to R$ 420,013 were distributed.

d) Statement of calculation of Dividends/IOE:

Specification	01.01 to 06.30.2020	01.01 to 12.31.2019
1. Net income for the Six-month/Year	**332,537**	**1,736,685**
2. Legal reserve set up	(16,627)	(86,834)
3. Debt Adjustments to Retained Earnings (Accumulated Losses)	(2,809)	(18,840)
4. Revaluation Reserves Transferred to Retained Earnings (Accumulated Losses)	28	(3,908)
5. Credit Adjustments to Retained Earnings (Accumulated Losses)	218	48,778
6. Calculation basis of Dividends/Interest on Equity	**313,347**	**1,675,881**
7. Gross Dividends and IOE Calculated in Six-month/Proposed in the Year	78,581	420,013
8. Net Dividends and IOE Calculated in Six-month/Proposed in the Year	78,337	418,970
9. Dividends as IOE proposed in the six-month period/year:R$0.00 per share (at 12.31.2019: R$3,8877963266 per share)	-	335,795
10. Withholding Income Tax on IOE for the six-month period/year	-	(1,043)
11. Net IOE attributable to dividendsR$0.00 per share (at 12.31.2019: R$3,8757284616 per share)	-	334,752
12. Prepayment of IOE restated by SELIC	-	(169,780)
13. Net Complementary Income Tax of IOE:R$0.00 per share (at 12.31.2019:R$1.9160183051 per share (item 9 - item 11 - item 12)	**-**	**165,489**
14. Dividends proposed in the six-month period/yearR$0.00 per share (at 12.31.2019: R$0.9750666936 per share)	-	84,218
15. Dividends prepaid and restated by SELIC	-	(17,815)
16. Complementary Dividends:R$0.00 per share (at 12.31.2019:R$0.7688076346 per share (item 14 - item 15)	**-**	**66,403**
17. Dividends + IOE Net of Income Tax (attributed to Dividends) in relation to the Dividend/IOE Calculation Basis:R$0.00 per share (at 12.31.2019:R$4.8507951551 per share (item 8/item 6)	-	25,000%
18. Dividends + IOE Gross in relation to the Dividend/IOE Calculation Basis:R$0.00 per share (at 12.31.2019:R$4.8628630201 per share (item 7/item 6)	-	25,062%

(1) At 06.30.2020, amount recorded in Special Income Reserves, according to Note 19.f. iii.

e) Legal Reserve

The purpose of the Legal Reserve is to ensure the integrity of the Capital and it is set up based on 5% of the net income for the six-month period, which represents R$16,627 (R$86,834 at 12.31.2019).

f) Statutory reserve

i) Operational Margin: aims at ensuring resources compatible with the development of the Bank's operations. For the six-month period, the amount recorded was R$ 176,075 (R$ 1,062,489 at 12.31.2019);

ii) Equalization for Complementary Dividends: aims at ensuring resources for payment of dividends complementary to the mandatory minimum dividend. For the six-month period, the amount recorded was R$ 58,691 (R$ 193,800 at 12.31.2019); and

iii) Special Income Reserve: aims at recording the undistributed remuneration of capital, mandatory or proposed, which does not constitute a present obligation as of the balance sheet date, according to Bacen Circular Letter No. 3935 of 02.25.2019. For the six-month period, the amount recorded was R$ 78,581 (R$ 0 at 12.31.2019).

g) Other Comprehensive Income

Statement of Changes	06.30.2020	12.31.2019
Securities Available for Sale(1)	(123,271)	479,801
Actuarial Gains and Losses (Post-Employment Benefits)(1)	254,585	(579,674)
Other Comprehensive Income(1)	**131,314**	**(99,873)**

(1)Net of tax effects.

NOTE 20 - Other Operating Income/Expenses

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
a) Service revenue	**1,310,782**	**1,233,015**
Investment fund management	32,685	25,860
Fund and program management	984,395	936,609
Service Rendered	293,702	270,546
b) Income from bank fees	**48,167**	**44,745**
c) Personnel expenses	**(1,049,747)**	**(999,790)**
Salaries	(583,716)	(582,659)
Social charges	(209,979)	(198,128)
Retirement and Pension Plan - DB and VC I Capef Plans	(67,714)	(57,041)
Health care plan - Camed Natural Plan	(96,531)	(75,430)
Life insurance - Post-employment benefit	(13,510)	(6,045)
Benefits, training sessions, fees and compensation of interns	(78,297)	(80,487)
d) Other administrative expenses	**(659,885)**	**(621,489)**
Data processing	(115,130)	(123,478)
Advertising and publicity	(12,863)	(3,291)
Third-party services[(1)]	(333,870)	(291,118)
Rentals, material and public utilities	(40,516)	(39,620)
Travel	(4,352)	(7,846)
Communications	(8,981)	(12,419)
Depreciation and amortization	(6,203)	(5,736)
Asset maintenance and upkeep	(24,218)	(24,271)
Surveillance, security and transportation	(44,146)	(45,141)
Promotions, public relations and publications	(3,834)	(4,855)
Financial system services	(20,288)	(17,910)
Specialized technical services	(17,113)	(19,396)
Insurance	(3,612)	(2,308)
Court, notary and attorney fees	(16,086)	(16,026)
Worker' union dues and Associations	(1,745)	(1,419)
Condominium fees, catering, kitchen and meals	(2,858)	(2,883)
Other Amounts	(4,070)	(3,772)
e) Tax expenses (Note 21.e)	**(162,119)**	**(178,035)**
COFINS and PIS/PASEP	(140,391)	(157,315)
ISS and IPTU/Improvement tax	(20,400)	(19,124)
Other Amounts	(1,328)	(1,596)
f) FNE Del Credere Commission	**910,075**	**766,983**
g) Other operating income	**73,101**	**273,293**
Del credere commission on fund management	4,178	4,174
Exchange Losses on Borrowings	39	85,240
Exchange losses on funding expenses	-	66,870
Exchange loss on reclassification of Development Financial Fund obligation expenses	-	3,020
Reversal of operating provisions for risks on FNE loans	2,030	1,980
Recovery of charges and expenses	2,194	2,587
Reversal of operating provisions	4,494	14,096
Interest and commissions	2,543	1,637
Monetary restatement	1,248	522
Exchange Variation	238	-
FNE - Recovery of amounts settled by the BankOther Amounts	43,354	82,618
Other Amounts	12,783	10,549
h) Provision for Financial Guarantees Provided	**(388,620)**	**(142,052)**
i) Provision for Contingent Liabilities	**(147,610)**	**(84,890)**
j) Other operating expenses	**(129,692)**	**(371,103)**
Exchange losses on exchange area	(4,309)	(442)
Exchange loss on loans granted	(4)	(85,236)
Negative monetary restatement of loans	(11)	(1,050)
Discounts granted in renegotiations	(15,484)	(14,600)
Loan Charges	(4,664)	(4,338)
Debt Instruments Eligible to Principal Capital (IECP)	(28,236)	(157,532)
FNE Remuneration - Available Funds - article 9-A of Law No. 7827	(29,160)	(41,544)
FNE Remuneration - Funds Applied - article 9-A, Law No. 7827	(39,117)	(47,025)
Monetary restatement IECP	(3,251)	(4,674)
Other Amounts	(5,456)	(14,662)
Total	**(195,548)**	**(79,323)**

[(1)] These comprise expenses for the 1st half of 2020 amounting to R$283,382 (R$240,208 at 06.30.2019) on behalf of Instituto Nordeste Cidadania (INEC); this refers to a Civil Society Organization of Public Interest ("Oscip") that renders services substantially to the Bank, through the Partnership Terms for the operation of the urban and rural production-oriented microloan programs, in accordance with the provisions of Law No. 9790 of 03.23.1999.

NOTE 21 - Taxes and contributions

a) Income Tax and Social Contribution

The Bank is subject to the taxable profit regime whereby taxes are computed based on the Bank's accounting records, and income tax and social contribution are paid monthly on an estimated basis.Income tax and social contribution expenses are as follows:

a.1) Specification of the Provision for Income Tax and Social Contribution Expense	Income Tax		Social Contribution	
	01.01 to 06.30.2020	01.01 to 06.30.2019	01.01 to 06.30.2020	01.01 to 06.30.2019
Income Before Income Taxes and Profit Sharing	505,579	1,164,002	505,579	1,164,002
Statutory profit sharing	(20,661)	(46,330)	(20,661)	(46,330)
Income before taxes, less statutory profit sharing and interest on equity	**484,918**	**1,117,672**	**484,918**	**1,117,672**
Permanent additions/exclusions	(97,230)	(247,443)	(98,329)	(247,781)
Temporary additions/exclusions	330,917	(283,765)	330,918	(283,765)
Taxable income	**718,605**	**586,464**	**717,507**	**586,126**
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(179,639)	(146,604)	(134,532)	(87,919)
Deductions (tax incentives)	5,579	5,000	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	12	(982)	9	(589)
Current IRPJ/CSLL expenses - after tax incentives, revaluation reserve and adjustments to Retained Earnings (Accumulated Losses) [1]	(174,048)	(142,586)	(134,523)	(88,508)
Provision for Deferred Taxes and Contributions - arising from tax Credits Recovered and Depreciation	(9,279)	(12,820)	(8,138)	(7,692)
Provision for Income Tax and Social Contribution	**(183,327)**	**(155,406)**	**(142,661)**	**(96,200)**
IRPJ/CSLL Tax Credits - Provisions	89,357	(75,801)	73,771	(45,488)
Total IRPJ/CSLL	**(93,969)**	**(231,207)**	**(68,890)**	**(141,688)**
Effective Rate (%)	19.38	20.69	14.21	12.68
a.2) Specification of the provision for IRPJ and CSLL	**06.30.2020**	**12.31.2019**	**06.30.2020**	**12.31.2019**
Provision for Income Tax and Social Contribution	174,048	321,272	134,523	202,732
Provision for Taxes on Revaluation Reserve Realized	12	24	9	15
Provision for Income Tax and Social Contribution[2]	**174,060**	**321,296**	**134,532**	**202,747**
Taxes and Contributions Recoverable on Prepayments, Including Withholding Taxes	(108,687)	(229,544)	(60,863)	(113,492)
Taxes Payable (Recoverable) for the Period	**65,373**	**91,752**	**73,669**	**89,255**

[1] The balances of current IRPJ and CSLL expenses include a reduction of R$11,068 accounted for in 2020, relating to deduction of expenses for technological innovation incentives in the period of 2019 and recording of expense of R$555 arising from adjustment to tax incentives for 2019, as well as complementary adjustments of R$35 arising from expenses with the Safra Plan, in the period of 2018.

[2] The balance of the provision for IRPJ and CSLL includes the amount of reversal of Pasep/Cofins expenses and of interest on the amount payable to the Receita Federal do Brasil (RFB), accounted for in 2019, of R$19,040, referring to the period from 2014 to 2018, whose remaining balance, after initial payments in 2020, amounts to R$13,527 at 06.30.2020.

b) Reconciliation of IRPJ and CSLL Charges

Specification	06.30.2020	06.30.2019
Income before taxes and profit sharing	**505,579**	**1,164,002**
Total charge of 45% - IRPJ (25%) and CSLL (20%)	**(227,511)**	**(465,601)**
Statement of tax levy:		
Income Tax and Social Contribution for the Period	**(162,859)**	**(372,895)**
Increase/Decrease in Income Tax and Social Contribution arising from:	**(64,652)**	**(92,706)**
Profit sharing/IOE	(44,659)	(85,269)
Other Income/FNE/Del Credere/Onlending Operations - Article 9-A of Law No. 7827	(10,373)	(11,639)
Temporary Differences - Other Provisions (Labor, Civil, Tax and Other Proceedings)	(140)	1,091
Temporary Differences - Transactions with Reimbursement Longer than 10 Years	4,933	6,063
Difference of CSLL rate [1]	(10,588)	-
Other (Tax Incentives, Permanent Additions/Exclusions)	(3,825)	(2,952)
Total Reconciled Tax Levy	**(227,511)**	**(465,601)**

[1] In 2019 and until February 2020, the 15% rate was in force and, from March 2020 onwards, the CSLL rate returned to 20%, as provided for in Constitutional Amendment No. 105 of 11.13.2019.

c) Deferred Tax Assets and Liabilities

Specification	06.30.2020		12.31.2019		06.30.2020	12.31.2019
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Allowances (ALL)						
Opening balance	576,129	459,764	711,030	426,632	1,035,893	1,137,662
Set up	170,070	111,326	261,288	270,845	281,396	532,133
Realization/Reversal	(129,424)	(77,661)	(396,189)	(237,713)	(207,085)	(633,902)
Closing Balance	616,775	493,429	576,129	459,764	1,110,204	1,035,893
b) Unearned Income - Operations not Related to Legal Proceedings						
Opening balance	2,115	1,661	2,101	1,261	3,776	3,362
Set up	497	304	1,059	1,027	801	2,086
Realization/Reversal	(624)	(374)	(1,045)	(627)	(998)	(1,672)
Closing Balance	1,988	1,591	2,115	1,661	3,579	3,776
c) Provisions - Extended Transactions						
Opening balance	1,004	798	-	-	1,802	-
Set up	-	-	1,004	798	-	1,802
Realization/Reversal	(9)	(2)	-	-	(11)	-
Closing Balance	995	796	1,004	798	1,791	1,802
d) Actuarial provisions						
Opening balance	280,414	223,378	269,396	161,638	503,792	431,034
Set up	36,325	28,730	51,657	86,124	65,055	137,781
Realization/Reversal	(18,858)	(13,804)	(40,639)	(24,384)	(32,662)	(65,023)
Closing Balance	297,881	238,304	280,414	223,378	536,185	503,792
e) Provision for the Voluntary Dismissal Program ("PID")						
Opening balance	-	-	14,667	8,800	-	23,467
Set up	-	-	99	60	-	159
Realization/Reversal	-	-	(14,766)	(8,860)	-	(23,626)
Closing Balance	-	-	-	-	-	-
f) Provision for contingencies						
Opening balance	139,368	111,349	98,781	59,268	250,717	158,049
Set up	41,157	31,116	76,646	73,716	72,273	150,362
Realization/Reversal	(9,775)	(5,865)	(36,059)	(21,635)	(15,640)	(57,694)
Closing Balance	170,750	136,600	139,368	111,349	307,350	250,717
g) Derivative financial instruments						
Opening balance	-	-	5,398	3,239	-	8,637
Set up	-	-	308	185	-	493
Realization/Reversal	-	-	(5,706)	(3,424)	-	(9,130)
Closing Balance	-	-	-	-	-	-
h) Hedged Item						
Opening balance	-	-	-	-	-	-
Set up	-	-	876	526	-	1,402
Realization/Reversal	-	-	(876)	(526)	-	(1,402)
Closing Balance	-	-	-	-	-	-
Effect on Equity						
i) Securities						
Opening balance	130,285	101,144	173,455	106,009	231,429	279,464
Set up	73,793	63,248	204,978	129,706	137,041	334,684
Realization/Reversal	(118,229)	(95,713)	(248,148)	(134,571)	(213,942)	(382,719)
Closing Balance (Note 7.a.2)	85,849	68,679	130,285	101,144	154,528	231,429
j) Actuarial valuation adjustments						
Opening balance	577,129	461,703	287,504	172,502	1,038,832	460,006
Set up	296	236	289,625	289,201	532	578,826
Realization/Reversal	(116,016)	(92,813)	-	-	(208,829)	-
Closing Balance	461,408	369,127	577,129	461,703	830,535	1,038,832

Income tax and social contribution credits recognized and not recognized in assets are broken down as follows:

Specification	Income Tax		Social Contribution	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Total Temporary Differences	6,718,555	6,991,153	6,718,555	6,991,153
2. Tax Credits on Temporary Differences	1,679,639	1,747,788	1,343,711	1,392,996
3. Tax Credits Recognized in Assets on Provisions	1,549,797	1,576,160	1,239,847	1,258,652
4. Tax Credits Recognized in Assets due to Mark-to-Market of Securities	85,849	130,285	68,679	101,144
5. Total Tax Credits Recognized in Assets (item 3 + item 4) (1)	1,635,646	1,706,445	1,308,526	1,359,796
6. Tax credits not Recognized in Assets (item 2 - item 5) (2)	43,994	41,343	35,185	33,200

(1) Tax Credits are Recognized in Assets under "Other Credits - Sundry".

(2) Not recognized in assets as they do not meet the realization requirements provided for in CMN Resolution No. 3355 of 03.31.2006, and considering a technical study on recognition of deferred tax assets and liabilities prepared on every six months.

Total estimated realization of tax credits at 06.30.2020 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value[1]	Book value	Present value[1]	Book value	Present value[1]
2020	101,218	100,485	80,974	80,388	182,192	180,873
2021	182,602	177,903	146,081	142,322	328,683	320,225
2022	140,443	135,722	112,354	108,578	252,797	244,300
2023	98,962	91,467	79,170	73,173	178,132	164,640
2024	172,080	149,223	137,664	119,379	309,744	268,602
2025	145,783	128,103	116,626	102,482	262,409	230,585
2026	68,391	60,744	54,713	48,595	123,104	109,339
2027	58,713	50,749	46,971	40,599	105,684	91,348
2028	64,836	57,148	51,868	45,719	116,704	102,867
2029	47,873	40,227	38,299	32,182	86,172	72,409
2029 onwards	554,745	551,047	443,806	440,843	998,551	991,890
Total	**1,635,646**	**1,542,818**	**1,308,526**	**1,234,260**	**2,944,172**	**2,777,078**

[1] For present value calculation purposes, the goal for average over - Selic rates was considered, projected by BACEN at 06.30.2020.

d) Provision for Deferred Taxes and Contributions

Specification	06.30.2020		12.31.2019		06.30.2020	12.31.2019
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Derivative Financial Instruments						
Opening balance	-	-	-	-	-	-
Set up	-	-	876	526	-	1,402
Realization/Reversal	-	-	(876)	(526)	-	(1,402)
Closing Balance (Notes 7.c)	-	-	-	-	-	-
b) From Recovered Credits[1]						
Opening balance	139,742	111,099	103,935	62,359	250,841	166,294
Set up	7,295	6,344	35,930	48,813	13,639	84,743
Realization/Reversal	(286)	(43)	(123)	(73)	(329)	(196)
Closing Balance	146,751	117,400	139,742	111,099	264,151	250,841
c) Hedged Item						
Opening balance	-	-	5,615	3,369	-	8,984
Set up	-	-	308	185	-	493
Realization/Reversal	-	-	(5,923)	(3,554)	-	(9,477)
Closing Balance	-	-	-	-	-	-
d) Deferred Depreciation						
Opening balance	16,179	12,923	11,200	6,720	29,102	17,920
Set up	2,523	2,015	5,301	6,395	4,538	11,696
Realization/Reversal	(254)	(178)	(322)	(192)	(432)	(514)
Closing Balance	18,448	14,760	16,179	12,923	33,208	29,102
Effect on Equity						
e) Revaluation Reserve						
Opening balance	970	775	994	597	1,745	1,591
Set up	-	-	-	193	-	193
Realization/Reversal	(13)	(9)	(24)	(15)	(22)	(39)
Closing Balance	957	766	970	775	1,723	1,745
f) Securities						
Opening balance	230,471	182,852	64,156	39,065	413,323	103,221
Set up	455,705	363,948	888,277	578,499	819,653	1,466,776
Realization/Reversal	(557,370)	(444,828)	(721,962)	(434,712)	(1,002,198)	(1,156,674)
Closing Balance (Notes 7.a.2)	128,806	101,972	230,471	182,852	230,778	413,323

[1] Pursuant to article 12 of Law No. 9430 of 12.27.1996.

Total amounts of provisions for Tax Liabilities, expected to be written off, at 06.30.2020, are as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value[1]	Book value	Present value[1]	Book value	Present value[1]
2020	20,311	20,162	15,177	15,058	35,488	35,220
2021	22,704	21,820	18,163	17,456	40,867	39,276
2022	23,527	21,561	18,821	17,249	42,348	38,810
2023	28,127	24,576	22,501	19,661	50,628	44,236
2024	22,511	18,465	18,008	14,772	40,519	33,236
2025	15,714	12,188	12,571	9,750	28,285	21,938
2026	11,699	8,580	9,360	6,864	21,059	15,444
2027	9,787	6,787	7,830	5,429	17,617	12,216
2028	3,884	2,546	3,107	2,037	6,991	4,583
2029	2,440	1,513	1,952	1,210	4,392	2,723
2029 onwards	134,258	129,237	107,408	103,389	241,666	232,626
Total	**294,962**	**267,435**	**234,898**	**212,875**	**529,860**	**480,308**

[1] For present value calculation purposes, the goal for average over - Selic rates was considered, projected by BACEN at 06.30.2020.

e) Tax Expenses

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Cofins and Pis/Pasep	(140,391)	(157,315)
ISS and IPTU/Improvement tax	(20,400)	(19,124)
Other Amounts	(1,328)	(1,596)
Total (Note 20.e)	**(162,119)**	**(178,035)**

NOTE 22 - Provisions, Contingent Assets, Contingent Liabilities and Legal Obligations - Tax and Social Security

a) The Bank is a party to various ongoing administrative and legal proceedings involving civil, tax, labor and other matters. Bank management understands that the provisions set up are sufficient to cover the likelihood of losses arising from the respective legal and administrative proceedings, as follows:

Specification	06.30.2020		12.31.2019	
	Base value	Provision	Base value	Provision
a) Provision for Contingencies				
a.1) Tax Proceedings (Notes 22 f.1.i)	**3,320,932**	**19,935**	**3,762,943**	**17,815**
i) Legal Obligation	11,269	11,269	**11,062**	**11,062**
ii) Other Obligations - Sundry	**3,309,663**	**8,666**	**3,751,881**	**6,753**
Probable	8,666	8,666	6,753	6,753
Possible	3,261,581	-	3,577,567	-
Remote[1]	39,416	-	167,561	-
a.2) Labor Claims	**636,809**	**371,234**	**602,533**	**334,025**
Probable (Notes 22 f.1.ii)	371,234	371,234	334,025	334,025
Possible	115,276	-	123,996	-
Remote	150,299	-	144,512	-
a.3) Civil Proceedings	**8,228,591**	**207,124**	**7,716,331**	**176,738**
Probable (Notes 22 f.1.iii)	207,124	207,124	176,738	176,738
Possible	1,938,021	-	1,865,136	-
Remote[2]	6,083,446	-	5,674,457	-
a.4) Other Contingencies (Notes 22 f.1.iv)	**1,208,689**	**88,686**	**1,088,651**	**33,860**
i) Securitized Transactions	**3,981**	**3,981**	**4,015**	**4,015**
ii) Other Proceedings	**1,204,708**	**84,705**	**1,084,636**	**29,845**
Probable	84,705	84,705	29,845	29,845
Possible	3,227	-	2,537	-
Remote	1,116,776	-	1,052,254	-

[1] The contingent liability relating to tax proceedings assessed as remote loss refers to one (1) proceeding, with balance of R$130,762 at 12.31.2019 whose contingency was fully reversed at 03.31.2020.

[2] Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in four (4) proceedings, with balance of R$ 3.484.523at 06.30.2020. These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of attorney fees - R$ 2.513.815 at 06.30.2020 (R$ 2.338.498 at 12.31.2019); ii) loss of profit and payment of administrative fee - R$ 430.320 at 06.30.2020 (R$ 400.309 at 12.31.2019); iii) reassessment (solutio indebiti), loss of profits and compensation for pain and suffering - R$ 297.242 at 06.30.2020 (R$ 276.512 at 12.31.2019); iv) compensation for pain and suffering and loss of profits - R$ 243.146 at 06.30.2020 (R$ 226.189 at 12.31.2019).

[3]The amount of contingent liabilities related to other proceedings assessed as remote risk of loss is concentrated in 1 (one) proceeding, which consists of a Special Accountability that addresses income from administration fee and del credere commission earned by the Bank in the administration of FNE. Referred to proceeding at 06.30.2020 involves the amount of R$ 1,149,913, of which R$ 1,067,481 is assessed as remote risk of loss and R$ 82,432 are assessed as probable risk of loss (R$ 1,033,432 at12.31.2019, of which R$ 1,005,615 is assessed as remote risk of loss and R$ 27,817 are assessed as probable risk of loss).

b) The Bank is involved in lawsuits handled by outside attorneys, most of which relate to loan collection actions, whose assessment of the provision for contingent liabilities is performed by its Legal Department.

c) Tax proceedings classified as Legal Obligation pursuant to the terms of Bacen Circular Letter No. 3429 of 02.11.2010, whose amounts were presented in the table above, challenge federal and municipal taxes.

d) Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

Tax

Five tax proceedings challenging the tax deficiency notice. At 06.30.2020, estimated losses amount to R$ 2,898,350 (R$ 3,266,787 at 12.31.2019).

Civil

Civil proceeding claiming compensation for pain and suffering. At 06.30.2020, estimated losses amount to R$ 543,093, of which R$ 542,931 are assessed as possible risk of loss and R$ 162 are assessed as probable risk of loss (R$ 505,217, of which R$ 505,067 are assessed as remote risk of loss and R$ 150 are assessed as probable risk of loss, at 12.31.2019).

Civil proceeding challenging compensation for pain and suffering and payment of fees.At 06.30.2020, estimated loss amounts to R$ 177,825 (R$ 165,424 at 12.31.2019).

Civil proceeding claiming payment of fine and compensation for pain and suffering. At 06.30.2020, estimated loss amounts to R$ 105,014 (R$ 97,960 at 12.31.2019).

Civil proceeding claiming compensation for pain and suffering and consequential damages. At 06.30.2020, estimated loss amounts to R$ 85,750 (R$ 79,770 at 12.31.2019).

Civil proceeding challenging payment of attorney's fees. At 06.30.2020, estimated loss amounts to R$ 84,845 (R$ 78,928 at 12.31.2019).

Civil proceeding challenging reassessment (solutio indebiti), payment of fine, funds pending drawdown and attorney fees. The estimated loss at 06.30.2020 amounts to R$ 59,334, of which R$ 57,342 are assessed as possible risk of loss and R$ 1,992 is assessed as remote risk of loss (R$ 55,195 at 12.31.2019, of which R$ 53,343 are assessed as possible risk of loss and R$1,852 is assessed as remote risk of loss).

Civil proceeding filed in 2014 related to post-employment benefits. At 06.30.2020, estimated loss amounts to R$ 52,780 (R$ 55,238 at 12.31.2019).

e) Legal and appeal deposits made to guarantee legal and administrative proceedings are as follows:

Specification	**06.30.2020**	**12.31.2019**
Labor Claims	223,567	205,621
Tax Proceedings	47,694	145,530
Civil Proceedings	127,994	127,544
Other claims	46	46
Counter-guarantees - IDB Onlending	45,276	34,854
Total	**444,577**	**513,595**

f) Changes in provisions

f.1) Tax, Labor, Civil and Other Contingencies

Specification	06.30.2020					12.31.2019				
	Opening balance	Recognition	Reversal	Payment	Closing Balance	Opening balance	Recognition	Reversal	Payment	Closing Balance
i) Tax Proceedings (Notes 16.e and 22.a.1)	17,815	3,398	(1,276)	(2)	19,935	15,769	2,763	(655)	(62)	17,815
ii) Labor Claims (Notes 16.e and 22.a.2)	334,025	51,077	(3,126)	(10,742)	371,234	206,531	172,883	(20,160)	(25,229)	334,025
iii) Civil Proceedings (Notes 16.e and 22.a.3)	176,738	53,639	(11,994)	(11,259)	207,124	146,964	92,294	(34,395)	(28,125)	176,738
iv) Other Proceedings (Notes 16.e and 22.a.4)	33,860	55,016	(190)	-	88,686	32,466	44,557	(43,163)	-	33,860
Total	**562,438**	**160,363**	**(16,586)**	**(22,003)**	**684,212**	**401,730**	**312,497**	**(98,373)**	**(53,416)**	**562,438**

NOTE 23 - Employee and Officer Compensation (in Brazilian reais)

a) Monthly Employee Compensation

Gross Compensation[1]	06.30.2020	12.31.2019
Maximum	44,349,57	44,349,57
Minimum	1,864,51	1,864,51
Average	11,848,01	11,690,10

[1] Includes overtime (including night shift premium), when actually incurred.

b) Compensation paid to the Executive Board, Board of Directors and Supervisory Board for the period

Specification	01.01 to 06.30.2020	01.01 to 12.31.2019	01.01 to 06.30.2020	01.01 to 12.31.2019	01.01 to 06.30.2020	01.01 to 12.31.2019
Gross Compensation[1]	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation[2]	721,507.95	1,107,062.84	35,417.52	70,835.04	33,246.36	66,492.72
Lowest individual compensation[3]	389,023.17	734,481.75	27,139.92	54,279.84	27,139.92	54,279.84
Average individual compensation [4]	534,405.52	927,343.84	34,185.14	60,346.98	29,582.50	57,219.53
Number of members[5]	7.33	6.25	5.17	5.33	5.00	5.17

[1] Amounts approved at the General Meeting.
[2] Amount computed without any exclusion, considering all compensation amounts recognized for the period.
[3] Amount reached after excluding all those who have not served in their position over the entire period.
[4] This corresponds to the total compensation for the period paid by each board divided by the number of members.
[5] The number of members corresponds to the annual average number of members of each board calculated on a monthly basis.

At 06.30.2020, the Bank had 6,803 employees (6,802 at 12.31.2019), a headcount increase of 0.015%.

NOTE 24 - Post-Employment Benefits

Pursuant to CMN Resolution No. 4424, which approved Accounting Pronouncement CPC 33 (R1) - Employee Benefits, the accounting practices and procedures adopted by the Bank regarding post-employment benefit are presented below.

a) Description of the Plan Benefits

a.1) Private Pension Plans

The Bank sponsors two complementary pension plans, a Defined Benefit (DB) plan and a Variable Contribution (DB + VC) plan both managed by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (Capef), a closed-ended private pension plan entity that provides complementary retirement benefits.

a.1.1) Defined Benefit Plan

The DB plan, which is closed to new participants since 11.26.1999, offers to its participants supplementary retirement benefits based on the contribution period, age and disability, as well as supplementary pension and savings plans to their dependents.In general terms, to the current participants, the DB plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, weighted by the number of contributions paid to the plan, limited to 360, including any working hours extension, weighted by the number of contributions paid thereon, all effective since July 1997 and projected in accordance with the plan regulation up to the date of the participant's retirement.

a.1.2) Variable Contribution I Plan

The VC I plan, classified as a variable contribution, combines the characteristics of the Defined Contribution (DC) plan and of the Defined Benefit (DB) plan.This plan offers to its participants supplementary retirement benefits based on the contribution period, age and disability, as well as supplementary pension and savings plans to their dependents.

The scheduled retirement benefits of the VC I plan are calculated based on the balance of the individual account for each participant on the date of retirement and are paid in two phases, as follows: the first phase as annuity within the deadline established under the Defined Contribution (DC) plan and the second phase as life annuity under the Defined Benefit (DB) plan.

The VC I Plan may only present actuarial deficit or surplus after the beginning of the concession of unplanned benefits, disability and death, or planned benefits in the life annuity phase.The VC I plan is supported by the Actuarial Solvency Fund that will be used to cover any future actuarial insufficiency of mutual pension plan portfolios, as well as supported by the Mutual Fund for Risk Benefits, in order to supply the payment of complementary capital in case of disability or death of the participant, referring to the insurance coverage of the benefits resulting from these events.

a.2) Health Care Plan

The Bank is the sponsor of a health care plan managed by Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil (Camed), whose primary purpose is to provide health care to its associate participants and their dependents, through granting of subsidies to cover or reimburse expenses incurred in connection with health promotion, protection and recovery.

The Natural Plan is funded primarily by contributions made by the associate participants, contributions related to the enrollment of natural dependents, financial protection and emergency service fees, financial co-payment made by each associate participant for services utilized and matched contributions from the Bank.

a.3) Group Life Insurance

The Bank's benefits policy to its employees comprises collective policy agreement of group life insurance intended for its employees and retired former employees.Such policy provides basic coverage for death by natural and accidental causes and additional coverage for disability caused by accident and disease. Insurance premiums are determined by applying rates defined in contract. The employees contribute with 50% of this premium amount and the Bank with the remaining 50%. Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to current retirees.

a.4) Governance

The following statutory boards are responsible for the management and oversight of Capef:Decision-Making Board, Executive Board and Supervisory Board.The Decision-Making Board is a board for top-tier decision and guidance and shall primarily define the Capef's management policy and benefit plans. The Executive Board is the Capef's management board responsible for the execution, by itself or other, of the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, in Capef's charter, benefit plan regulations, covenants and adhesion terms.The Supervisory Board is the internal control board and shall mainly monitor and oversee CAPEF activities.

Camed statutory boards are:Social Board, Decision-Making Board, Executive Board and Supervisory Board.The Social Board composed of associate participants is the supreme decision-making board empowered to resolve all matters and business related to the full operation and development of Camed.The Camed's Decision-Making Board is a board for monitoring and top-tier administrative decision.The Executive Board is responsible for the execution, by itself or other, of the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, in Camed's charter and internal regulations.The Supervisory Board is the supervisory board of Camed's management acts and shall essentially monitor and direct the company's activities.

The members of the statutory boards of the two Entities are chosen in order to confer representativeness to the Participants, Vested Beneficiaries and to the Sponsors, based on the criteria established in their Charters.

a.5) Strategies for Crosschecking Assets and Liabilities

Capef counts on specific areas for investment management in addition to management advisory services that strengthens the monitoring of investment risks.Investments are monitored in order to check issues focused on classification, returns on assets and follow-up of the evolution of the plan's actuarial goal.Studies are conducted aiming to assist the plan's administrators in choosing the most suitable portfolio to their goals, taking into consideration the characteristics and peculiarities of the assets and the plan's financial position, allowing long term investments, without compromising the obligations or the achievement of the actuarial goal.

Camed has financial instruments to fund its activities or invest its funds available. The risks associated with these instruments are managed through conservative strategies, intended to ensure liquidity, profitability and safety.Risk management monitors the changes in exposure scenarios to which CAMED is subject.

b) Past due Obligations and Contributions Due

At 06.30.2020, the Bank has no past due obligations or contributions due referring to the pension plans, BD and VCI, health care plan, Natural plan, and the group life insurance, neither informal practices that originate constructive obligations that may give rise to constructive obligations to be included in the measurement of the defined benefit obligation.

c) Contribution Ratio (Participants/Sponsor)

At 06.30.2020, the ratio of participants' contributions to Bank contributions meets the parity set by Resolution No. 9 of 10.08.1996 of the Department for Coordination and Control of State-Owned Entities (CCE), with a contribution ratio of 1:1 (1:1 at 12.31.2019).

d) Risk exposure

The Bank's Actuarial Liability, which records the obligations on Defined Benefit, Variable Contribution I, Natural and Group Life Insurance plans is mainly exposed to the following risks:

Plan	Type of Risk	Risk Description
DB/VC I/Natural/Group Life Insurance	Actuarial Risk	This is the risk of the final cost of the benefits acquired to be greater than the expected benefits. The Bank has no alternative but to increase its contributions or persuade participants to accept a reduction in benefits.
DB/ VC I/ Natural	Investment risk	This is related to changes in interest rates and asset prices that impact the economic and financial performance of the benefit plan. If the plans' actual investment earnings are lower than the expected return, this may lead to an increase in the actuarial liability.
DB/VC I/Natural/Group Life Insurance	Actuarial assumptions risks	This is related to the adoption of actuarial assumptions inappropriate to the plans, upon calculating the present value of the defined benefit obligation, resulting in a material impact on the actuarial liability.
DB/VC I/Natural/Group Life Insurance	Discount rate	The actuarial liability is calculated by adopting a discount rate defined based on government securities earnings (NTN-B), according to item 83 of CVM Rule No. 695. Decrease in these securities earnings results in an increase in the actuarial liability.

DB/VC I/Natural/Group Life Insurance	Life expectation risks	Post-employment benefit plans offer life annuity benefits, therefore, an increase in life expectancy results in an increase in actuarial liabilities for the DB, VC I and Natural plans, and a decrease in actuarial liabilities for the Group Life Insurance.

e) Number of Participants of the Post-Employment Benefit Plan

Specification	DB	VC I	CAMED	INSURANCE
Participants	1,242	5,417	6,272	4,802
Vested participants (retirees and pensioners)	5,064	311	5,187	3,613
TOTAL	**6,306**	**5,728**	**11,459**	**8,415**

f) Assumptions used

f.1) Demographic Assumptions

Demographic assumptions used in the calculation of plan obligation are based on those adopted in actuarial valuations in the scope of Capef, based on statistical studies and adequacy of hypotheses, prepared by specialized advisory firms engaged by that entity.For the Natural plan, the demographic assumptions of the DB plan are used, while for the Group Life Insurance the demographic assumptions used are those of the VC I plan, considering the population characteristics.

Specification	DB (Capef) and Natural (Camed) Plans	
	06.30.2020	12.31.2019
Mortality tables		
Active/Retirees	RP2000 M&F Proj 2018 - downrated by 10%, segregated by gender	RP2000 M&F Proj 2018 - downrated by 10%, segregated by gender
Disabled people	RP2000 Disable F	RP2000 Disable F
Disability table	Álvaro Vindas	Álvaro Vindas

Specification	VC I (Capef) plan and Life Insurance	
	06.30.2020	12.31.2019
Mortality tables		
Active/Retirees	RP 2000 Proj.2018, segregated by gender (downrated by 20%)	RP 2000 Proj.2018, segregated by gender (downrated by 20%)
Disabled people	IAPC experience (downrated by 50%)	IAPC experience (downrated by 50%)
Disability table	Muller (downrated by 85%)	Muller (downrated by 85%)

f.2) Financial Assumptions

Specification	Capef (% p.a.)			
	DB Plan		VC I Plan	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
Nominal discount rate for the actuarial obligation	6.96	6.60	7.43	7.22
Effective discount rate for the actuarial obligation	3.75	2.87	4.21	3.46
Average annual inflation rate	3.09	3.63	3.09	3.63
Nominal rate of salary increase (1) (2)	4.12	4.67	-	-
Nominal rate of benefit increases	3.09	3.63	3.09	3.63

(1) DB Plan: the actual rate of salary increase of 1% is applied until the participant reaches the expected date for retirement (360 contributions).
(2) VC I Plan: the actual salary increase projection of each participant follows the rules of the Bank's positions and salary plan and in case of an increase in the additional amount due to position in a commission (AFC).

Specification	Camed (% p.a.)		Life insurance	
	Natural Plan			
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
Nominal discount rate for the actuarial obligation	7.43	7.22	7.43	7.22
Effective discount rate for the actuarial obligation	4.21	3.46	4.21	3.46
Average annual inflation rate	3.09	3.63	3.09	3.63
Nominal rate of salary increase(1)	4.12	4.67	4.12	3.63
Nominal rate of benefit average increase (1) (2)	2.08(2)	2.45(2)	4.12	3.63
Rate of increase in health care costs due to aging (aging factor)	3.84	3.47	Not applicable	Not applicable

(1) For the case of life insurance, this refers to a projection of increase in insured capital.

[(2)]In the case of the Natural plan, this is the projection of increased healthcare costs (HCCTR). At 06.30.2020, an average healthcare inflation rate was calculated for the Natural plan, considering the plan experience in the last ten (10) years. The rate found was 2.08%, above the aging factor and the price overall inflation, and decreases on a straight-line basis over 4 (four) years, remaining from the 5th (fifth) year at 1% p.a. (at12.31.2019, the rate found was 2.45%, above the "aging factor"and the price overall inflation).

f.3) The future inflation rate is used in the Present Value Calculation of the Actuarial Obligation, intended for measurement of the inflation floating arising from the freeze, in annual cycles, of future contributions and benefits. This calculation allows the occurrence of inflation process of equal charge for all salary, union, social security and economic variables of the plan.

f.4) The Projected Unit Credit Method is used as the actuarial valuation method in order to determine the obligation present value, the current service cost and, when necessary, the past service cost.

f.5) The discount rate is equivalent to the expected return of the National Treasury Notes (NTN-B), for the duration of the plans, in accordance with the methodology provided in item 83 of Accounting Pronouncement CPC 33 (R1), approved by CMN Resolution No. 4424. At 06.30.2020, the following durations were calculated: for Capef DB plans: 9.60 years (6.73 years at 12.31.2019); for Capef VC I plan: 18.67 years (25.64 years at 12.31.2019); for the Natural plan: 16.69 years (21.26 years at 12.31.2019); and for Life Insurance: 17.31 years (19.58 years at 12.31.2019).

g) Actuarial Obligation Analysis

At 06.30.2020, the plans administered by Capef and Camed as well as the Group Life Insurance are recorded in the Bank's financial statements, as follows:

g.1) Private Pension Plans

Specification	Capef - Private pension plans			
	DB Plan		VC I Plan	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Present value of actuarial liabilities[(1)]	(5,111,330)	(5,647,446)	(36,469)	(32,359)
1.1. Obligation relating to vested participants	(4,296,563)	(4,807,909)	(31,955)	(30,177)
1.2. Obligation relating to active participants	(814,767)	(839,537)	(4,514)	(2,182)
2. Fair Value of Plan Assets	4,325,967	4,715,575	80,042	88,627
3. Asset Ceiling Effect	-	-	(43,573)	(56,268)
4. Liability Recognized in the Balance Sheet	**(785,363)**	**(931,871)**	**-**	**-**

[(1)] For the VC I plan, the amounts refer to unplanned benefits (DB Portion), which have characteristics of a defined benefit plan.

g.2) Health care plan and group life insurance

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Present Value of Actuarial Obligation	**(2,103,648)**	**(2,293,236)**	**(336,014)**	**(363,829)**
1.1. Obligation relating to vested participants	(1,493,548)	(1,517,652)	(256,378)	(277,826)
1.2. Obligation relating to active participants	(610,100)	(775,584)	(85,546)	(100,999)
1.3. Cross-subsidy	-	-	5,910	14,996
2. Fair Value of Plan Assets	187,870	158,763	-	-
3. Liability Recognized in the Balance Sheet	**(1,915,778)**	**(2,134,473)**	**(336,014)**	**(363,829)**

h) Reconciliation of Opening and Closing Balances of the Present Value of Obligation

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Present value of actuarial obligation at the beginning of the period	(5,647,446)	(4,545,981)	(32,359)	(14,538)
2. Interest cost	(177,021)	(392,997)	(1,163)	(1,311)
3. Current service cost	(5,995)	(2,989)	(66)	(119)
4. Benefits paid by the plan	231,946	448,414	411	610
5. Vested participant contributions (retirees and pensioners)	(40,064)	(78,919)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(1,132)	(7,345)
7. Remeasurements of actuarial gains (losses)	**527,250**	**(1,074,974)**	**(2,160)**	**(9,656)**

7.1. From experience adjustments	64,793	174,051	(4,346)	426
7.2. From changes in financial assumptions	462,457	(965,365)	2,186	(10,082)
7.3. From changes in the costing plan	-	(106,590)	-	-
7.4. From application of the benefit readjustments	-	(177,070)	-	-
8. Present value of actuarial obligation at the end of the period	**(5,111,330)**	**(5,647,446)**	**(36,469)**	**(32,359)**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2020	**12.31.2019**	**06.30.2020**	**12.31.2019**
1. Present value of actuarial obligation at the beginning of the period	(2,293,236)	(1,621,151)	(363,829)	(147,161)
2. Interest cost	(81,245)	(145,446)	(13,019)	(13,158)
3. Current service cost	(21,244)	(9,626)	(1,902)	(1,976)
4. Benefits paid by the plan[1]	39,609	101,120	5,125	10,197
5. Vested participant contributions (retirees and pensioners)	(13,665)	(26,484)	(1,642)	(3,167)
6. Administrative expenses paid by the plan	5,468	12,351	-	-
7. Remeasurements of actuarial gains (losses)	**260,665**	**(604,000)**	**39,253**	**(208,564)**
7.1. Experience adjustments	25,453	(28,351)	(6,874)	43,187
7.2. Changes in financial assumptions	268,821	(484,613)	46,127	(85,548)
7.3. Changes arising from the increase in health care costs	(33,609)	(196,814)	-	-
7.4. Changes resulting from the reduction of the administrative expense rate	-	60,846	-	-
7.5. Changes resulting from the reduction of the health care inflation rate (HCCTR)	-	44,932	-	-
7.6. Changes in Other Assumptions	-	-	-	(166,203)
8. Present value of actuarial obligation at the end of the period	**(2,103,648)**	**(2,293,236)**	**(336,014)**	**(363,829)**

[1] Camed: Natural Plan - net of co-payments made by associate participants.

i) Reconciliation between opening and closing balances of the fair value of plan assets

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2020	**12.31.2019**	**06.30.2020**	**12.31.2019**
1. Fair value of plan assets at the beginning of the period	4,715,575	3,939,911	88,627	54,740
2. Interest income	147,716	342,700	3,245	5,128
3. Employer contributions[1]	37,009	79,129	623	1,520
4. Active participants' contributions	80	178	626	1,531
5. Vested participants' contributions	40,064	78,919	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	1,132	7,345
7. Benefits paid by the plan	(231,946)	(448,414)	(411)	(610)
8. Gains/(losses) on assets[2]	(382,531)	723,152	(13,800)	18,973
9. Fair value of plan assets at the end of the period	**4,325,967**	**4,715,575**	**80,042**	**88,627**

[1] Capef - DB Plan: contributions related to active and vested participants;
[2] Return on plan assets, less amounts included in net interest on the net amount of liabilities (assets) of the defined benefit.

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2020	**12.31.2019**	**06.30.2020**	**12.31.2019**
1. Fair value of plan assets at the beginning of the period	158,763	146,781	-	-
2. Interest income	5,550	13,412	-	-
3. Employer contributions[1]	38,077	81,979	2,075	4,103
4. Return of Sponsor's contributions	(2,914)	(5,587)	-	-
5. Active participants' contributions	378	345	1,408	2,927
6. Vested participants' contributions	13,665	26,484	1,642	3,167
7. Administrative expenses paid by the plan	(5,468)	(12,351)	-	-
8. Benefits paid by the plan[2]	(39,609)	(101,120)	(5,125)	(10,197)
9. Gains/(losses) on assets[3]	19,428	8,820	-	-
10. Fair value of plan assets at the end of the period	**187,870**	**158,763**	-	-

[1] Camed - Natural Plan: contributions related to associate participants and retirees/pensioners;
[2] Camed - Natural Plan: net of co-participations paid by associate participants; and
[3] Return on plan assets, less amounts included in net interest on the net amount of liabilities (assets) of the defined benefit.

Reconciliation Between Opening and Closing Balances of the Asset Ceiling Effect

Specification	Capef	
	VC I Plan	
	06.30.2020	12.31.2019
1. Asset ceiling effect at the beginning of the period	(56,268)	(40,202)
2. Interest on asset ceiling effect	(2,082)	(3,817)
3. Remeasurement of asset ceiling effect	14,777	(12,249)
4. Asset ceiling effect at the end of the period	**(43,573)**	**(56,268)**

j) Reconciliation of the Present Value of Obligation and of the Plan Assets Value with Assets and Liabilities Recognized in the Balance Sheet

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Present value of actuarial obligation at the end of the period	(5,111,330)	(5,647,446)	(36,469)	(32,359)
2. Fair value of plan assets at the end of the period	4,325,967	4,715,575	80,042	88,627
3. Surplus (deficit) of the plan (item 1 - item 2)	(785,363)	(931,871)	43,573	56,268
4. Asset ceiling effect at the end of the period	-	-	(43,573)	(56,268)
5. Liability recognized in the balance sheet at the end of the period	**(785,363)**	**(931,871)**	**-**	**-**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. Present value of actuarial obligation at the end of the period	(2,103,648)	(2,293,236)	(336,014)	(363,829)
2. Fair value of plan assets at the end of the period	187,870	158,763	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(1,915,778)	(2,134,473)	(336,014)	(363,829)
4. Liability recognized in the balance sheet at the end of the period	**(1,915,778)**	**(2,134,473)**	**(336,014)**	**(363,829)**

k) Amounts recognized in P&L for the year

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2020	01.01 to 06.30.2019	01.01 to 06.30.2020	01.01 to 06.30.2019
1. Current service cost, net	**(5,915)**	**(1,376)**	**560**	**654**
1.1. Service cost	(5,995)	(1,494)	(66)	(59)
1.2. Active participants' contributions	80	118	626	713
2. Net interest	**(29,305)**	**(25,148)**	**-**	**-**
2.1. Interest expense	(177,021)	(196,498)	(1,163)	(656)
2.2. Interest income	147,716	171,350	3,245	2,570
2.3. Interest on ceiling effect	-	-	(2,082)	(1,914)
3. Amounts recognized in P&L for the year (item 1 + item 2)	**(35,220)**	**(26,524)**	**560**	**654** [(1)]

[(1)] Amounts recorded under "Reversal of operating provisions".

Specification	Camed Natural Plan		Life insurance	
	01.01 to 06.30.2020	01.01 to 06.30.2019	01.01 to 06.30.2020	01.01 to 06.30.2019
1. Current service cost, net	**(20,866)**	**(9,453)**	**(494)**	**531**
1.1. Service cost	(21,244)	(9,626)	(1,902)	(988)
1.2. Active participants' contributions	378	173	1,408	1,519
2. Net interest	**(75,695)**	**(66,017)**	**(13,019)**	**(6,579)**
2.1. Interest expense	(81,245)	(72,723)	(13,019)	(6,579)
2.2. Interest income	5,550	6,706	-	-
3. Amounts recognized in P&L for the year (item 1 + item 2) [(1)]	**(96,561)**	**(75,470)**	**(13,513)**	**(6,048)**

[(1)] Including employees' contribution granted to be refunded to the Bank - Natural Plan: 01.01. to 06.30.2020: R$ 30; 01.01 to 06.30.2019: R$ 40; and Life Insurance: 01.01.to 06.30.2020: R$ 3; 01.01 to 06.30.2019: R$ 3.

The contributions referring to the DC portion of the VC I plan were accounted for under "Post-employment benefit expenses", as follows:

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
1. Contributions (DC portion) [1]	(29,764)	(27,442)

[1] Including transferred employees' contribution: 01.01 to 06.30.2020: R$ 57 and 01.01 to 06.30.2019: R$ 93.

The administrative expenses of the Defined Benefit (DB) plan are accounted for under "Post-employment benefit expenses", as stated below:

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
1. Administrative expenses	(2,786)	(3,167)

l) Amounts for the Period Recognized in Equity

The actuarial gains deriving from financial assumptions, at 06.30.2020, refer to the increases in the actual discount rates in relation to 12.31.2019, which increased from 2.87% (12.31.2019) to 3.75% (06.30.2020) in the BD plan; and from 3.46% (12.31.2019) to 4.21% (06.30.2020) in the VC I, Natural and Life Insurance plans.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2020	01.01 to 12.31.2019	01.01 to 06.30.2020	01.01 to 12.31.2019
1. Gains/(losses) on assets[1]	(382,531)	723,152	(13,800)	18,973
2. Actuarial gains (losses) on obligation	**527,250**	**(1,074,974)**	**(2,160)**	**(9,656)**
2.1. From experience adjustments	64,793	174,051	(4,346)	426
2.2. From changes in financial assumptions	462,457	(965,365)	2,186	(10,082)
2.3. From changes in the costing plan	-	(106,590)	-	-
2.4. From application of the benefit readjustments	-	(177,070)	-	-
3. Asset ceiling effect	-	-	14,777	(12,249)
4. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3)	**144,719**	**(351,822)**	**(1,183)**	**(2,932)**

[1] Return on plan assets, less amounts included in net interest on the net amount of liabilities (assets) of the defined benefit.

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 06.30.2020	01.01 to 12.31.2019	01.01 to 06.30.2020	01.01 to 12.31.2019
1.Gains/(losses) on assets[1]	19,428	8,820	-	-
2.Actuarial gains (losses) on obligation	**260,665**	**(604,000)**	**39,253**	**(208,564)**
2.1. Experience adjustments	25,453	(28,351)	(6,874)	43,187
2.2. Changes in financial assumptions	268,821	(484,613)	46,127	(85,548)
2.3. Changes arising from the increase in health care costs, net of the gain arising from the readjustment to the dependent's contribution table	-	(196,814)	-	-
2.4. Changes resulting from the reduction of the administrative expense rate	-	60,846	-	-
2.5. Changes resulting from the reduction of the health care inflation rate (HCCTR) and increase in health care costs	(33,609)	44,932	-	-
2.6. From changes in the Contract	-	-	-	(166,203)
3. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3) [2]	**280,093**	**(595,180)**	**39,253**	**(208,564)**

[1] Return on plan assets, less amounts included in net interest on the net amount of liabilities (assets) of the defined benefit.
[2] Including estimated contribution difference in the Group Life Insurance actuarial calculation:01.01 to 12.31.2019: (R$1).

m) Reconciliation of changes in net (liabilities)/assets recognized in the period

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. (Liabilities)/assets recognized at the beginning of the period	(931,871)	(606,070)	-	-
2. Employer contributions	37,009	79,129	623	1,520
3. Amounts recognized in P&L	(35,220)	(53,108)	560	1,412
4. Amounts recognized in equity for the period	144,719	(351,822)	(1,183)	(2,932)
5. (Liabilities)/assets recognized at the end of the period	**(785,363)**	**(931,871)**	**-**	**-**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2020	12.31.2019	06.30.2020	12.31.2019
1. (Liabilities)/assets recognized at the beginning of the period	(2,134,473)	(1,474,370)	(363,829)	(147,161)
2. Employer contributions	38,077	81,979	2,075	4,103
3. Return of Sponsor's contributions	(2,914)	(5,587)	-	-
4. Amounts recognized in P&L	(96,561)	(141,315)	(13,513)	(12,207)
5. Amounts recognized in equity	280,093	(595,180)	39,253	(208,564)
6. (Liabilities)/assets recognized at the end of the period	**(1,915,778)**	**(2,134,473)**	**(336,014)**	**(363,829)**

n) Investment policy and allocation of plan fair values

The investment policies for DB and VC I plans are annually prepared for a 5-year period, subject to approval from the Capef's Decision-Making Board and are mainly intended for defining guidance procedures for management of assets compared to benefit expenses, aiming at the actuarial balancing of each plan.The DB plan goal to be reached in its investments is represented by INPC + 5.50% p.a., and VC I plan represented by IPCA +5.00% p.a.

For allocation of funds and limits per segment of application, the guidelines of CMN Resolution No. 3792 dated 09.24.2009 and amendments are taken into consideration, in addition to safety, liquidity, profitability and maturity criteria of the plan.The proposal of fund allocation is reviewed at any time, due to any significant event that may substantially change the macroeconomic assumptions regarded.

Deliberations on natural plan investments are approved by the Executive Board and submitted to the Decision-Making Board of Camed.For investments associated with financial guarantees with the Brazilian Agency for Supplementary Health (ANS), the limits and conditions set forth by this agency are observed.

Specification	Capef				Camed	
	DB Plan (%)		VC I Plan (%)		Natural Plan (%)	
	06.30.2020	12.31.2019	06.30.2020	12.31.2019	06.30.2020	12.31.2019
Fixed income	89.44	89.17	73.89	79.11	88.59	94.44
Variable income	2.97	2.68	12.84	7.30	9.14	2.88
Real Estate	-	6.34	5.03	6.02	2.27	2.68
Multimarket (Foreign and Structured Funds)	5.66	-	3.76	3.40	-	-
Operations with Participants	1.93	1.81	4.50	4.17	-	-
Other	-	-	-	-	-	-

o) Sensitivity analysis of main assumptions

The sensitivity analysis shows how the defined benefit obligation, as of 06.30.2020, would be affected by changes in the following significant assumptions:(i) the increase or decrease by 0.25% p.a. in interest rate; (ii) the increase or decrease by 10% in mortality table of active participants; and (iii) the increase or decrease by 0.25% p.a. in health care inflation (HCCTR) in the Natural plan.

Capef - DB Plan	Current parameters	Interest rate		Biometric Tables	
	06.30.2020	+ 0.25%	-0,25%	Aggrav. (-10%)	Smoot. (+10%)
Present value of actuarial obligation	(5,111,330)	(4,999,541)	(5.243.732)	(4,961,790)	(5,277,396)
Fair value of assets	4,325,967	4,325,967	4.325.967	4,325,967	4,325,967
Technical surplus (deficit)	**(785,363)**	**(673,574)**	**(917.765)**	**635,823**	**951,429**
Variations:					
Increase/decrease in actuarial obligation (%)		(2.2%)	2.6%	(2.9%)	3.2%
Increase/decrease in technical surplus (deficit) - (%)		(14.2%)	16.9%	(19.0%)	21.1%

Capef - VC I Plan	Current parameters	Interest rate		Biometric Tables	
	06.30.2020	+0.25%	-0.25%	Aggrav. (-10%)	Smoot. (+10%)
Present value of actuarial obligation	(36,469)	(35,800)	(37.167)	(34,673)	(38,524)
Fair value of assets	80,042	80,042	80.042	80,042	80,042
Technical surplus (deficit) [1]	**45,573**	**44,242**	**42.875**	**45,369**	**41,518**
Variations:					
Increase/decrease in actuarial obligation (%)		(1.8%)	1.9%	-4.9%	5.6%
Increase/decrease in technical surplus (deficit) – (%)		1.5%	(1.6%)	4.1%	-4.7%

[1] Amount not recognized in view of the asset ceiling effect.

Camed - Natural Plan	Current parameters	Interest rate		HCCTR		Biometric Tables	
	06.30.2020	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	Aggrav. (-10%)	Smoot. (+10%)
Present value of actuarial obligation	(2,103,648)	(2,024,932)	(2,187,544)	(2,205,540)	(2,007,665)	(1,985,899)	(2,238,415)
Fair value of assets	187,870	187,870	187,870	187,870	187,870	187,870	187,870
Technical surplus (deficit)	**(1,915,778)**	**(1,837,062)**	**(1,999,674)**	**(2,017,670)**	**(1,819,795)**	**(1,798,029)**	**(2,050,545)**
Variations:							
Increase/decrease in actuarial obligation (%)		(3.7%)	4.0%	4.8%	(4.6%)	(5.6%)	6.4%
Increase/decrease in technical surplus (deficit) – (%)		(4.1%)	4.4%	5.3%	(5.0%)	(6.1%)	7.0%

Life insurance	Current parameters	Interest rate		Biometric Tables	
	06.30.2020	+ 0.25%	-0.25	Aggrav. (-10%)	Smoot. (+10%)
Present value of actuarial obligation	(336,014)	(322,493)	(350,418)	(352,860)	(317,287)
Technical surplus (deficit)	**(336,014)**	**(322,493)**	**(350,418)**	**(352,860)**	**(317,287)**
Variations:					
Increase/decrease in actuarial obligation (%)		(4.0%)	4.3%	5.0%	(5.6%)
Increase/decrease in technical surplus (deficit) - (%)		(4.0%)	4.3%	5.0%	(5.6%)

p) Impacts on Future Cash Flows

q.1) Expected Contributions for the 2nd half of 2020

Specification	Capef		Camed	Life insurance
	DB Plan [1]	VC I Plan [2]	Natural Plan[3]	
1. Employer contributions	45,689	668	19,601	1,773
2. Active Employees' contributions	30	665	-	1,036
3. Former Vested Employees' contributions	45,659	-	16,740	1,921

[1] Except for contributions intended for administrative costing: 01.01 to 06.30.2020: Employer:R$ 3,439 and Employees/Vested participants: R$ 3,439;
[2] Except for contributions intended for part of the DC plan: 01.01 to 06.30.2020: Employer:R$ 30,514 and Employees:R$30.517;
[3] Except for co-payments.

q.2) Expected Payments of Benefits

Specification	Capef[1]		Camed [1][2]	Life insurance[1]
	DB Plan	VC I Plan	Natural Plan	
Within 1 year	394,011	1,961	77,329	8,018
From 1 to 2 years	383,751	1,766	78,828	9,320
From 2 to 3 years	363,480	1,435	80,125	9,877
From 3 to 4 years	341,612	1,166	80,624	10,385
Over 4 years	3,628,476	30,141	1,786,743	294,414
Total	**5,111,330**	**36,469**	**2,103,649**	**336,014**

[1] The amounts of expected benefits were calculated without present value discount.
[2] Net of co-payment of vested participants.

q) Estimated Expenses for the 2nd Half of 2020

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(5,965)	599	(21,244)	(866)

2. Net interest	(29,306)	-	(75,695)	(13,019)
3. Total (expenses)/revenues to be recognized	**(35,271)**	**599**	**(96,939)**	**(13,885)**

NOTE 25 - Profit Sharing

The provision for Employees' Profit Sharing for the six-month period corresponds to R$ 19,645 (R$ 105,003 at 12.31.2019), equivalent to 5.91% of net income for the six-month period (6.05% at 12.31.2019) and 25% (25% at 12.31.2019) of dividends/IOE for the period.
Profit sharing expenses for the six-month period totaled R$ 20,661, of which R$ 17 as complementary employees' profit sharing for 2019 and R$ 20,644 (R$ 46,330 at 06.30.2019) as profit sharing for the six-month period. Of the R$ 20,644 provisioned in the six-month period, R$ 19,645 (R$ 46,087 at 06.30.2019) refer to the Employees' Profit Sharing and R$ 999 (R$ 243 at 06.30.2019) refer to Managing Officers' Profit Sharing. In the six-month period, the amounts paid as Employees' Profit Sharing amounted to R$ 58,933 (R$ 33,148 at 06.30.2019) and paid as Managing Officers' Profit Sharing amounted to R$ 1,633 (R$ 1,396 at 06.30.2019).

NOTE 26 - Fundo Constitucional de Financiamento do Nordeste (FNE)

a) The total Equity of FNE, amounting to R$ 92,803,956 (R$ 89,289,553 at 12.31.2019) are recorded in the Bank's memorandum accounts named "Assets of Managed Public Funds/FNE".

b) Cash and cash equivalents and funds committed to loans, which represent cash and cash equivalents of FNE in the amount of R$ 20,719,836 (R$ 22,691,198 at 12.31.2019), recorded under "Other obligations/Financial and development funds" bear interest at the extra-market rate. In period, the interest expense on cash and cash equivalents totaled R$ 382,379 (R$ 361,721 at 06.30.2019).

c) The provision to cover the risk on FNE transactions is recognized pursuant to the following criteria:

c.1) Transactions contracted until 11.30.1998 are risk-free;
c.2) For transactions contracted beginning 12.01.1998, excluding transactions under PRONAF (groups A, A/Microcredit, B, A/C, Forest, Semi-arid Region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012-Funding), the Bank's risk is 50% of the amount calculated pursuant to CMN Resolution No. 2682 of 12.21.1999; and
c.3) The Bank assumes all the risks on renegotiated and reclassified FNE loans, as set forth by Law No. 11775 of 09.17.2008, and transactions recognized in "Onlending debtors", as prescribed by Ministry of Integration Administrative Ruling No. 147 of 04.05.2018. Loans funded by FNE, under Law No. 12716 of 09.21.2012 and Law No. 12844 of 07.19.2013, for the purpose of settling BNB transactions with other sources of funds, will maintain the same risk position of the transaction to be settled.

d) The financing balances and provisions recorded under "Provision for financial guarantees provided" of the Bank are broken down as follows:

Risk level	Balances at 06.30.2020	Regular provision at 06.30.2020[(1)(2)]	Prudential provision at 06.30.2020 [(3)]	Total provision at 06.30.2020	Balances at 12.31.2019	Provision at 12.31.2019[(1) (2)]
AA	27,221,493	-	-	-	23,744,405	-
A	20,688,239	51,981	13,515	65,496	18,297,029	45,788
B	5,498,090	27,732	13,866	41,598	5,699,923	28,786
C	1,792,995	26,798	15,632	42,430	1,714,095	25,646
D	926,882	46,336	23,168	69,504	886,581	44,349
E	742,120	112,109	18,685	130,794	938,294	141,085
F	425,512	106,700	10,670	117,370	370,768	92,668
G	197,412	69,244	7,419	76,663	357,882	125,306
H	4,615,410	2,299,151	-	2,299,151	4,506,150	2,243,963
Total	**62,108,153**	**2,740,051**	**102,955**	**2,843,006**	**56,515,127**	**2,747,591**

(1) At 06.30.2020, this balance includes provision to cover the Bank risk on loans with indication of irregularities in the amount of R$ 41,790 (R$ 44,715 at 12.31.2019);
(2) Includes effects of renegotiations of loans, based on Law No. 13340 of 09.28.2016, which authorized granting of rebates and renegotiation of debts from rural credit loans entered into up to 12.31.2011, with FNE funds and mixed funds from FNE and other sources.
(3) Recorded based on an internally established model of credit risk classification, to face the economic uncertainties arising from the COVID-19 pandemic.

e) For transactions entered into after 11.30.1998, del credere commission is 3% p.a., when the risk is 50%, and 6% p.a. when the Bank is a direct party to the transaction backed by onlending based on article 9, item A of Law No. 7827 of 09.27.1989. In transactions reclassified for FNE based on Law No. 11775 of 09.17.2008, del credere commission is 3% p.a. or 6% p.a., as regulated by Interministerial Ruling No. 245 of 10.14.2008, of the Ministry of Finance and Ministry of National Integration. Income from del credere commission totaled R$ 382,380 (R$ 376,774 at 06.30.2019).

f) In the period, the administration fee was R$ 720,223 (R$ 678,894 at 06.30.2019), calculated at 2.4% p.a. on Equity and appropriated on a monthly basis.

g) The Provisional Executive Order No. 812, signed into Law No. 13682 of 06.19.2018, determined the following changes, from 2018 onwards:

i) annual reduction in administration fee at 0.3%, from 3% in 2018 to 1.5% from 2023 onwards;

ii) the calculation basis is the Equity of FNE, deducted from the balance of cash and cash equivalents referred to in article 4 of Law No. 9126 of 11.10.1995, of the amounts transferred to the Bank based on article 9-A of Law No. 7827 of 09.27.1989 and of the balances of investments under Pronaf addressed by article 6 of Law No. 10177 of 01.12.2001, and the Program regulation (MCR-10) (groups A/Microcredit, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Funding);

iii) the Bank will be entitled to the percentage of 0.35% (thirty-five hundredths percent) p.a. on the balances of cash and cash equivalents addressed by article 4 of Law No. 9126 of 11.10.1995;

iv) the amount to be received by the Bank as administration fee, after deducting the amount of the remuneration on cash and cash equivalents, may be increased up to 20% (twenty percent) based on the timely-payment factor for loans with operational risk fully assumed by FNE or with risk shared between the Bank and the Fund, calculated in accordance with the methodology for calculating the allowance for loan losses applicable to bank loan; and

v) the administration fee plus remuneration on cash and cash equivalents is limited, every month, to 20% (twenty percent) of the accumulated amount, up to the reference month, of transfers addressed by letter c of item I of the main section of article 159 of Federal Constitutions, carried out by Government.

h) Measures taken to mitigate the economic impacts of the COVID-19 pandemic

CMN Resolution No. 4798 of 04.06.2020 suspended for up to 12 (twelve) months the amounts overdue and falling due until December 31, 2020, with a possible increase at the end of the operation, for non-rural operations, non-defaulting or those in delay up to 90 days, of responsibility of FNE's beneficiaries impacted due to the state of public calamity recognized in an act of the Executive Branch.

CMN Resolution No. 4801 of 04.09.2020 authorized the extension, until August 15, 2020, of the overdue loan amounts from 01 to 08.14.2020 of costing and investment rural credit operations entered into by rural producers, including family farmers and their cooperatives, whose sale of production has been harmed as a result of the social distancing measures adopted to mitigate the impacts caused by the COVID-19 pandemic.

The amount of loans whose installments were suspended based on these Resolutions is shown below:

Specification	**Number**	**Amount**
CMN Resolution No. 4798 of 04.06.2020	79,836	41,743,040
CMN Resolution No. 4801 of 04.09.2020	26,163	123,380
Total	**105,999**	**41,886,420**

NOTE 27 - Workers' Assistance Fund (Fundo de Amparo ao Trabalhador - FAT)

The Workers' Assistance Fund (FAT) is a special financial-accounting fund under the Ministry of Labor and Employment (Ministério do Trabalho e Emprego - MTE), whose purpose is to finance the Unemployment Insurance, Salary Bonus and Economic Development Programs. The main actions financed by the Bank with FAT funds are as follows:

Specification	Tade[1]	06.30.2020	12.31.2019
Protrabalho - Investment	004/2007	104,454	105,039
Total		**104,454**	**105.039**

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R$ 16,374 (R$ 18,823 at 12.31.2019), are subject to average SELIC rate while they are not used in loans, and subject to the Long-Term Rate (TLP) when released. The funds available amount to R$ 832 (R$ 1,105 at 12.31.2019).

Remuneration of funds allocated in the Bank shall be paid to FAT on a monthly basis, as established in Codefat Resolutions No. 439/2005, 489/2006 and 801/2017, with a minimum amount equivalent to 2% calculated on the total balance of each Special Deposit Allocation Statement (TADE)), plus cash and cash equivalents that fall under the following conditions, in terms of remaining in the Bank's cash:

- after 2 months, with respect to the reimbursements of the final borrowers, not reused in new financing; and
-after 3 months, with respect to the new deposits made by FAT and not released to final borrowers.

Specification	Tade[1]	Return of FAT funds			06.30.2020		
		Form [2]	RA	SELIC remuneration	Available TMS [3]	TJLP or TLP applied[4]	Total
Proger – Urbano- Investimento	17/2006	RA	23	-	-	-	-
FAT - Infrastructure[5]	18/2006	RA	-	-	-	-	-
Protrabalho-Investment	04/2007	RA	4,422	49	832	15,542	16,374
PNMPO	01/2010	RA	7,399	92	-	-	-
Total (Note 13.b and Note 29.a.1)			**11,844**	**141**	**832**	**15,542**	**16,374**

Specification	Tade[1]	Return of FAT funds			12.31.2019		
		Form [2]	RA	SELIC remuneration	Available TMS [3]	TJLP or TLP applied[4]	Total
Proger – Urbano- Investimento	17/2006	RA	9,575	68	-	-	-
FAT - Infrastructure[5]	18/2006	RA	1,288	11	-	-	-
Protrabalho-Investment	04/2007	RA	7,157	119	346	17,718	18,064
PNMPO	01/2010	RA	31,138	407	759	-	759
Total (Note 13.b and Note 29.a.1)			**49,158**	**605**	**1,105**	**17,708**	**18,823**

(1) Tade:Special Deposit Allocation Statement;
(2) RA - Automatic Return (Monthly, 2% on total balance);
(3) Funds yielding by Average SELIC Rate (TMS);
(4) Funds yielding by:Long-Term Interest Rate (TJLP) for transactions taken out up to 12.31.2017 and Long-Term Rate (TLP) for loans taken out from 01.01.2018 onwards.
(5) Regarding FAT - Infrastructure, RA is 1% on the balance and deductible reimbursements refer to the last 4 months.

NOTE 28 - Risk Management and Basel Index

a) Risk and Capital Management

The Bank's corporate governance instruments include an internal control structure so that the operational, credit, market, liquidity and social and environmental risks as well as Interest Rate Risk in the Banking Book (IRRBB) may be adequately monitored. The risk management methodology observes the guidance set forth by the Basel Committee, with priority to identification of possible risks existing in the different Bank processes, and implementation and monitoring of key indicators and of mechanisms to mitigate any risks.

Risk Management Structure

The risk management structure is unified at the strategic level and specific at its business and support units' levels, observing the principle of segregation of activities. The units and their basic responsibilities regarding risk management are defined, formally standardized and disclosed in the institution's policies and standards website.

The performance of this structure takes into consideration the Banks's financial balance and is based on the institution's integrity and ethics policy and on the principles of social and environmental responsibility, in relationships with its customers, partners, employees, shareholders, service providers and with the society.

In this context, the Integrated Risk Management of the Bank includes, as an essential principle, sustaining a structured risk management system that is integrated to its management activities. It provides information that supports the Bank's various decision-making levels in assessing the risks involved and is designed to guide the management of risks that threaten the achievement of business objectives, establishing rules based on principles and good corporate governance practices, implemented under the guidance of the Bank's senior management and supervisory boards.

Capital Management Structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period from 2020 to 2024, which was also approved by the Board of Directors on 12.02.2019. The Control and Risk Executive Board is responsible for Capital Management, and a specific administrative unit has been structured for this purpose, as required by CMN Resolution No. 4557 of 02.23.2017. The Capital Management Structure information is available at www.bnb.gov.br.

The Bank's capital adequacy is managed taking into consideration the regulatory requirements plus a Capital target of 1.0 percentage point above the minimum requirements, considering the Referential Equity (RE), Tier I, Principal Capital and Additional Principal Capital requirements.

The Bank prepares its Capital Plan in line with the Strategic Planning, in order to reflect the results planned therein and, at the same time, comply with the provisions of CMN Resolution No. 4557. In this sense, in order toincrease the adhesion of the Capital Plan to business planning, it was decided to extend its threshold to five years, based on the version prepared in 2018, exceeding the minimum defined in the referred to resolution by two years.

In the plan prepared for the period from 2020 to 2024, there was neither evidence of non-compliance with the minimum regulatory capital requirements, nor of the minimum limit established for the activation of the contingency plan (minimum plus capital target), in any of the scenarios used.

Corporate Risk Management Policy

The corporate risk management policy sets forth guidelines and standards that integrate the Bank's activities, for management of credit, operational, market and liquidity risks, Interest Rate Risk for instruments classified in the Banking Book (IRRBB), as well as concentration and social and environmental risks. The Risk Management Committee analyzes and forwards for approval by the Executive Board and Board of Directors proposals for creation of and adjustments in strategies, policies, models and procedures for risk management. The Control and Risk Executive Board coordinates the implementation thereof and the Bank's performance, through a specific unit that manages risks, in an integrated manner, at corporate level, defining management methodologies and models, as well as promoting the dissemination of the risk management culture.

Further information relating to risk management focused on matters related to Referential Equity and the amount of Risk-Weighted Assets (RWA), in accordance with BACEN Circular No. 3678 of 10.31.2013, can be found at www.bnb.gov.br.

b) Credit risk

Credit risk is defined as the risk of incurring losses associated with default by the counterparty to its obligations under the terms agreed; depreciation and reduction of expected remunerations and gains on financial instruments deriving from deterioration of the creditworthiness of counterparty, intervening party or mitigating instrument; restructuring of financial instruments or costs of recovering exposures characterized as troubled assets.

Specification	Exposure	
	06.30.2020	12.31.2019
Loans, co-payments and guarantees given	**49,416,957**	**45,232,910**
Public sector	**1,188,639**	**1,080,003**
Private sector	**48,228,318**	**44,152,907**
Trade	5,114,798	4,170,917
Foreign trade	765,195	776,651
Manufacturing	8,050,738	7,427,931
Infrastructure	14,994,676	13,628,564
Urban micro-financing	4,575,997	4,327,132
Individuals	121,236	128,248
Rural	9,038,901	8,758,702
Other Services	5,566,777	4,934,762
Market transactions	**47,400,091**	**46,250,525**
Federal Government securities	**43,296,761**	**43,360,635**
Repurchase agreements	6,987,313	6,382,342
Other	36,309,448	36,978,293
Interbank Deposits	**393,167**	**75,991**
Other securities	**1,398,310**	**1,025,081**
Other transactions	**2,311,853**	**1,788,818**
Other assets	**5,253,190**	**4,892,986**
Total	**102,070,238**	**96,376,421**

The Bank uses the constant information flow to identify, measure, monitor, assess, report, control and mitigate risks, thus ensuring that credit risk exposure is in accordance with the parameters defined in the Risk Appetite Statement (RAS). Accordingly, the Bank uses instruments, such as: credit policies, risk assessment models and methodologies, methodology for segregation of credit assets in troubled and non-troubled, managerial reports, and system for risk rating and for calculation of expenses related to allowance for loan losses.

Furthermore, any approval in terms of risk limits is based on the level of authority by board. In accordance with their characteristics and amount, the limits may be automatically calculated or analyzed and defined by the branches' credit assessment committees, or by the Operational Supporting Centers' risk limit approval committees, or also be decided by the customer risk limit approval committee of the General Executive Board or Executive Board.

All loans with risk exposure to the Bank are subject to risk rating, based on the customer's risk rating and loan grade, in accordance with their value, term, nature and purpose characteristics and conditions of collaterals as to their sufficiency and liquidity.

Collaterals for loans above R$ 5,000 with full risk for the Bank

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to risk of loans above R$ 5,000 amount to R$ 3,062,698 (R$ 3,283,834 at 12.31.2019). These transactions are backed by collaterals totaling R$ 3,766,431 (R$ 4,703,071 at 12.31.2019).

c) Liquidity risk

Liquidity risk is the possibility of mismatches between tradable assets and liabilities that could affect the Bank's ability to pay, as well as the possibility of the institution being unable to negotiate a position at market price due to its volume being greater than the volume normally traded in the market or due to any discontinuity thereof.

The Bank adopts projection models to estimate changes in cash and manage its capacity to honor future commitments, communicating the Company's liquidity position to management through daily reports.

The daily market and liquidity risk management report includes, among other, the Bank's liquidity ratio, represented by the ratio between available funds and commitments estimated for the next 90 days. Available funds comprising the liquidity ratio calculation base include banking reserves, highly liquid portion of interbank deposits, repurchase agreements and own securities portfolio.

Specification		06.30.2020(%)	12.31.2019(%)
Liquidity ratio	At reporting date	300.03	931.37
	Average for the last 12 months	744.85	854.15
	Maximum for the last 12 months	1.092.25	1.114.25
	Minimum for the last 12 months	300.03	493.14

d) Market risk

Market risk is the possibility of impairment of assets and/or increase in liability, as well as reduction in finance income and increase in finance costs arising from changes in interest rates, exchange rates, and stock and commodity prices.

In managing market risks, the Bank considers market-approved methodologies and instruments, such as:

a) VaR (value at risk) of asset and liability transactions in trading portfolio;
b) change in in the economic value of financial instruments (ΔEVE) of the banking portfolio;
c) change in gain (loss) from financial intermediation (ΔNII) of the banking portfolio;
d) mapping of Minimum Required Capital (MRC);
e) foreign exchange exposure report;
f) sensitivity analysis;
g) stress testing;
h) back-testing; and
i) reports on monitoring of limits established for portions exposed to market risk.

The preparation of daily, quarterly and annual managerial reports for management and supervisory and control boards is critical to market risk management.Such reports include, among others, detailed information on and analysis of exposure levels of trading and banking portfolios, currency exposure levels and liquidity levels.

In addition to these reports, the monitoring of market and liquidity risk exposure limits includes a warning system implemented in order to expedite the preparation of managerial information necessary for the decision-making process by the proper levels of authority, based on the following procedures:

Risk exposure limits	Control procedure
• 1% (one percent) of the Tier I Referential Equity (RE) – maximum limit of loss on the Trading Portfolio; • 12% (twelve percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the economic value of financial instruments (ΔEVE) used to measure the interest rate risk in the book banking (IRRBB);	If the exposure level exceeds 80% of the limit, a warning is issued to the managing areas of the products responsible for the exposure, informing the Executive Board and the Risk and Capital Management Committees.
• 12% (twelve percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the result of financial intermediation (ΔNII) used to measure the interest rate risk in the book banking (IRRBB); • 5% (five percent) of the amount of Referential Equity (RE), as the maximum limit of exposures in foreign currency.	If the exposure level exceeds the established limit, a formal communication (warning) is issued to the Risk and Capital Management Committee and the Executive Board for assessment and decision-making process, aiming at correcting directions and adequacy to the tolerance parameter established in the Risk Appetite Statement (RAS).

Sensitivity analysis

As set forth in CVM Ruling No. 475 of 12.17.2008, the sensitivity analysis was conducted in order to identify significant risks capable of generating losses to the Bank, considering alternative scenarios for the behavior of various risk factors in Trading and Banking portfolio transactions, and its results are as follows:

Portfolio/risk factor	Type of Risk	Scenario 1 (Probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	774,196	774,006	(190)	773,810	(386)
Banking portfolio						
Dollar coupon	Reduction in coupon	(106,265)	(107,064)	(799)	(107,884)	(1,619)
Euro coupon	Increase in coupon	(1,361)	(1,361)	0	(1,361)	0
IGP coupon	Increase in coupon	174,045	171,126	(2,919)	168,491	(5,554)
IPCA coupon	Increase in coupon	277,226	259,086	(18,140)	270,802	(6,424)
TJLP coupon	Increase in coupon	75,039	73,962	(1,077)	72,952	(2,087)
TR coupon	Increase in coupon	(2,702,910)	(2,758,138)	(55,228)	(2,796,973)	(94,063)
Fixed interest rate	Increase in interest rate	4,208,485	4,172,452	(36,033)	4,139,465	(69,020)

(1) There were no loss estimates for this portfolio in Scenario 3.

For purposes of abovementioned calculations, scenario 1, which presents the most probable situation, considered the net balances of portfolios, at marked-to-market values - considering the rates used at B3 - Brasil, Bolsa, Balcão S.A.As regards scenarios 2 and 3, changes of 25% and 50% were applied, respectively, to the market risk factors considered, and new net balances were estimated for the portfolios. Losses correspond to the differences between the balances under scenario 1 and the balances under scenarios 2 and 3.

e) Operational risk

The operational risk is the possibility of losses arising from external events, or failures, deficiencies or inadequacies of internal processes, people or systems, including those related to legal issues.

Operational risk management requires continuous commitment and involvement of all managers, employees and collaborators, whose main purpose is to mitigate the possibility and impact of operating losses.

The corporate operating risk management system aims at ensuring compliance with the corporate policy in accordance with governance principles and the policies set by the National Monetary Council (CMN), based on the timetable defined by the banking supervisory board.

The Bank's corporate operational risk is managed through a process view and a specific organizational structure designed to support assessment activities in all supporting and business processes of the Institution, mainly based on the Resolutions issued by the Central Bank. The qualitative approach comprises process risk assessment methodologies, follow-up of mitigating measures and managerial reports. Another methodology used is the RCSA (Risk and Control Self-Assessment) that allows simulating risks inherent to activities and procedures, as well as defining their impact. RCSA further allows building a Risk Matrix and defining indicators, aiming at reaching an expanded vision of the processes and improved management.

f) Foreign exchange exposure

Transactions under agreements that provide for currency adjustment clause presented net balance of foreign exchange exposure sold, in the amount of R$ 42,068 (R$ 47,271 at 12.31.2019 - short position), as follows:

Specification	06.30.2020	12.31.2019	Specification	06.30.2020	12.31.2019
Cash and cash equivalents	2,664	1,939	Deposits	-	-
Interbank Investments	33,459	24,441	Interdepartmental accounts	4,662	3,381
Loans	539,634	423,461	Borrowings and onlending - domestic	73,561	59,338
Other credits	1,144,706	879,654	Borrowings and onlending - foreign	548,475	431,861
			Other liabilities	1,135,833	882,186
Total assets in foreign currencies, excluding derivatives	**1,720,463**	**1,329,495**	**Total liabilities in foreign currencies**	**1,762,531**	**1,376,766**
Swap transactions	-	-			
Total long position in foreign currencies	**1,720,463**	**1,329,495**	**Total short position in foreign currencies**	**1,762,531**	**1,376,766**

Foreign exchange exposure is maintained below the limits established in the Corporate Risk Management Policy (5% of the Referential Equity - RE).

g) Operational limits - Basel Accord

At 06.30.2020, the Bank had a wide Basel rate (including capital to cover IRRBB) of 13.63% (14.35% at 12.31.2019). Tier I rate was 10.46% (10.44% at 12.31.2019) while Principal Capital rate was 9.17% (9.04% at 12.31.2019). RE computed was R$ 8,502,388 (R$ 8,265,588 at 12.31.2019), Tier I was R$ 6,448,044 (R$ 5,982,984 at 12.31.2019) and Principal Capital was R$ 5,652,155 (R$ 5,181,944 at 12.31.2019), while risk weighted assets (RWA amount) totaled R$ 61,628,837 (R$ 57,311,851 at 12.31.2019). In the period under review, the possibility of non-compliance with the capital requirements provided for in the current regulation was not detected.

i. Minimum Required Capital - MRC (Basel III)

Specification	06.30.2020	12.31.2019
Referential Equity (RE)	**8,502,388**	**8,265,588**
. Tier I	**6,448,044**	**5,982,984**
. Principal Capital	5,652,155	5,181,944
. Complementary Capital	795,889	801,040
. Tier II	**2,054,344**	**2,282,604**
Risk-Weighted Assets (RWA)	**61,628,838**	**57,311,851**
. RWACPAD	50,405,382	46,532,628
. RWACAM	57,354	59,350
. RWAJUR	4,275	42,050
. RWACOM	4,825	4,375
. RWAOPAD	11,157,002	10,673,448
Margin on required RE	**3,572,081**	**3,680,640**
Capital to Interest Rate Risk for instruments classified in the Banking Book (IRRBB)	**58,926**	**21,535**
Margin on Required Referential Equity considering IRRBB	**3,513,155**	**3,659,105**
Margin on Tier I Required Referential Equity	**2,750,314**	**2,544,273**
Margin on Required Principal Capital	**2,878,857**	**2,602,911**
Required Additional Capital - ACP (1.25%) [1]	**770,361**	**1,432,796**
Margin on Required Additional Capital	**1,979,953**	**1,111,477**
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	9.17%	9.04%
. Tier I index (minimum requirement of 6.0%)	10.46%	10.44%
. Referential Equity index (minimum requirement of 8.0%)	13.80%	14.42%
. Referential Equity index including IRRBB	13.63%	14.35%

[1] 2.5% until December 2019 and 1.25% from April 2020.

Where:

. RWACPAD:amount related to credit risk exposures.
. RWACAM:amount related to exposure to gold, foreign currency and assets subject to foreign exchange variation.
. RWAJUR:amount related to exposures subject to change in interest rates.
. RWACOM:amount related to exposures subject to change in commodity prices.
. RWAOPAD:amount related to operational risk.
. RBAN:capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

ii.Breakdown of Referential Equity (Basel III)

Specification	06.30.2020	12.31.2019
Referential Equity (RE)	**8,502,388**	**8,265,588**
TIER I REFERENTIAL EQUITY	**6,448,044**	**5,982,984**
Principal Capital	**5,652,155**	**5,181,944**
Share Capital	5,569,988	3,813,000
Income reserves	1,224,431	2,651,514
Capital and revaluation reserves	13,698	13,726
Other Comprehensive Income	(919,521)	(1,050,835)
Debt instruments eligible to Principal Capital	500,000	500,000
Prudential Adjustments	(736,441)	(745,461)
Prudential Adjustments - intangible assets	(721)	(563)
Prudential adjustment - Tax credits from temporary differences	(670,091)	(741,219)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(65,629)	(3,679)
Complementary Capital	795,889	801,040
Instruments Eligible to Complementary Capital	795,889	801,040
TIER II REFERENTIAL EQUITY	**2,054,344**	**2,282,604**
Instruments eligible to Tier II	2,054,344	2,282,604

The Debt Instrument Eligible to Principal Capital entered into with the Federal Government comprises Tier I RE, as Principal Capital of the Bank, as authorized by BACEN.As provided for in CMN Resolution No. 4192/2013, this instrument has a repurchase clause that was used by the Bank to request amortization of a total of R$ 500,000, into two installments of R$ 250,000, already authorized by BACEN.

The Subordinated Financial Bills, taken out in June 2019 in the amount of R$ 801,040, were authorized by Bacen to compose the Tier I Referential Equity, as the Bank's Complementary Capital.

The afore mentioned debt instrument and subordinated financial bills have perpetuity character and no maturity, as required by CMN Resolution No. 4192/2013 so that they may be eligible for Tier I RE.

The Subordinated Debt Instruments entered into with FNE, authorized to comprise Tier II RE before the entry into force of CMN Resolution No. 4192 of 03.01.2013, according to paragraph 2 of its article 23, shall remain eligible up to their amortization. With the publication of CMN Resolution No. 4679 of 07.31.2018, the balances of these contracts were frozen at 06.30.2018 and will be excluded from Tier II Referential Equity at a rate of 10% p.a. from 2020 onwards. These two contracts, although not required by CMN Resolution No. 4192/2013, are also perpetual.

iii.Leverage Ratio (LR)

The Leverage Ratio (LR), according to the methodology approved by Bacen Circular No. 3748 of 02.27.2015, corresponds to the division of Tier I RE by Total Exposure. The Bank's Leverage Ratio is as follows:

Specification	06.30.2020	12.31.2019
Tier I Referential Equity	6,448,044	5,982,984
Total exposure	100,136,009	96,438,083
Leverage Ratio (%)	6.44	6.20

iv. Fixed asset to equity ratio

The Bank's fixed asset to equity ratio, calculated in accordance with the provisions of CMN Resolution No. 2669 of 11.25.1999, is as follows:

Specification	06.30.2020	12.31.2019
Referential Equity - fixed asset to equity limit	8,502,387	8,265,588
Fixed asset to equity limit (50% of adjusted RE)	4,251,194	4,132,794
Situation	234,465	231,910
Margin	4,016,729	3,900,884
Fixed asset to equity ratio	2.76%	2.81%

NOTE 29 - Related parties

a) Transactions with related parties

The Bank's policy on transactions with related parties was updated by the Board of Directors at a meeting held on 08.08.2019 and disclosed to the market. Among others, the policy provides that in carrying out transactions with related parties, the conditions and rates compatible with market practices are applied, in addition to establishing guidelines to be observed in potential conflicts of interest.

In the period, the Bank carried out banking transactions with related parties, such as current account deposits (non-interest bearing), financial investments and loans.

a.1) Significant transactions with state-owned companies, autonomous government agencies, programs and funds controlled by the Federal Government are broken down as follows:

Specification	06.30.2020	12.31.2019
Liabilities		
Time deposits - FAT (Notes 13.b. and 27)	**16,374**	**18,823**
Domestic onlending - Official institutions (Note 14.b.)	**1,137,787**	**1,167,737**
National Treasury	526	505
BNDES	1,095,854	1,118,933
Finame	41,407	48,299
Other Liabilities	**24,592,789**	**26,756,657**
FNE	20,726,716	22,702,557
FDNE	644,616	662,590
Merchant Marine Fund (FMM)	107,980	96,311
Debt instruments eligible to principal capital (Note 17)	500,000	750,000
Subordinated debts eligible to capital (Note 17)	2,613,477	2,545,199
Total	**25,746,950**	**27,943,217**

a.2) The balances of obligations with Post-employment Benefit Plans are as follows:

Specification	06.30.2020	12.31.2019
Retirement and DB Pension Plan (Note 24)	785,363	931,871
Health Care Plan (Note 24)	1,915,778	2,134,473
Life insurance - Post-Employment Benefit (Note 24)	336,015	363,829
Total	**3,037,156**	**3,430,173**

a.3) Significant revenues and expenses with related parties are as follows:

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Time deposits - FAT	(32,756)	(54,199)
National Treasury	(21)	(16)
BNDES	(56,673)	(52,855)
Finame	(1,798)	(1,646)
FMM	(18,383)	(4,122)
FNE	549,899	137,425
FDNE	12,008	13,172
Debt Instruments Eligible to Principal Capital	(28,236)	(157,531)
Subordinated Debts Eligible to Capital	(68,277)	(88,569)
Retirement and DB pension plan	(38,006)	(29,691)
Retirement and VC I pension plan	(29,148)	(26,697)
Health insurance plan	(96,531)	(75,429)
Life insurance - Post-employment benefit	(13,509)	(6,044)

b) Management Compensation

The compensation of the Board of Directors, Statutory Executive Board and Supervisory Board is shown below:

Specification	01.01 to 06.30.2020	01.01 to 06.30.2019
Fees	**2,127**	**1,892**

Executive Board	1,847	1,613
Board of Directors	144	143
Supervisory Board	136	136
Other	**1,044**	**603**
Variable compensation (RVA)[1]	**936**	**828**
Total short-term benefits	**4,107**	**3,323**
Post-employment benefits	**137**	**125**
Total	**4,244**	**3,448**

The Bank offers to its officers, as post-employment benefits, Pension and Health Care Plans under the same conditions offered to employees.
The Bank does not grant loans or advances to key management personnel, in accordance with current regulations.

NOTE 30 - Other Information

a) Preventive actions aimed at minimizing the effects of the COVID-19 pandemic

In the period, the Bank informs, in the notice to the market, about the adoption of preventive actions aimed at minimizing the effects of the COVID-19 pandemic, in line with the measures recommended by the Federal Government, continuing the mission of operating as the Development Bank for the Brazilian Northeast Region. The measures consist of: extension of terms, renegotiation, extension of grace periods, reduction of tariffs and increase of limits, on the types of loans and financing, including Microloan, Working Capital and Direct Consumer Credit. In fact, the Bank recorded a prudential allowance, in the amount of R$ 146,207, to cover the credit risk of the loan portfolio, with an increase in the allowance percentage for each risk level, in relation to the minimum percentages established by CMN Resolution No. 2682, using an internally developed model. Of that amount, R$ 42,642 refer to operations of the Bank itself (Note 9.c) and R$ 103,565 to operations of Funds, the risk of which lies with the Bank, being R$ 102,955 from FNE (Note 26.d) and R$ 610 from FDNE.
The Bank's Management decided not to prepay dividends relating to mandatory minimum dividend for the year, on income calculated in the 1st half of the year, in compliance with the temporary prudential requirements established by CMN, through Resolution No. 4820 of 05.29.2020.

b) Statement of Compliance

We confirm that all significant information of the financial statements themselves, and only such information, is being disclosed and corresponds to that used in the management of the Bank.

c) Approval of Financial Statements

The financial statements were approved by the Board of Directors at the meeting held on August 07, 2020.

Fortaleza (Ceará State), August 07, 2020.

The Executive Board

Note: These notes are an integral part of the Individual Financial Statements.

Independent auditor's report on financial statements

To the Board of Directors, Shareholders and Officers
Banco do Nordeste do Brasil S.A.
Fortaleza

Opinion

We have audited the accompanying financial statements of Banco do Nordeste do Brasil S.A. ("Bank"), which comprise the balance sheet as at June 30, 2020 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at June 30, 2020, its financial performance and its 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 Central Bank of Brazil (BACEN).

Basis for opinion

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

Key audit matters

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

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

1. Contingencies

As described in Note 22, the Bank is party to various administrative and legal proceedings involving matters of labor, tax and civil nature arising from the ordinary course of its business. We considered this issue a key audit matter due to the fact that the expected loss and the amounts attributed involve judgments by management and its legal advisors on frequently complex issues.

How our audit addressed this matter

Among other procedures, we obtained confirmations regarding ongoing lawsuits from the Bank’s internal and external legal advisors and crosschecked the likelihood of loss and amounts attributed against the Bank’s operational controls and accounting records. For the most relevant lawsuits, we tested the calculation of amounts recorded and disclosed and analyzed the reasonableness of the estimates in relation to well-known case law and legal theses.We also analyzed communications received from regulators related to lawsuits, tax assessments and disputes to which the Bank is party, and the sufficiency of disclosures related to issues arising from contingencies and provisions recorded.Lastly, we assessed the adequacy of the disclosures made by the Bank on tax, civil and labor contingencies in Note 19 to the financial statements.

Based on the results of the audit procedures performed on labor, tax and civil contingencies, we consider acceptable the corresponding provisions and disclosures prepared by management in the context of the financial statements taken as a whole.

2. Post-employment benefits

The Bank has significant liabilities related to post-employment benefit plans that, as described in Note 24, include retirement, health and life insurance benefits.We considered this issue a key audit matter due to the magnitude of amounts involved and the complexity of valuation models of actuarial liabilities, which comprise the use of long-term assumptions, such as general mortality, disability, healthcare costs, salary increases, household composition, and discount and inflation rates.Therefore, any differences in the assumptions and estimates used in the calculation may significantly affect the result of the actuarial valuation and impact the actuarial obligation amount determined.

How our audit addressed this matter

Among other procedures, we analyzed - supported by our subject matter experts - the methodology and significant assumptions used by management in assessing the actuarial obligations arising from the post-employment benefit plans, checking the mathematical accuracy of the calculation and analyzing the consistency of results against the assumptions used and prior assessments.The audit procedures also included tests of the integrity of the databases used in the actuarial projections and the sufficiency of the disclosures related to the post-employment benefit plans.

Based on the results of the audit procedures performed on the post-employment benefit plans, which is consistent with management's assessment, we consider that the criteria and assumptions for assessment of actuarial obligations adopted by management, as well as the respective disclosures in Note 24, are acceptable in the context of the financial statements taken as a whole.

3. Recoverability of tax credits

The Bank records deferred tax asset on temporary differences in determining the income and social contribution tax base, mainly arising from expenses related to the allowance for loan losses associated with the credit risk; post-employment benefits; expenses related to other provisions for contingencies; market value adjustments and derivative financial instruments.

We considered this issue a key audit matter due to the expressive amount recorded and the fact that the study related to the realization of these assets involves a high degree of judgment in determining assumptions on the Bank's future performance, as described in Note 21.

How our audit addressed this matter

Among other procedures, we analyzed the methodology and assumptions used by management in the study of tax credit realization, including deferred income projections, as well as compliance with the Central Bank of Brazil's requirements. We checked the mathematical accuracy in the calculation and the consistency between the data used and the accounting balances, as well as the prior assessments and the reasonableness of assumptions used. We also analyzed the sensitivity of those assumptions to evaluate the behavior of projections with their oscillations and the sufficiency of disclosures in the notes to financial statements.

Based on the results of the audit procedures performed on tax credits, which is consistent with management's assessment, we consider that the criteria and assumptions regarding the study related to their realization, including deferred income projections, prepared by Bank management, as well as the respective disclosures in Note 21, are acceptable in the context of the financial statements taken as a whole.

4. Allowances for loan losses associated with credit risk

As mentioned in Note 9, the Bank classifies the risk level of loan transactions considering the economic environment, past experience, related guarantees, delays and the history of rescheduling, according to the parameters established by CMN Resolution No. 2682. We considered this issue a key audit matter because of the significance of amounts and due to the fact that the classification of the customer's risk level and of the assessment of guarantees involve management's judgment.

How our audit addressed this matter

We performed, among other tests, an analysis of the economic and financial assessment carried out by the Bank upon classifying the customer's risk level, through a sample selected for test, and recalculated the allowance for loan losses based on the parameters established by CMN Resolution No. 2682. We also carried out procedures for measurement of guarantees and monitoring rescheduled transactions.

Based on the results of the audit procedures performed on the allowance for loan losses associated with credit risk, which is consistent with Management's assessment, we consider that the criteria and assumptions associated with the allowance adopted by Management, as well as the respective disclosures in Note 9, are acceptable in the context of the financial statements taken as a whole.

5. Technology environment

The Bank's transactions are extremely dependent on the proper operation of the technology structure and its systems, reason why we consider the technology environment one of the key audit matters.Due to the Bank's nature of business and transaction volume, our audit strategy is based on the effectiveness of the technology environment.

How our audit addressed this matter

Our audit procedures included, among other, the assessment of the design and operational effectiveness of IT General Controls ("ITGC"), implemented by the Bank for those systems deemed relevant to the audit process. The ITGC assessment included the involvement of IT experts to assist us in performing audit procedures designed to assess controls over accesses, change management and other technology aspects. With regard to the audit of accesses, we analyzed, on a sample basis, the process for authorizing and granting new users access, timely removal of access to transferred or terminated employees, and review of users on a regular basis.

In addition, we evaluated password policies, security settings and access to technology resources. With regard to the change management process, we assessed whether changes to the systems were duly authorized and approved by the Bank at appropriate levels.

In the processes considered significant for the financial statements, we identified the main automated or IT-dependent controls, so that, on a sampling basis, we could perform tests focused on the design and operational effectiveness of such controls.

Our tests on the design and operation of ITGCs and automated controls, considered significant to the audit procedures performed, provided a basis for us to continue the planned nature, timing and extent of our audit procedures.

Other matters

Statement of Value Added

The Statement of Value Added (SVA) for the six-month period ended June 30, 2020, prepared under the responsibility of the Bank management and presented as supplementary information for the purposes of accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, was submitted to the same audit procedures performed for audit of the Bank's financial statements.For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria provided for in Accounting Pronouncement NBC TG 09 - Statement of Value Added.In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria provided in referred to Accounting Pronouncement and is consistent with the financial statements taken as a whole.

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

Bank management is responsible for such other information that comprises the Management Report.

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, 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.

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

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

Auditor's responsibilities for the audit of financial statements

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

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

• Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion.The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

• Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

• Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Bank's ability to continue as a going concern.If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.However, future events or conditions may cause the Bank to cease to continue as a going concern.

• Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, August 07, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Renata Zanotta Calçada
Accountant CRC-1RS062793/O-8

Banco do Nordeste

SUPERVISORY BOARD'S REPORT

The Supervisory Board of Banco do Nordeste do Brasil S.A., exercising its legal and statutory prerogatives, examined the Management Report, the Balance Sheet, the Statements of Income, of Comprehensive Income, of Changes in Equity, of Cash Flows and of Value Added of Banco do Nordeste do Brasil S.A., for the six-month period ended June 30, 2020, which were approved, on the date hereof, by the Board of Directors.

Based on the examination conducted, the information and clarifications received during the six-month period, and on the unqualified Independent Auditor's Report of ERNST & YOUNG AUDITORES INDEPENDENTES S.S., issued on the date hereof, the Supervisory Board's opinion is that the Management Report and the Financial Statements adequately reflect the financial and patrimonial situation of the Banco do Nordeste do Brasil S.A.

The Supervisory Board ensures that the full wording of this Opinion is part of the Minutes of the 29th Supervisory Board Special Meeting, signed by all members of the referred board.

Fortaleza (CE), August 07, 2020

SUPERVISORY BOARD

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 1nd HALF OF 2020

1 - Introduction

The Audit Committee of Banco do Nordeste do Brasil ("Coaud") is a statutory collegiate of advisory to the Board of Directors ("Consad"), currently composed of four members appointed by Consad, governed by Law No. 13303/2016 (State-Owned Enterprises Law), Decree No. 8945/2016, CMN Resolution No. 3198/2004, Banco do Nordeste do Brasil's Charters, its Internal Regulations and other applicable laws. The statutes and electronic address of BNB's Audit Committee are made available on the Internet at www.bnb.gov.br, under "Institucional/Sobre o Banco/Relação com os Acionistas/Comitês/Comitê de Auditoria".

2 – Responsibilities

The Audit Committee is responsible for evaluating the quality, transparency and integrity of the Financial Statements, the effectiveness, independence and quality of the work developed by the external and internal audit, as well as the quality and effectiveness of the Internal Control System and risk management. In addition, the Audit Committee recommends the correction and improvement of policies, practices and procedures identified within the scope of its duties, whenever deemed necessary.

The administrators of Banco do Nordeste do Brasil are responsible for preparing and ensuring the integrity of the Financial Statements, managing risks, maintaining effective Internal Control System, and ensuring compliance of activities with legal and regulatory standards.

The Capital and Risk Committee (CRC) advises Consad on its risk and capital management duties. Coaud assesses and monitors risk exposures through interaction with the CRC.

The External Audit is responsible for the audit of the Financial Statements for the six-month period and for the review of the Quarterly Information (ITR) filed with Brazilian SEC (CVM) and, also, evaluates the quality and sufficiency of internal controls relevant to the preparation and appropriate presentation of the Financial Statements, issuing an opinion thereon, based on procedures and patterns set forth in standards governing the exercise of the profession.

The Internal Audit, directly in connection with the Board of Directors, is responsible for performing periodic work, focusing on the main risks to which the Bank is exposed, monitoring, evaluating and assessing, broadly and independently, the risk management actions and the adequacy of governance and internal controls, including the areas and activities that present the risks most sensitive to the Bank's operations and strategy, through checks as to the quality, sufficiency, compliance and effectiveness.

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 1nd HALF OF 2020

3 - Activities of the period

The activities developed by Coaud, within the scope of its duties, are recorded in the Minutes of meetings and covered the set of responsibilities assigned to the Committee.

In compliance with its duties and responsibilities, Coaud held 31 meetings over the 1st half of 2020, highlighting those with: Board of Directors; Supervisory Board; Capital and Risk Committee; Compensation and Eligibility Committee, Executive Board; BNB's CEO; External and Internal Audit, and key managing officers of the business areas, Information Technology, Internal Control and Compliance, Security, Risk Management, Financial Control and Accounting. The Committee also held meetings with CAPEF - Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil and CAMED - Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil. On these occasions, the main issues related to each area were addressed, and recommendations for improvement were provided, as applicable.

The six-month period was marked by the impacts of the pandemic caused by coronavirus on the economic, social and health fields. The Bank's Management has taken timely measures to protect its employees, customers, people and companies to which relationships are maintained, with emphasis on the performance and collaboration of the Company's technological support. Coaud monitored and has been monitoring such actions, having even formulated a specific recommendation to the Audit Committee for carrying out assessment work. Special attention has been given to the potential impacts on loan portfolios.

The Committee also monitors and operates on the results of inspections and findings by external agencies and held meetings and/or kept in touch with representatives of the supervisory and control agencies, worth highlighting the recognition of its performance by the Supervision of the Central Bank of Brazil.

Activity reports, minutes of Committee meetings, as well as the Coaud's Annual Work Plan are regularly reported to the Board of Directors.

Coaud was not aware of the existence and/or evidence of fraud or non-compliance with legal and regulatory standards that could jeopardize the continuity of the institution, perpetrated by management, employees or third parties.

Regarding Continuing Education, although the pandemic has restricted the in-person participation in training and professional development events, the Committee members kept up to date and invested in training over the six-month period, through the Febraban Regulatory Communications and also with the audience in lives and videos of advisory firms (McKinsey, KPMG, Ernst & Young etc.), as well as on-line events conducted by Febraban itself and BNB.

With regard to its duties, the Audit Committee developed the following activities:

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 1nd HALF OF 2020

3.1 Internal Audit

At the meetings held with the Audit Committee, its planning process, projects and compliance with the legislation and regulations applicable to the Internal Audit, among other, were discussed and evaluated. In addition, the results of the evaluation of the Internal Control system, the summaries and reports of the main works and the monitoring of the main recommendations of the internal and external audit as well as of the external supervisory and control agencies were addressed. Significant disciplinary audit cases were also monitored.

The Audit Committee followed the sanitation measures adopted by Management in the areas audited.

3.2 External Audit

Coaud assessed the planning and results of the main works performed by the independent auditors, their conclusions and recommendations, the key audit matters addressed by them and the compliance with the applicable auditing standards relating to the Financial Statements as well as recommendations for improving internal control. Coaud followed the implementation of the respective recommendations for improving processes, systems and mitigating risks.

3.3 Internal Control System

The assessment of the effectiveness of the Compliance and Internal Control System was based mainly on the results of the work performed by the area itself, internal and external audit, by the external supervisory and control agencies, by the Control and Risk Board, and on information and documents received and analyzed, arising from different areas of BNB.

3.4 Transactions with Related Parties

Coaud assessed and monitored, together with Management and Internal Audit, the adequacy of transactions with related parties, in accordance with legal requirements.

3.5 Parameters and actuarial result

Meetings were held with the areas in charge and with the closed-end Private Pension Plan Entity on the BNB's actuarial valuation process in relation to sponsored plans. Assumptions used, the adherence of the actuarial hypotheses and the results obtained by the plans were also evaluated.

3.6 Risk Exposure

Significant activities related to risk management were evaluated and monitored together with the Risk and Capital Committee.

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 1nd HALF OF 2020

3.7 Financial Statements

BNB's Financial Statements, including explanatory information, the Management Report and the Independent Auditor's Report, unqualified, for the six-month period ended 06.30.2020, were audited and reviewed.

3.8 Audit Committee Recommendations

New recommendations were made over the six-month period and the implementation of existing recommendations was monitored.

4 - Conclusions

Based on the activities carried out within the scope of its responsibilities, and the limitations inherent in the scope of its activities, the Audit Committee concluded that:

4.1 Compliance and Internal Control System

The Compliance and Internal Control System of Banco do Nordeste do Brasil is appropriate to the size and complexity of the Bank's business, provides reasonable assurance that the objectives related to the operational efficiency and effectiveness, compliance with applicable laws and regulations and protection of the Bank's assets have been achieved, and is subject to permanent attention by Management. Nevertheless, improvement actions have been approved and implemented, aiming at improving controls to mitigate risks that may affect the Bank's processes, operations and business.

The Bank's Management has developed positively in its model for meeting the demands involving Information Technology, which shall contribute to optimizing the Bank's operations, mitigating risks and complying with the internal audit's and external supervisory agencies' recommendations.

The culture and integrity of control have been settled over time, including in relation to the policy of consequences.

Transactions with related parties, evaluated and monitored in the period, together with Management and Internal Audit, complied with the applicable regulations.

The main parameters on which the actuarial calculations of sponsored pension fund benefit plans are based are reasonable and in line with best market practices.

Major risk exposures have been adequately managed by Management. The Committee has been discussing with Management and CRC about the integrated risk management matter, which has been subject matter of the Bank's coordinated action and attention.

Weaknesses in processes, dealt with the Executive Board, have been resolved or are in progress for resolution, and there are no cases of recommendations not complied with.

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 1nd HALF OF 2020

4.2 Internal Audit

Internal Audit performs its functions with independence, objectivity, quality and effectiveness. The Internal Audit performance and processes remain progressing, which may be evidenced by the quality of the work performed and other initiatives, such as the development of the Integrated System and the Audit Center, as well as permanent attention to the qualification of its professionals.

The Internal Audit has adequately responded to the demands of the Audit Committee and to the needs and requirements of the Bank and Regulators, and its performance has been acknowledged by the Supervision of the Central Bank of Brazil.

4.3 External Audit

No significant events have been detected that could impair effectiveness of the performance, objectivity and independence of Ernst & Young Auditores Independentes S/S. Coaud understands that the work developed was appropriate for the Bank's business.

4.4 Financial Statements

The Financial Statements for the first half of 2020 were prepared in accordance with the legal standards and accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (Bacen), as well as the rules issued by the Brazilian Securities and Exchange Commission ("CVM") and reflect, in all material respects, the Bank's financial and patrimonial situation.

Fortaleza (Ceará State), August 7, 2020

AUDIT COMMITTEE

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE
Administrado pelo Banco do Nordeste do Brasil S.A.

Financial Statements

F N E

In thousand of reais (R$)

06.30.2020

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

Administered by Banco do Nordeste do Brasil S.A.

(Law No. 7827 of 09.27.1989)

Individual Financial Statements

BALANCE SHEETS

Six-month period ended June 30, 2020 and Year ended December 31, 2019

(Amounts in R$ thousand)

ASSETS

		06.30.2020	12.31.2019
CURRENT ASSETS		**33.848.279**	**36.749.337**
CASH AND CASH EQUIVALENTS	(Note 4.c.1)	2.542.885	6.091.262
FUNDS COMMITTED WITH LOANS	(Note 4.c.1)	18.176.951	16.599.936
AMOUNTS RECEIVABLE - CEF - EQUALIZATION OF BONUS FOR TIMELY PAYMENT - PROFROTA		190	46
LINKED CREDITS		47	859
Rural Credit - PROAGRO receivable		47	859
ONLENDING DEBTORS		61.761	60.708
Onlending debtors - Other Institutions		61.761	60.708
LOANS	(Notes 4.c.2 e 6)	13.059.564	13.985.163
Financing		5.676.411	6.458.745
Export financing		221.737	181.794
Infrastructure and Development Financing		326.133	465.897
Agribusiness Financing		286.500	255.409
Rural Financing		7.066.740	7.109.342
(Allowance for loan losses)		(517.957)	(486.024)
OTHER CREDITS	(Note 4.c .4)	6.880	11.359
Rights on Assets Received in Loans		6.880	11.359
OTHER ASSETS	(Note 4.c.5)	1	4
PROAGRO Securities		4	4
Agrarian Debt Bonds (TDAs)		7	-
(Provision for Devaluation of Securities)		(10)	-
NON-CURRENT ASSETS		**58.955.676**	**52.540.276**
LINKED CREDITS		55	1.195
Rural Credit – PROAGRO receivable		55	1.195
ONLENDING DEBTORS		2.737.981	2.676.562
Onlending Debtors - Banco do Nordeste - article 9-A of Law No. 7827	(Note 5)	2.613.477	2.545.200
Onlending Debtors - Other Institutions		124.504	131.362
LOANS		56.217.435	49.862.247
Financing	(Notes 4.c.2 e 6)	22.149.992	18.800.941
Export financing		911	1.197
Infrastructure and Development Financing		16.140.863	13.767.881
Agribusiness Financing		729.780	728.394
Rural Financing		17.195.889	16.563.834
OTHER ASSETS	(Note 4.c.5)	205	272
Agrarian Debt Bonds (TDAs)		241	306
(Provision for Devaluation of Securities)		(36)	(34)
TOTAL ASSETS		**92.803.955**	**89.289.613**

LIABILITIES AND EQUITY

		06.30.2020	12.31.2019
CURRENT LIABILITIES		-	**60**
Other liabilities		-	60
Accrued liabilities payable		-	60
EQUITY	(Note 7.b)	**92.803.955**	**89.289.553**
TRANFERS FROM FEDERAL GOVERNMENT:			
In the six-month/year		4.060.944	8.157.554
In prior years		91.121.727	82.964.174
INCOME FROM PRIOR YEARS		(1.833.666)	(941.402)
INCOME FOR THE SIX-MONTH/YEAR		(545.050)	(890.773)
TOTAL LIABILITIES AND EQUITY		**92.803.955**	**89.289.613**

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

Administered by Banco do Nordeste do Brasil S.A.

Individual Financial Statements

INCOME STATEMENTS

Six-month periods ended June 30, 2020 and 2019

(Amounts in R$ thousand)

		06.30.2020	06.30.2019
INCOME			
From loans	(Note 6.f)	505.271	326.667
From remuneration of Cash and cash equivalents	(Note 4.b.1.)	382.379	742.662
From Reversal of Operating Provisions		1	15
EXPENSES			
From Management	(Note 4.b)	(720.223)	(678.894)
From remuneration of Cash and Cash Equivalents	(Note 4.b)	(40.046)	(44.845)
From Pronaf-compensation of Financial Agent/Performance Bonus	(Note 4.b)	(212.055)	(201.193)
From Allowance for loan losses		(460.375)	(447.292)
From Audit		(2)	(18)
LOSS FOR THE SIX-MONTH		**(545.050)**	**(302.898)**

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

Administered by Banco do Nordeste do Brasil S.A.

Individual Financial Statements

STATEMENTS OF CHANGES IN EQUITY

Six-month periods ended June 30, 2020 and 2019

(Amounts in R$ thousand)

EVENTS	TRANFERS FROM FEDERAL GOVERNMENT	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
BALANCES AT 12.31.2018	**82.964.173**	**(917.821)**	**82.046.352**
Transfers from Federal Government in the six-month	4.363.712	-	4.363.712
Prior years' adjustments	-	(11.813)	(11.813)
Loss for the six-month period	-	(302.898)	(302.898)
BALANCES AT 06.30.2019	**87.327.885**	**(1.232.532)**	**86.095.353**
CHANGES FOR THE SIX-MONTH PERIOD	**4.363.712**	**(314.711)**	**4.049.001**
BALANCES AT 12.31.2019	**91.121.727**	**(1.832.174)**	**89.289.553**
Transfers from Federal Government in the six-month	4.060.944	-	4.060.944
Prior Years' Adjustments	-	(1.492)	(1.492)
Loss for the six-month period	-	(545.050)	(545.050)
BALANCES at 06.30.2020	**95.182.671**	**(2.378.716)**	**92.803.955**
CHANGES FOR THE SIX-MONTH PERIOD	**4.060.944**	**(546.542)**	**3.514.402**

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

Administered by Banco do Nordeste do Brasil S.A.

Individual Financial Statements

STATEMENTS OF CASH FLOWS

Six-month periods ended June 30, 2020 and 2019

(Amounts in R$ thousand)

	06.30.2020	06.30.2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the Six-Month Period	**(545.050)**	**(302.898)**
Non-cash Expenses (Revenues):		
Allowance for loan losses	460.375	447.292
Provision for Devaluation of Securities	2	11
Reversal of allowances for loans	(1)	(15)
Accrued Liabilities Payable	(59)	(41)
Adjusted Income (loss) for the Six-Month Period	**(84.733)**	**144.349**
Linked Credits	1.951	116
Onlending debtors	(62.471)	(88.778)
Loans	(5.889.952)	(4.016.084)
Amounts receivable – CEF – Equalization of bonus for timely payment Profrota	(143)	(199)
Other Credits	4.479	(1.826)
Other Assets	55	95
Prior years' adjustments	(1.492)	(11.813)
CASH USED IN OPERATING ACTIVITIES	**(6.032.306)**	**(3.974.140)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers from Federal Government	4.060.944	4.363.712
CASH PROVIDED BY FINANCING ACTIVITIES	**4.060.944**	**4.363.712**
Increase (decrease) in cash and cash equivalents	**(1.971.362)**	**389.572**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS:		
At beginning of six-month period	22.691.198	24.575.929
At end of six-month period	20.719.836	24.965.501
Increase (decrease) in cash and cash equivalents	**(1.971.362)**	**389.572**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE (FNE)
Six-month periods ended June 30, 2020 and 2019 and year ended December 31, 2019
(Amounts expressed in thousands of reais, unless otherwise stated)

Notes to Financial Statements - Contents

Note 1 - History	**Note 6 -** Financing transactions, onlending and allowance for loan losses
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Note 4 - Significant accounting practices	**Note 9** - Supervisory agencies
Note 5 - Onlending to BNB under article 9-A of Law No. 7827 of 09.27.1989	**Note 10 -** Approval of financial statements

NOTE 1 - History
Fundo Constitucional de Financiamento do Nordeste - FNE was established by the Federal Constitution of 1988 (Article 159, item I, letter “c”), and is regulated by Law No. 7827 of 9.27.1989 and subsequent amendments, the most recent of which is Law No. 13682 of 06.19.2018. The purpose of the FNE is to foster the economic and social development of the Northeast region, through Banco do Nordeste do Brasil S.A., by offering financing to production sectors, in conformity with regional development plans, giving priority to activities developed by small farmers, small companies and staple food producers, and to irrigation projects. Non-refundable aid is prohibited. In view of the provisions in article 15-J of Law No. 13530 of 12.07.2017, FNE may invest funds in the scope of the Student Funding Program established by article15-D of that Law, intended for funding non-tuition-free higher education students, with positive evaluation in the processes conducted by the Ministry of Education, according to its own regulation, and that will also addresses the income bracket covered by this type of Fies.

NOTE 2 - Basis of preparation and presentation of financial statements
The Financial Statements were prepared in accordance with the provisions of Brazilian Corporate Law, if applicable, and the regulation specifically for constitutional funds established by the Federal Government.

NOTE 3 - Management
Banco do Nordeste do Brasil S.A. is responsible for: applying funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil (Bacen), observing the guidelines established by the Ministry of Regional Development, reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including renegotiating and settling debts, pursuant to articles 15-B, 15-C and 15-D of Law No. 7827 of 09.27.1989.

NOTE 4 - Significant accounting practices
FNE has its own accounting records and uses the accounting system of Banco do Nordeste to record its transactions in specific subtitles, and the results of operations are determined separately.
For determining the results of operations, FNE’s fiscal year coincides with the calendar year.

Significant accounting practices are as follows:

a) Functional currency

FNE's functional and reporting currency is the Brazilian real.

b) Recognition of Income and Expenses

b.1) Income and expenses are recorded on an accrual basis. FNE's revenues consist of financial charges on loans and the interest paid by Banco do Nordeste on FNE's cash and cash equivalents.

Description	06.30.2020	06.30.2019
Revenue from Remuneration of Cash and Cash Equivalents	382,379	742,662

b.2) Article 1-A of Law No. 10177 of 01.12.2011, introduced by Law No. 13682 of 06.19.2018, defined financial charges for non-rural financing with FNE funds to be calculated monthly, on a *pro rata* day basis, considering the following components:

I - Monetary Restatement Factor (FAM), derived from the variation of the Extended Consumer Price Index (IPCA), calculated by the Brazilian Institute of Geography and Statistics (IBGE) or from another index superseding it;

II - the fixed portion of the Long-Term Rate (TLP), determined and disclosed pursuant to article 3 and sole paragraph of article 4 of Law No. 13483 of 09.21.2017;

III - the Regional Development Coefficient (CDR), defined by the ratio between the per capita household income of the region under FNE and the Country's per capita household income, limited to the maximum of 1% (one integer); and

IV - The Program Factor (FP), calculated according to the type of operation or purpose of the project.

Resolution No. 4673 of 06.26.2018, issued by the National Monetary Council (CMN), defined the methodology for calculating the interest rates applicable to rural financing with funds from the Constitutional Financing Funds, except for operations under the National Family Farming Strengthening Program (Pronaf), denominated Constitutional Funds Rural Interest Rates (TRFC), made up by the components described below. The borrower of the rural credit operation may opt for the floating or fixed interest rate at the moment of contracting:

I) Monetary Restatement Factor (FAM) applicable to floating interest rate;

II) Break-even inflation rate (BEIR) calculated pursuant to article 4 of CMN Resolution No. 4664 of 06.06.2018, applicable to fixed interest rate;

III) Bonus for timely payment ("BA") applicable to financial charges at 0.85% (eighty-five hundredths percent) or 1% (one integer).

IV) Regional Development Coefficient (CDR);

V) Program Factor ("FP") defined by way of Resolution;

VI) Adjustment Factor ("FA") defined by way of Resolution;

VII) Fixed interest rate ("JM") calculated and disclosed in accordance with CMN Resolution No. 4600 of 09.25.2017.09.2017.

CMN Resolution No. 4674 of June 26, 2018, established the financial charges for rural financing with FNE funds, contracted in the period from July 1, 2018 to June 30, 2019, in accordance with the purpose of the loan and the size of the borrower, taking into consideration the Program Factors defined therein, the Monetary Restatement Factor and the Regional Development Coefficient applicable in the following terms:

a) Effective fixed interest rate ranging from 5.41% p.a. to 6.14% p.a.; or

b) Floating interest rate comprising a fixed portion ranging from -0.61% p.a. to 0.46% p.a., plus the Monetary Restatement Factor, calculated in accordance with article 3 of CMN Resolution No. 4673 of 06.26.2018.

The bonus for timely payment will be applied to the portion of the debt paid by the due date, in accordance with the methodology defined in article 2 of CMN Resolution No. 4673 of 06.26.2018.

In the event of a deviation in the application of funds, the borrower will lose, without prejudice to any applicable legal measure, including those of enforceable nature, any and all benefit, especially those related to the bonus for timely payment.
Under normal conditions, the financial charges at rates established by legislation are recorded in the Fund's proper income statement accounts. Past-due and unpaid amounts are subject to contractually agreed default charges, and the portion of these charges that exceeds the rates established by legislation is recorded as the Fund's unearned income.
Recognition of the bonus expenses is carried out concurrently with the payment of charges by the borrower.
Pronaf-level financing is subject to financial charges established by the CMN, pursuant to the legislation and the Program regulation of the BACEN's Rural Credit Manual.

b.3) The Bank's del credere commission is established as follows:

I) 3% p.a. on financing taken out with FNE funds as from 12.01.1998, pursuant to Law No. 10177 of 01.12.2001;

III) 6% p.a. for transactions resulting from onlending to Banco do Nordeste, in its name and at its own risk, to grant loans (article 9-A of Law No. 7827 of 09.27.1989);

III) 2.5% p.a. for transactions of the Programa Nacional de Financiamento da Ampliação e Modernização da Frota Pesqueira Nacional (Profrota Pesqueira) with large companies, with shared risk, in accordance with Decree No. 5818 of 06.26.2006, combined with CMN Resolution No. 3293 of 06.28.2005.

IV) percentage negotiated with the financial institutions that operate onlending from FNE, observing the limit established by legislation (Administrative Ruling No. 147 of 04.05.2018), of the Ministry of Regional Development;

V) the Bank is not entitled to any commission for financing under Pronaf A, A/Microcredit B, A/C, Semiarid, Forest, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, according to the legislation and regulation of the Program; and

VI) 3% p.a. in the cases defined in article 1, items I to IV, and 6% p.a. in the cases defined in article 1, sole paragraph, of Interministerial Administrative Ruling No. 245 of 10.14.2008, for loans reclassified under the terms of article 31 of Law No. 11775 of 09.17.2008.

b.4) FNE's expenses refer to administration fee payable to the Bank as the Fund manager; yielding payable to the Bank on the Fund's cash and cash equivalents; the additional administration fee; yielding payable to the Bank on financing under Pronaf A, A/Microcredit, B, A/C, Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 - Group B, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Group B, Drought-2012-Costing - Other Groups, and other Pronafs with shared risk; yielding payable to the Bank on disbursement under Pronaf A/Microcredit, B, Semiarid, Forest and other Pronafs with shared risk; performance Premium on reimbursement under PRONAF Groups A, A/Microcredit, B, A/C, Semiarid, Forest, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Other Groups and other PRONAFs with shared risk; allowance for loan losses recognized pursuant to Interministerial Administrative Ruling No. 11 of 12.28.2005, of the Ministry of Finance and Ministry of National Integration; and the engagement of independent audit services, in addition to bonuses and discounts established by legislation.
The administration fee paid to the Bank is appropriated on a monthly basis, according to the percentages below, as defined in article 17-A of Law No. 7827 of 12.09.1989 (introduced by Law No. 13682 of 06.19.2018), applied to the Equity of FNE deducted from the balance of cash and cash equivalents referred to in article 4 of Law No. 9126 of 11.10.1995, of the amounts transferred to Banco do Nordeste based on article 9-A of Law No. 7827 of 09.27.1989, of onlending balances to other institutions according to Administrative Ruling No. 147 of 04.05.2003 of the Ministry of National Integration, and of the balances of investments under Pronaf addressed by article 6 of Law No. 10177 of 01.12.2001, and the Program regulation (MCR-10) (groups A/Microcredit, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Costing):

I) 3.0% (three percent) per year in 2018;
II) 2.7% (two and seven tenths percent) per year in 2019;
III) 2.4% (two and four tenths percent) per year in 2020;
IV) 2.1% (two and one tenths percent) per year in 2021;
V) 1.8% (two and eight tenths percent) per year in 2022; and
VI) 1.5% (one and five tenths percent) per year as from January 1, 2023.

Banco do Nordeste is entitled to the percentage of 0.35% (thirty-five hundredths percent) p.a. on the balances of cash and cash equivalents addressed by article 4 of Law No. 9126 of 11.10.1995.

The amount to be received by Banco do Nordeste as administration fee, after deducting the amount of the yielding on cash and cash equivalents, may be increased up to 20% (twenty percent) based on the timely-payment factor for loans with operational risk fully assumed by FNE or with risk shared between the Bank and FNE, calculated in accordance with the methodology for calculating the allowance for loan losses applicable to bank loan. The timely-payment factor will be regulated by a joint act of the State Ministries of Economy and of Regional Development, disclosed by the Ministry of Economy.

The administration fee plus yielding to Banco do Nordeste on cash and cash equivalents is limited, every month, to 20% (twenty percent) of the accumulated amount, up to the reference month, of transfers addressed by letter c of item I of the main section of article 159 of Federal Constitutions. The calculation and appropriation system of administration fee was regulated in Decree No. 9290 of 02.21.2018, as amended by Decree No. 9539 of 10.24.2018.

Banco do Nordeste's yielding on Pronaf financing, yielding on disbursement and performance bonus on reimbursements comply with percentages and criteria defined by legislation and by the Program Regulation.

Breakdown of FNE Expenses	**06.30.2020**	**06.30.2019**
Administration fee	720,223	678,894
BNB's Yielding on Cash and Cash Equivalents	40,046	44,845
Yielding on PRONAF Balance	145,301	139,201
Yielding on PRONAF Disbursements	34,613	31,346
Performance Bonus	32,141	30,646
Total	**972,324**	**924,932**

c) Current Assets and Non-Current

These are stated at cost or realizable value, including earnings and monetary variations earned.

c.1) Cash and cash equivalents consist of cash assets, which represent funds available for use in loans, and Funds Committed for Loans, which represent restricted cash in connection with yet-unreleased installments of contracted operations corresponding to the amounts outstanding by the balance sheet date, plus the payments expected during the 12 (twelve) subsequent months and any mismatches between the amounts to be released after such 12 (twelve) months and the estimated inflow of funds in to FNE during such period. FNE's cash and cash equivalents held by Banco do Nordeste are remunerated based on extra-market rate, disclosed by Bacen.

Specification	**06.30.2020**	**12.31.2019**
Cash and cash equivalents	2,542,885	6,091,262
Funds committed to loans [(1)]	18,176,951	16,599,936
Total Cash and Cash Equivalents	**20,719,836**	**22,691,198**

c.2) Total loans are stated at the amount of principal plus financial charges, less unearned income and allowance for loan losses (Note 6).

c.3) Law No. 13340 of 09.28.2016, with amendments introduced by Laws No. 13465 of 07.11.2017, No. 13606 of 01.09.2018 and No. 13729 of 11.08.2018, authorizes the

settlement and rescheduling of rural credit debts taken out until 12.31.2011 with FNE funds and mixed funds from other sources with FNE, and of operations to support the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (Prodecer) - Phase III, establishing, for cases of settlement, rebates on the restated balance due, according to the criteria defined therein, authorizing FNE to assume the burden arising from the measure.
The exemptions/rebates, according to Laws No. 12249, No. 12844 and No. 13340, are shown below:

Specification	06.30.2020	06.30.2019
Exemption/Rebate - FNE Operations honored by the Bank	673	4,388
Exemption/Rebate - Operations with Other Sources - BNB	392	317,562
Discounts granted in Renegotiations	7,381	87,058
Total	**8,446**	**409,008**

c.4) The account "Other Credits" includes FNE's rights on chattels and properties received by Banco do Nordeste as amortization or settlement of debts. After assets are sold, the sale proceeds are apportioned between FNE and Banco do Nordeste, proportionally to the risk assumed, pursuant to article 7 of Interministerial Administrative Ruling No. 11 of 12.28.2005.

Specification	06.30.2020	12.31.2019
Rights on assets received in loans	6.880	11.359
Total Other Credits	**6.880**	**11.359**

c.5) The proceeds from Agrarian Debt Bonds (TDAs) for repayment of loans granted using FNE funds and those received to cover credits granted under Proagro are recorder under account "Other Assets" and are stated at their face value, plus expected yield on each note, including, when applicable, the effects of adjustments of assets to market or realizable value.

Specification	06.30.2020	12.31.2019
PROAGRO securities	4	4
Agrarian Debt Bonds (TDAs)	248	306
(Provision for devaluation of Securities)	(46)	(34)
Total other assets	**206**	**276**

d) Tax Exemption

FNE is entitled to tax exemption, and its results, income and financing operations are free of any tax, contribution or other lien, as provided for by Law No. 7827 of 9.27.1989, as amended.

NOTE 5 - Onlending to Banco do Nordeste under article 9-A of Law No. 7827 of 09.27.1989

The outstanding debt balance of onlending made to Banco do Nordeste, through a Subordinated Debt Instrument, is as under:

Specification	06.30.2020	12.31.2019
Funds Available	2,098,345	1,629,533
Funds Applied	515,131	915,667
Total onlending to Banco do Nordeste	**2,613,477**	2,545,200

The line "Funds Available" records amounts temporarily not invested by the Banco do Nordeste in loans, and yield at extra-market interest rate disclosed by Bacen. This yielding is accounted

for under Funds Available, matched against the specific account of income from Yielding from Funds Available-Onlending Law No. 7827 - article 9-A.
The line "Funds Applied" corresponds to the amounts released by Banco do Nordeste to the borrowers of the financing agreements, restated based on contractual indices, as set forth by legislation and the Subordinated Debt Instrument entered into. These charges are accounted for under Funds Applied, matched against interest income from Onlending to Banco do Nordeste-Law No. 7827 - article 9-A.

The table below shows the remuneration on available and applied funds:

Specification	06.30.2020	06.30.2019
Remuneration on Available Funds	29,160	41,544
Remuneration on Applied Funds	39,117	47,025
Total	**68,277**	**88,569**

NOTE 6 - Financing transactions, onlending and allowance for loan losses

a) Breakdown of Loan Portfolio

a.1) Total Portfolio

Financing	06.30.2020			12.31.2019		
	Current	Past due	Balance	Current	Past due	Balance
Financing	27,101,462	724,941	27,826,403	24,461,917	797,768	25,259,685
Export financing	222,648	-	222,648	182,991	-	182,991
Infrastructure and development financing	16,466,996	-	16,466,996	14,233,777	-	14,233,777
Agribusiness financing	951,244	65,036	1,016,280	924,448	59,355	983,803
Rural financing	23,599,229	663,400	24,262,629	23,027,094	646,084	23,673,178
Subtotal	**68,341,579**	**1,453,377**	**69,794,956**	**62,830,227**	**1,503,207**	**64,333,434**
Onlending to BNB	2,613,477	-	2,613,477	2,545,199	-	2,545,199
Onlending to other institutions	147,824	38,441	186,265	153,629	38,441	192,070
Total portfolio	**71,102,880**	**1,491,818**	**72,594,698**	**65,529,055**	**1,541,648**	**67,070,703**
Allowance	(55,970)	(461,987)	(517,957)	(58,282)	(427,742)	(486,024)
Total, net [1]	**71,046,910**	**1,029,831**	**72,076,741**	**65,470,773**	**1,113,906**	**66,584,679**

a.2) Full Risk Portfolio for BNB

Financing	06.30.2020			12.31.2019		
	Current	Past due	Balance	Current	Past due	Balance
Agribusiness financing	2,098	-	2,098	1,934	-	1,934
Rural financing	88,663	5,804	94,467	81,348	5,430	86,778
Subtotal	**90,761**	**5,804**	**96,565**	**83,282**	**5,430**	**88,712**
Onlending to BNB	2,613,477	-	2,613,477	2,545,199	-	2,545,199
Onlending to other institutions	146,391	-	146,391	152,286	-	152,286
Total portfolio	**2,850,629**	**5,804**	**2,856,433**	**2,780,767**	**5,430**	**2,786,197**
Total, Net [1]	**2,850,629**	**5,804**	**2,856,433**	**2,780,767**	**5,430**	**2,786,197**

a.3) Shared Risk Portfolio

Financing	06.30.2020			12.31.2019		
	Current	Past due	Balance	Current	Past due	Balance
Financing	26,996,833	716,375	27,713,208	24,355,184	789,750	25,144,934
Export financing	222,648	-	222,648	182,991	-	182,991
Infrastructure and development financing	16,466,996	-	16,466,996	14,233,777	-	14,233,777
Agribusiness financing	881,219	61,508	942,727	856,259	54,751	911,010
Rural financing	16,202,336	317,277	16,519,613	15,512,688	307,634	15,820,322
Subtotal	**60,770,032**	**1,095,160**	**61,865,192**	**55,140,899**	**1,152,135**	**56,293,034**
Total portfolio	**60,770,032**	**1,095,160**	**61,865,192**	**55,140,899**	**1,152,135**	**56,293,034**
Allowance	(36,791)	(274,627)	(311,418)	(38,409)	(287,131)	(325,540)
Total, Net[1]	**60,733,241**	**820,533**	**61,553,774**	**55,102,490**	**865,004**	**55,967,494**

a.4) Full Risk Portfolio for FNE

Financing	06.30.2020			12.31.2019		
	Current	Past due	Balance	Current	Past due	Balance
Financing	104,629	8,566	113,195	106,733	8,018	114,751
Agribusiness financing	67,927	3,528	71,455	66,255	4,604	70,859
Rural financing	7,308,230	340,319	7,648,549	7,433,058	333,020	7,766,078
Subtotal	**7,480,786**	**352,413**	**7,833,199**	**7,606,046**	**345,642**	**7,951,688**
Onlending to other institutions	1,433	38,441	39,874	1,343	38,441	39,784
Total portfolio	**7,482,219**	**390,854**	**7,873,073**	**7,607,389**	**384,083**	**7,991,472**
Allowance	(19,179)	(187,360)	(206,539)	(19,873)	(140,611)	(160,484)
Total, Net[1]	**7,463,040**	**203,494**	**7,666,534**	**7,587,516**	**243,472**	**7,830,988**

[1] The "Current" status took into consideration allowances arising from renegotiations/acquisitions and the allowance set up on loans with indication of irregularities, which are subject to inquiry by the Internal Audit Area. The "Past due" status took into consideration allowances set up exclusively due to delay.

b) Breakdown by maturity

b.1) Current Loans [1]

Type of Customer/Activity	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total at 06.30.2020	Total at 12.31.2019
Rural	694,901	613,307	570,875	1,558,868	2,462,635	16,153,606	**22,054,192**	**21,869,820**
Manufacturing	129,381	18,549	20,551	185,320	1,595,984	15,553,845	**17,503,630**	**14,607,824**
Government	614	614	614	1,841	23,850	848,088	**875,621**	**703,167**
Other services	7,022	8,403	10,619	47,528	1,129,785	15,006,934	**16,210,291**	**15,002,021**
Trade	11,881	18,363	25,628	124,842	1,797,905	5,993,236	**7,971,855**	**6,699,965**
Financial brokers	-	-	-	-	24	156	**180**	**188**
Total	**843,799**	**659,236**	**628,287**	**1,918,399**	**7,010,183**	**53,555,865**	**64,615,769**	**58,882,985**

[1] Include loans overdue up to 14 days.

b.2) Falling due installments

Type of Customer/Activity	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total at 06.30.2020	Total at 12.31.2019
Rural	142,065	33,766	33,741	173,494	292,560	1,524,070	**2,199,696**	**1,887,538**
Manufacturing	20,865	19,995	19,215	56,061	94,821	578,765	**789,722**	**1,036,205**
Other services	9,863	9,346	9,041	26,640	47,228	336,427	**438,545**	**538,004**
Trade	13,074	11,895	10,823	29,867	47,654	222,309	**335,622**	**529,829**
Total	**185,867**	**75,002**	**72,820**	**286,062**	**482,263**	**2,661,571**	**3,763,585**	**3,991,576**

b.3) Past due installments

Type of Customer/Activity	From 1 to 14 days	From 15 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total at 06.30.2020	Total at 12.31.2019
Rural	4,712	43,407	75,524	59,393	160,193	356,997	514	**700,740**	**674,205**
Manufacturing	9,063	10,391	24,484	26,159	81,169	164,570	6	**315,842**	**336,243**
Other services	2,900	6,550	11,541	12,771	39,782	88,569	-	**162,113**	**174,009**
Trade	4,097	7,970	15,423	17,118	59,076	133,218	6	**236,908**	**274,415**
Total	**20,772**	**68,318**	**126,972**	**115,441**	**340,220**	**743,354**	**526**	**1,415,603**	**1,458,872**

c) Pursuant to the legislation that regulates Constitutional Financing Funds, the Pronaf and article 8 of Law No. 13001 of 06.20.2014, the risk of transactions with FNE's funds is as follows:

c.1) Transactions contracted until 11.30.1998:

- the risk is fully attributed to FNE; and

- in onlending to other institutions authorized to operate by Bacen, the risk is fully assumed by FNE. Under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the operator institution;

c.2) Transactions contracted beginning 12.01.1998:

- in financing under *Programa da Terra*, the risk lies with FNE;
- in transactions under Pronaf, Groups A, A/Microcredit, B and A/C, and Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- in onlending to Banco do Nordeste whose funds are used in BNB's own lending operations, the risk is fully assumed by Banco do Nordeste;
- in onlending to other institutions authorized to operate by Bacen, contracted after Administrative Ruling No. 616 of 05.26.2003 (current Administrative Ruling No. 147 of 04.05.2018) becomes effective, the risk lies totally with Banco do Nordeste. Under referred to Administrative Ruling and under a specific clause of the onlending agreements, the risk on financing granted is fully assumed by the operator institution; in the transactions addressed by article 31 of Law No. 11775 of 09.17.2008, the risk lies totally with Banco do Nordeste, if the risk of the original transaction is fully attributed to Banco do Nordeste, or shared, when the rescheduled transaction involves this type of risk; and
- in other transactions, the risk is 50% for FNE and 50% for Banco do Nordeste, pursuant to CMN Resolution No. 2682 of 12.21.1999.

d) Pursuant to sole paragraph of article 3 of Interministerial Administrative Ruling No. 11 of 12.28.2005, the allowance for loan losses is recorded by FNE in accordance with the criteria set forth in item I, letters "a" and "b" of the same article, pursuant to which an allowance must be recorded for amounts past due for more than 180 days, according to the risk assumed by FNE. Changes in the allowance for loan losses in the six-month are as follows:

Specification	06.30.2020	12.31.2019
Allowance for loan losses at the beginning of the period	**486,024**	**506,638**
. Full FNE Risk	160,483	163,976
. Shared risk	325,541	342,662
(+) Net allowance recognized for the period	**460,361**	**868,799**
Allowance for loan losses - expenses	**460,361**	**868,799**
. Full FNE Risk	185,652	296,781
. Allowance for past due payment/Renegotiations	185,653	296,929
. Allowance Adjustments due to discounts	(1)	(148)
. Shared risk	274,709	572,018
. Allowance for past due payment/Renegotiations	276,212	574,763
. Adjustments of provision for operations indicating irregularities	(1,503)	(2,745)
(-) Loans written off as loss for the period	**428,428**	**(889,413)**
. Full FNE Risk	139,597	(300,274)
. Shared risk	288,831	(589,139)
(=) Allowance for loan losses at the end of the period	**517,957**	**486,024**
. Full FNE Risk	206,538	160,483
. Shared risk	311,419	325,541

e) At 06.30.2020, the amount of R$ 36,372 (R$ 37,875 at 12.31.2019) is recorded as Allowance for Loan Losses, related to an extraordinary allowance to cover the FNE's risk on loan transactions granted with indication of irregularities, which are subject to inquiry by the Banco do Nordeste's Internal Audit Area. In such case, transaction balances were considered, according to the risk attributed to FNE, by supplementing those that already recorded provision for past due payments under Interministerial Administrative Ruling No. 11 of 12.28.2005

f) "Income from loans" is recorded in the Income Statement at the net amount as follows:

Specification	06.30.2020	06.30.2019
Income from loans [1]	1,994,553	2,034,415
Del credere commission of Banco do Nordeste	(910,075)	(766,983)
Del credere commission of Other Institutions	(1,525)	(1,393)
Expenses on negative monetary restatement	(60,984)	(3,153)
Expenses on renegotiation discounts granted [1]	(7,381)	(87,058)
Expenses on Rebates/bonuses for timely payment - contracted by Banco do Nordeste	(499,001)	(518,588)
Expenses on Rebates/bonuses for timely payment - Onlending Law No. 7827 - article 9-A	(5,728)	(7,906)
Expenses on Rebates/bonuses for timely payment - Onlending to other institutions	(554)	(716)
Expenses on other Banco do Nordeste loans - Rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013 [1]	(274)	-
Expenses on loans - Other sources - Law No. 11322	(392)	(317,562)
Expenses with FNE loans honored by Banco do Nordeste- Rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013	(673)	(4,388)
Adjustment of amounts arising from disposal of assets	(2,695)	(1)
Total	**505,271**	**326,667**

[1] Includes effects of renegotiations of loans, based on Law No. 13340 of 09.28.2016, as amended by Laws No. 13465 of 07.11.2017, No. 13606 of 01.09.2018, and No. 13729 of 11.08.2018 (Note 4.b.3)

The amount of bonus for timely payment granted by FNE in the six-month period reached R$ 505,283, equivalent to 25.3% of income from loans. In the same period of 2019, this expense reached R$ 527,210, equivalent to 25.9% of referred to income.
The ratio of bonus for timely payment/income from loan transactions is not correlated with the percentage of bonus for timely payment (15%) defined in current legislation, therefore various bonus ranges are applied in FNE transactions, such as 25% on Semiarid and 15% for other than Semiarid, applied in older transactions, in addition to other rates defined in specific legal instruments.
The bonuses for timely payment were granted under Constitutional Financing Funds legislation, basically as a result of the payment by the borrowers of principal and interest charges on the contractually agreed dates, covering the FNE loan transactions, the operations resulting from onlending to the institutions based on Administrative Ruling No. 147 of 04.05.2018, and Banco do Nordeste's onlending operations based on article 9-A of Law No. 7827 of 09.12.1989, as follows:

Specification	06.30.2020	06.30.2019
Timely payment bonus - FNE loans	498,987	518,588
Timely payment bonus - Onlending to other Institutions	554	716
Timely payment bonus - BNB's Onlending Operations - article 9-A of Law No. 7827	5,728	7,906
Timely payment bonus – renegotiations loans	14	0
Total	**505,283**	**527,210**

g) Recognition of Losses and Return of the Bank's Share of Risk

g.1) Regardless of the provisions set forth in sole paragraph of article 3, Interministerial Administrative Ruling No. 11, based on which losses can be recorded in FNE's accounting books at the amounts of principal and interest charges past due for more than 360 days, according to the risk percentage assumed by the FNE. Banco do Nordeste recognizes losses on these transactions, considering the amounts of principal and interest charges past due for more than 329 days.

g.2) Funds related to Banco do Nordeste's share of risk are returned to FNE on the second business day after losses are recognized by FNE, according to the criterion set forth in item II, letter "a", article 5 of Interministerial Administrative Ruling No. 11 of 12.28.2005, in compliance with the provision in letter g.1 above.

g.3) Over the six-month, Banco do Nordeste returned to FNE the amount of R$ 290,566 (R$ 300,898 in the same period 2019), related to BNB's share of risk in transactions that were written off as loss, as follows:

Specification	06.30.2020	06.30.2019
Interministerial Administrative Ruling No. 11 of 12.28.2005 - shared risk	288,843	298,939
Interministerial Administrative Ruling No. 11 of 12.28.2005 - Bank full risk	1,723	1,959
Total	**290,566**	**300,898**

h) Measures taken to mitigate the economic impacts of the Covid-19 pandemic

CMN Resolution No. 4798, dated 04.06.2020, suspended for up to 12 (twelve) months the amounts overdue and falling due until December 31, 2020, with a possible increase at the end of the operation, for non-rural operations, non-defaulting or those in delay up to 90 days, of responsibility of FNE's beneficiaries impacted due to the state of public calamity recognized in an act of the Executive Branch.
CMN Resolution No. 4801, dated 04.09.2020, authorized the extension until August 15, 2020 of the overdue loan amounts from 01 to 08.14.2020 of costing and investment rural credit operations entered into by rural producers, including family farmers and their cooperatives, whose sale of production has been harmed as a result of the social distancing measures adopted to mitigate the impacts caused by the COVID-19 pandemic.
The amount of loans whose installments were suspended based on these Resolutions is shown below:

Specification	Number	Amount
CMN Resolution No. 4798 of 04.06.2020	79,836	41,743,040
CMN Resolution No. 4801 of 04.09.2020	26,163	123,380
Total	**105,999**	**41,886,420**

NOTE 7 - Equity

a) The Equity of FNE are originated as follows:

a.1) transfers from the Federal Government at the proportion of 1.8% of the collection of Income Tax (IR) and Federal VAT (IPI) on a 10-day period basis;

a.2) returns and yields from its applications; and

a.3) yields from FNE's temporarily not applied cash, paid by Banco do Nordeste.

b) in the six-month, the net negative adjustment of R$ 1,492 (R$ 11,813 in six-month 2019) refers to recalculations of charges on loans.

Specification	06.30.2020	06.30.2019
Transfer From Federal Government in the six-month	4,060,944	4,363,712
Transfer From Federal Government in prior years	91,121,727	82,964,173
Prior-Years Income (Loss)	(1,833,666)	(929,634)
Income (Loss) for the six-month	(545,050)	(302,898)
Total Equity	**92,803,955**	**86,095,353**

NOTE 8 - Registration with the Federal Government Integrated Financial Management System (Siafi)

In compliance with Interministerial Administrative Ruling No. 11 of 12.28.2005, the accounting information related to FNE is available on SIAFI, considering the FNE's specific characteristics.

NOTE 9 - Supervisory agencies

Banco do Nordeste keeps at the disposal of the supervisory agencies the Fund's statements of changes in financial position and income as of the end of the month. Pursuant to the legislation, the FNE's audited Statement of financial position are published every six months and submitted to the National Congress for inspection and control.

NOTE 10 - Approval of financial statements

The Financial Statements were approved by Banco do Nordeste's Board of Directors at a meeting held on August 07, 2020.

Fortaleza (CE), August 07, 2020

The Executive Board

Note: These notes are an integral part of the Individual Financial Statements.

Independent auditor’s report on special-purpose financial statements

Tothe Management
Fundo Constitucional de Financiamento do Nordeste - FNE
(Administeredby Banco do Nordeste do Brasil S.A.)

Opinion

We have audited the accompanying financial statements of Fundo Constitucional de Financiamento do Nordeste (“Fund”), which comprise the balance sheet as at June 30, 2020, and the related statements of income, of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.These financial statements were prepared in accordance with the accounting practices described in Notes 2 and 4, and are considered for special purposes as they do not meet all requirements contained in the accounting practices adopted in Brazil.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as at June 30, 2018, its financial performance and its cash flows for the period then ended, in accordance with accounting practices described in Notes 2 and 4.

Basis for opinion

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

Emphasis of matter - Basis of preparation of the special-purpose financial statements

We draw attention to Notes 2 and 4 to the financial statements, which describe their basis of preparation. These financial statements were prepared by the Fund’s Administrator to comply with the standards and rules applicable to constitutional funds.Consequently, these financial statements may not be appropriate for other purposes.Our opinion is not qualified in respect of this matter.

Responsibilities of the Fund's Administrator for the financial statements

The Fund's Administrator is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with accounting practices described in Notes 2 and 4, and for such internal control as the Administrator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Fund's Administrator is charged with governance and also responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's Administrator.

- Concluded on the appropriateness of use, by the Fund's Administrator, of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

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

São Paulo, August 07, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Renata Zanotta Calçada
Accountant CRC-1RS062793/O-8

BOARD OF DIRECTOR: Cláudio de Oliveira Torres (President) – Charles Laganá Putz - Eudes de Gouveia Varela – José Lucenildo Parente Pimentel – Rheberny Oliveira Santos Pamponet – Ricardo Soriano de Alencar – Romildo Carneiro Rolim
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CONTROLLER: Aíla Maria Ribeiro de Almeida Medeiros (Accountant CRC-CE 016318/O-7)
ACCOUNTANT: José Graciano Dias – CRC-CE 007949/O-7