

FINANCIAL STATEMENTS

BNB and FNE

In R\$ thousand

Position: 12.31.2019

1. CEO'S WORD

In 2019, Banco do Nordeste invested R\$42.16 billion in the regional economy. This amount represents 5.3 million transactions distributed in 1,990 municipalities of the Institution's area of operation: the nine states of Northeast Region, Northern Minas Gerais and Northern Espírito Santo.

In terms of number of transactions, the growth was 6.5% compared with prior year, expressing the Bank's ability to take credit to the largest number of entrepreneurs, which reflects a strong social impact supported by the Federal Government's public policies.

As a sustainable and profitable entity, the Bank achieved a 93.3% growth in operating income in 2019, reaching R\$2.44 billion. Net income for the year amounted to R\$1.73 billion, representing a 135.6% growth compared with prior year.

Only with funds from Fundo Constitucional de Financiamento do Nordeste (FNE), the entity's main funding, BNB took out R\$29.56 billion, equivalent to 565 thousand transactions. Of that total, R\$16.67 billion were invested in projects in the semi-arid region. These figures, per se, reflect how BNB is improving FNE more and more.

Of the FNE's investments, R\$18.25 billion were allocated to the Rural, Manufacturing, Agroindustry, Tourism and Trade and Services sectors, R\$11.22 billion to Infrastructure projects, mainly to the renewable energy segment. Infrastructure projects invested R\$9.20 billion in the Semi-arid region. The amount of R\$86.6 million was also allocated to FNE Sol program - Individuals and R\$7.4 million to Student Financing Fund (P-Fies).

This performance enabled to estimate that the impact of the investments of FNE's funds in 2019 is reflected in the generation and/or maintenance of approximately 1.6 million jobs across Brazil, as well as an increase of R\$9.79 billion in the salary mass, an increase of R\$5.85 billion in tax collection, an increase of R\$60.68 billion in gross production amount and of R\$34.56 billion in value added to the economy.

For Micro and Small Enterprises (MSE), Banco do Nordeste allocated R\$3.63 billion, equivalent to 43.6 thousand loan transactions. The increase was 24.8% in relation to the amounts taken out in 2018, indicating the Bank's proactive stance in strengthening its performance in the segment, responsible for most part of the jobs generated in the Country and whose asset portfolio at the Bank has more than 201 thousand MSE.

In 2019, Banco do Nordeste also maintained the leadership of microcredit, which is the entity's strategic line of performance. BNB's two production-oriented microcredit programs, Crediamigo for urban entrepreneurs, and Agroamigo focused on the rural area, contributed with R\$13.11 billion, spread in more than 5.0 million of transactions. There are 3.6 million active customers, who found in Banco do Nordeste the credit to move forward in their business.

Crediamigo alone disbursed R\$10.60 billion, representing an 18% increase compared with 2018, with transactions whose average ticket is around R\$2 thousand, thus confirming the position of the largest production-oriented microcredit program in South America, internationally acknowledged as an initiative that promotes financial inclusion and social ascension to customers served.

Agroamigo, in turn, invested R\$2.51 billion, intended for producers benefited by the National Program for Strengthening Family Farming (Pronaf), with FNE's funds, distributed in 495 thousand transactions. The program plays a highly relevant role in making food production feasible and provides conditions for staying in the field, serving, primarily, customers with annual gross family income of up to R\$23 thousand.

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It is worth to highlight that the Bank's results in 2019 were possible thanks to the growth in the financial intermediation margin and better management of the transactions' credit risk. Likewise, the increase in revenues from long-term financing with FNE's funds also contributed to results, due to the increase in disbursement levels, as well as the result from loan transactions rescheduled based on Law No. 13606/18.

The Bank's result in 2019 was built with ethics, integrity and in compliance with the applicable standards and regulations. An operational efficiency ratio of 52.3% was obtained, which represents an improvement of 13.3 percentage points compared with 2018. This effort was acknowledged at the beginning of 2020, by the English magazine The Banker, of the newspaper The Financial Times, which classified BNB as the best performing Brazilian bank, considering 2018 and the variations compared with 2017.

With these incentives, we delivered to the society the result of our commitment in 2019, while regaining strength to continue our mission to perform as the development bank in Northeast region, promoting the welfare of families and the competitiveness of companies in the region. This is the commitment of everyone who is part of Banco do Nordeste.

Romildo Carneiro Rolim
Chief Executive Officer

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1.1 Highlights

We present below the highlights in results, actions, awards, recognitions and partnerships achieved by Banco do Nordeste in 2019.

Results

- ü Net Income of R\$1,736.7 million, which represents an increase of 135.6% as compared with the same period of 2018.
- ü Increase of 93.3% in operating income as compared with the same period of the prior year.
- ü 5.3 million loan transactions carried out, amounting to R\$42.16 billion disbursed.
- ü The MSE segment recorded R\$3.63 billion taken out, a 24.8% increase, serving 43 thousand transactions.
- ü Disbursement of R\$10.60 billion through Crediamigo program, in 4.5 million urban microcredit transactions.
- ü Regularization of 157 thousand transactions, in the global amount of 16.20 billion in rescheduled debts.

Shares

- ü Investment of R\$29.56 billion with FNE funds, of which R\$23.67 billion for priority regions (low and middle income municipalities).
- ü R\$11.22 billion taken out for Infrastructure projects with FNE funds, mainly for the renewable energy segment, with R\$9.20 billion taken out in the semi-arid region.
- ü Assistance to 1990 municipalities in the region covered by FNE, including financing of R\$16.67 billion for projects in the semi-arid region.
- ü Agroamigo Program, pioneer in oriented-rural microcredit in Brazil, disbursed R\$2.51 billion for rural microentrepreneurs.
- ü Reduction of interest on working capital, which is now offered at rates from 0.37% per month and term of up to 36 months.
- ü Banco do Nordeste Innovation Hub selects eight more startups for coworking in the cities of Fortaleza and Salvador.
- ü Opening of the first Branch with solar energy generation, in the city of Codó (Maranhão state).
- ü Holding of the III Integrity and Ethics Forum, which was attended by representatives of agencies such as Brazil's Federal Audit Court (TCU) and Office of the Comptroller General (CGU).
- ü Creation of FNE Startup, a credit facility to finance product innovation, services, and organizational processes and methods projects, with availability of R\$2.9 million in FNE funds, from 2020 onwards.
- ü The economic activities prioritized by the Territorial Development Program (Prodeter) received approximately R\$331.4 million in financing in 2019, which reflected in the diffusion of gains of competitiveness in the production chains.

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Awards/Recognitions

- ü IG-Sest: Banco do Nordeste received the Governance Indicator Certificate (“IG-Sest”), an initiative of the Ministry of Economy that acknowledges the performance of the quality of governance of the federal state-owned enterprises. The Bank was certified with the maximum score in the three aspects evaluated.
- ü 2019 Efinance Award: The Banco do Nordeste’s “Telecom Infrastructure Management” case was awarded in the Telecom Infrastructure category;
- ü Public Sector Innovation Award: promoted by the national school of public administration (*Escola Nacional de Administração Pública - Enap*).
- ü Best Ombudsman: Banco do Nordeste’s Ombudsman had the best index in the country in the “Ombudsman Quality Ranking”, published by the Central Bank of Brazil (Bacen), among financial institutions with more than 4.0 million customers.
- ü Seal “Commitment to the Consumer” and certification of “Prevention of illegal acts”, granted by the Brazilian Federation of Bank Associations (Febraban).

Partnerships

- ü Partnership with the Brazilian Products, Services and Tourism Trade Association (CNC), promoting actions for the dissemination of the credit facilities for customers in the Micro and Small Enterprise (MSE) segment, as well as to facilitate access of entrepreneurs in the sector to short and long-term loan.
- ü Partnership with the Brazilian Agricultural Research Agency (Embrapa), aiming at structuring the Strategic Territorial Intelligence, Management and Monitoring System for the Region, focused on sustainable agricultural development.
- ü Banco do Nordeste participation in AgroNordeste, supporting the organization of agricultural chains of current or potential relevance in the Region, expanding and diversifying sales channels, with social, environmental and economic relevance.
- ü Cooperation agreement with Sebrae, including management training actions and expansion of access to credit. The agreement also provides for financial education solutions, realization of joint surveys to the retail segments and holding of business and institutional events.

2. BUSINESS MODEL

Banco do Nordeste’s business model is structured in segments, products and business lines focused on loan for the development of its area of operation:

- Customer segments: serves companies of all sizes (corporate, large, medium, micro and small-sized companies), rural sector segments (agribusiness, small and mini rural producer and family farming), microfinance segment (urban and rural) and individual and Government segments, the latter to serve institutions of the direct and indirect public administration.
- Products and services portfolio cover: infrastructure operations, loan transactions for micro, small, medium and large-sized companies, portfolio management and credit analysis for government funds and programs, banking services, capital market operations and third-party asset management.
- Business lines: Specialized Loan, Infrastructure Loan, and Urban and Rural MicroFinance Loan.

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Banco do Nordeste ended 2019 with 977 physical service points, 292 branches and 685 urban and rural microcredit units and stations.

3. BUSINESS STRATEGY

Banco do Nordeste's business strategies were defined based on the main trends of the economic macro-environment, of the financial and banking industries, of technological developments, of the main innovations of segments in which the Bank operates and of the risks envisaged in scenarios designed for Brazil, for the Northeast region and for its area of operation.

3.1 Business Planning

Banco do Nordeste, in its strategic planning, highlights:

- ü Mission: "To operate as the Development Bank for the Brazilian Northeast Region".
- ü Vision: "Being the preferred Bank in Northeastern Brazil, recognized for its ability to promote the welfare of families and the competitiveness of companies in the Region".

Planning at Banco do Nordeste is guided by the following assumptions: corporate vision, clearness of course, management for results, participation, continuity and flexibility. The implementation and success of the chosen strategy are supported by the following principles: Meritocracy, Focus on Customers and Results, Innovation and Integrity.

3.2 Planning the future in 2020

The expected investments for 2020 is even more challenging, demonstrating the confidence in BNB's ability to fulfill its original purpose as a development driving agent, of the Federal Government, in the application of Public Policies focused on the Northeast and North regions of Minas Gerais and Espírito Santo states, working with producer agents with credit support and through collaboration between entities.

Accordingly, for the five-year period from 2020 to 2024, the Bank's Strategic Planning ratifies the transversality of the themes related to the "Strategy Paths" (customers and business; people; products and services; technology; and processes) in relation to the main guidelines that will drive their actions:

- ü Improving FNE more and more;
- ü Advancing in Microcredit leadership;
- ü Being the Bank of small and medium-sized companies in Northeastern Region of Brazil;
- ü Innovating in processes, products and services; and
- ü Valuing human capital.

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

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public policies that impact the rural and urban Northeastern communities, through its credit and development activities.

3.3.1 FNE assets

FNE assets totaled R\$89.29 billion at the end of 2019, showing an increase of 8.8% as compared with the volume of R\$82.05 billion reached in the same period of prior year. The balance of FNE's fund availability, at the end of the year, reached R\$6.09 billion, representing a reduction of 60.3% in relation to the existing balance at the end of 2018. While the balances to be disbursed related to loan transactions previously carried out totaled R\$16.60 billion, 79.6% higher than the amount of R\$9.24 billion in December 2018. The balance of loan transactions also increased in relation to 2018, showing an increase of 16.3% and an amount of R\$63.85 billion, net of allowances (R\$54.91 billion in December 2018). Such variations were influenced by the significant increase in the volume of transactions with FNE funds (R\$29.56 billion in 2019).

3.3.2 FNE performance in 2019

Based on the FNE Annual Schedule, Banco do Nordeste took out financing in 2019 amounting to R\$18.25 billion for Rural, Manufacturing, Agroindustry, Tourism, and Trade and Services sectors; R\$7.4 million for the Student Financing Program (P-Fies); and R\$86.6 million for FNE Verde Sol Program –(Individuals). In addition, R\$11.22 billion were invested in Infrastructure projects, totaling R\$29.56 billion in the year.

In the context of economic recovery, the various internal actions to improve credit process and financing programs, as well as external actions, such as communication, prospection and negotiation programs, enabled a 12.7% increase in the volume of funds taken out as compared with 2018, when the financed amount totaled R\$16.18 billion.

In terms of number of transactions, 565 thousand financing transactions were carried out in 2019 by rural producers, individual entrepreneurs and companies, with coverage of 100% of the FNE area, with transactions conducted in all 1,990 municipalities, in the 11 states where the Bank operates.

Regarding the geographical decentralization of FNE financing in 2019, not only the significant results in the support to smaller-sized companies and the credit in all 1,990 municipalities in the area covered by FNE are highlighted, but also the financing amounting to R\$16.67 billion for projects in the semi-arid region.

It should also be noted that, the National Policy for Regional Development (PNDR) advocates support for regional sub-areas, with a view to reducing regional inequalities and promoting equality in access to development opportunities.

In this sense, it should be stressed that the total number of transactions carried out in the semi-arid region exceeded the annual goal, where R\$16.67 billion were invested against R\$5.11 billion scheduled for the period, as mentioned above. This result reflected the transactions carried out mainly with the Infrastructure sector, in which R\$9.23 billion were invested in this Region as well as with family farmers (Pronaf), rural producers and Micro and Small Enterprises (MSE).

Financing to priority micro regions (low and medium income municipalities), sub-areas included in PNDR, amounted to R\$23.67 billion, approximately 80% of FNE annual financing, whereas the amounts taken out by Integrated Development Regions (RIDEs) amounted to R\$666.6 million, exceeding the scheduled amount of R\$240.5 million.

To achieve these results, various external actions, especially with smaller enterprises, were carried out by Banco do Nordeste, among which the following stand out in 2019: the tenth

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edition of RovingFNE, a series of meetings for dissemination, promotion and business assistance to Micro and Small Enterprises(MSE) and individual microentrepreneurs, giving priority to countryside municipalities, in line with the PNDR criteria.

During these events, financing information and simulations were presented, on-site customer service through BNB branches, their managers and development agents, which includes bank registration and scheduling of managerial visits, in addition to local articulations to strengthen cooperation with local public and private partners.

The Ministry of Regional Development (MDR) and the Northeast Development Authority (Sudene), as institutional partners, the Brazilian Micro and Small Enterprises Support Service (Sebrae), the CitiesAdministration and, depending on the reality of each location, other entities, such as the Chamber of Store Managers(CDL), the State Board of Accountancy (CRC), among others, also participated in these meetings, which contributed to the mobilization and rendering of services to the target audience of the meetings.

Since its first edition in 2010, approximately 1,070 Roving FNE events have been held in the 11 states of the Bank's area of operation, serving more than 54 thousand participants, preferably in countryside municipalities, in the semi-arid region and without a BNB physical branch.

3.3.3 FNE 2019: Estimated Economic Impacts

Based on a year using the Regional Product Input Matrix, it is estimated that the R\$29.56 billion taken out with FNE funds should contribute to generate and/or maintain 1.6 million jobs in the Banco do Nordeste's area of operation. It should be stressed that these occupations are not the balance at the end of the year, but the entry of new workers (formal and informal), or the maintenance of the worker due to the financing taken out, not considering the departure of workers in the period under analysis.

An increase of R\$9.79 billion in the salary mass of its area of operation is also estimated; R\$5.85 billion in tax collection; R\$60.68 billion in Gross Production Amount; and R\$34.56 billion of Value Added to the Economy.

The Infrastructure Sector, responsible for approximately 40% of the volume of funds taken out in 2019, tends to contribute to generate and/or maintain approximately 299 thousand jobs in the BNB's entire area of operation. Considering the spillover effect to the other regions, there is an estimated generation and/or maintenance of approximately 470 thousand jobs throughout Brazil, an increase of R\$6.81 billion in the salary mass, R\$5.18 billion in tax collection, R\$44.21 billion in Gross Production Amount and R\$23.07 billion of Value Added to the economy.

3.3.4 FNE challenges in 2020

The unprecedented investment *performance* recorded in the last two years generates the responsibility to maintain, also in 2020, the same operational pace in order to allow the investment of R\$29.30 billion of constitutional funds already forecasted, representing the full commitment of the fund availabilities to transactions carried out in the FNE area of operation.

The products launched in the last two years, for instance credit to individuals and photovoltaic energy mini and micro generation companies (FNE Sol), the continuation of the student financing (P-Fies), combined with the expansion of development actions, such as the Territorial Development Program (Prodeter), will contribute to the continuity of FNE as a financial driver in the support of regional development.

The infrastructure projects, critical to the accumulation of a Region growth plan, will receive part of the FNE funds (R\$10.23 billion), as indicated in its programming for 2020, which will

contribute to the structuring of good business opportunities for the coming years. It is also expected to ensure the modernization of the transport modal structure, an ever greater substitution of the current energy matrix for a cleaner one, the expansion of sanitation, among other key improvements to the Northeast region.

This set of actions aligned with the attention as to the regional distribution of funds available, in terms of areas, sectors and production segments, enhances the main reason of the FNE's regional development public policy, able to significantly contribute for challenges to be overcome and for a life pattern compatible with the resources, potential and opportunities in the Northeast region to be constructed.

4. STRATEGIES FOR DEVELOPMENT

4.1 Scientific, Technological and Development Funds

Aware of its role as a regional development bank, Banco do Nordeste supports research, development and innovation projects through two funds created for this purpose, the Fund for Economic, Scientific, Technological and Innovation Development (Fundeci) and the Fund for Regional Development (FDR).

The research and development projects supported by Fundeci and FDR accumulate significant experiences in decades of contribution to the adaptation and/or improvement of products, services and processes, for diffusion of technologies and for innovation, with emphasis on the regional production sector.

These funds provide non-reimbursable funds to support research, development, diffusion and innovation projects, relying on structured, monitoring, and technical and financial accountability processes. In 2019, 33 onlending instruments to selected projects were formalized, through spontaneous demand and Fundeci Public Notice No. 01/2018 - Territorial Development and Fundeci Public Notice No. 02/2018 - Economic Subsidy for Companies, distributed in the states of Banco do Nordeste's area of operation. Also in 2019, Banco do Nordeste launched two new public notices to support Fundeci funds, providing R\$11.0 million to support technological diffusion and innovation projects in the matters of Territorial Development, R\$6.0 million, and Economic Subsidy to Companies - MSE, R\$5.0 million. The projects classified in these public notices will be analyzed and formalized in 2020.

Among the technological diffusion projects intended for the Territorial Development, formalized in 2019, the structuring of the production chains of dairy cattle, fruit farming, manioc farming and beekeeping are highlighted.

Regarding the innovation projects supported by Banco do Nordeste in 2019, initiatives that employ big data, IoT technology (Internet of Things), blockchain and artificial intelligence may be highlighted.

By supporting research, development and innovation projects with non-reimbursable funds, Banco do Nordeste's Research and Development Funds contribute to reducing costs and risks inherent to research and innovation, favoring the generation of solutions and the improvement and development of products/services, strengthening, modernizing and diversifying regional economic activities.

4.2 Sustainability

Keeping the objective of being the preferred Bank in Northeastern Brazil, this Institution seeks to build a transparent and sustainable relationship with its interest groups. To this end, Banco do Nordeste integrates into its daily practice the ethical principles that guide the performance of socially responsible companies, generating good results for employees, shareholders and the society in general, thus providing the construction of common welfare.

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In that sense, among the various social and environmental responsibility actions, the financing granted to projects intended for sustainability in the Bank's entire area of operation, the strengthening of the Institution's Social and Environmental Responsibility Policy (PRSA), as well as financial support to various social projects, through tax incentives, are highlighted.

Regarding the Bank's loan activity, in 2019, R\$525.3 million were taken out under *Verde* credit facilities. This amount was distributed as follows: R\$364.8 million (69%) taken out through the Environmental Sustainability Financing Program - FNE Verde (of which R\$225.8 million were allocated to distributed renewable energy micro and mini generation) and R\$160.5 million taken out through Pronaf (R\$2.3 million through Pronaf Eco; R\$2.4 million through Pronaf Agroecology; R\$152.4 million through Pronaf semi-arid region; and R\$3.4 million through Pronaf Forest).

Also in the context of its loan activity, the launch, in September 2019, of the 2nd revised edition of the "Environment Guide for Rural Producers" is highlighted, which aims to contribute to the sustainability of rural projects of the Region, upon indicating ways so that the activities are developed in order to conserve and preserve the environment, offering to the rural producer, at the same time, the possibility of satisfactory income at a lower cost and combining the profitability of investments with the sustainability of the production activity. This document is available at :

https://www.bnb.gov.br/documents/320335/1010052/Guia_do_MeioAmbiente_para_ProdutorRural_V1_1.pdf/69f9d3e2-0a81-22d0-be7b-9f17e16b1ca4.

Concerning the PRSA of Banco do Nordeste, in 2019, 21 actions provided for in the action plan for its implementation were put into practice, with emphasis on the creation of the Social and Environmental Responsibility Commission, an internal collegiate board in connection with the Executive Board, whose purpose is to monitor, evaluate and propose improvements related to compliance with the PRSA guidelines and objectives. Since 2016, 46 actions have already been implemented, corresponding to 80% of the total forecast. The forecast for completion of the entire implementation process is July 2020. Further information about PRSA can be accessed through the following link: <https://www.bnb.gov.br/politica-de-responsabilidade-socioambiental>.

Other sustainability actions developed by Banco do Nordeste are available on the Bank's website and can be accessed through the following link: <https://www.bnb.gov.br/pt/responsabilidade-socioambiental>.

4.3 Territorial Development Policy

The Territorial Development Program (Prodeter), one of the instruments through which the BNB Territorial Development Policy becomes reality, consolidated important results in terms of gains of competitiveness of the economic activities subject to structuring.

By the end of 2019, the Program had 132 Territories/Projects in progress, divided into three phases. The first phase comprises 21 projects while the second phase comprises 50 projects. The Territorial Action Plans (PAT) for both phases are under execution and monitoring. The third phase has 61 development projects, whose plans were launched at the end of 2019, with the beginning of execution scheduled for 2020.

The Action Plans implemented in the first 21 territories covered by Prodeter, as well as the 50 new projects of the first expansion, continued to show in 2019 expressive results in terms of structuring of production chains of the prioritized economic activities, with real progresses in the solution of their bottlenecks, minimizing the risks of default of financing granted.

The economic activities prioritized in Prodeter, in the 21 territories of the 1st phase, received approximately R\$331.4 million in financing in 2019. Considering the entire period of operation of Prodeter since 2016, the accumulated financed amount has already exceeded R\$1.0 billion.

Prodeter and AgroNordeste Plan (Ministry of Agriculture, Livestock and Supply (“MAPA”))

Banco do Nordeste, through Prodeter, is integrated with AgroNordeste, by reference to the implementation of convergent actions. The production activities developed on Prodeter projects meet the activities prioritized in AgroNordeste. Accordingly, Prodeter contributes with 70 projects, 8 of which are Beekeeping projects, 1 Aquiculture project, 3 Poultry projects, 3 Cashew culture projects, 6 Food Crops (rice, beans and manioc) projects, 29 Cattle (milk) projects, 1 Sustainable Extraction project, 6 irrigated fruit (banana, melon, mango and watermelon) projects and 13 goatraising (milk, meat and skin) projects. Out of 10 planned State Coordination Committees, 8 were implemented in 2019, all with the participation of BNB. The Bank participates in the preparation of territorial action plans, installation of local offices and activities focused on structuring and financing of priority economic activities.

Cooperation agreement between BNB and the Ministry of Regional Development (MDR)

By reference to the implementation of convergent actions by BNB and the Ministry of Regional Development (MDR), whose purposes are focused on the development of the Region, a cooperation agreement was entered into between Banco do Nordeste and MDR in July 2018, in order to carry out joint actions involving the Routes of Integration Program and Prodeter.

The Routes of National Integration Program consists in the formation of networks of local production arrangements that promote innovation and competitiveness of the projects belonging to it.

In 2019, the Prodeter team participated in the launch of 4 projects of the Routes of Integration, 3 in Ceará state (Honey Route, Lamb Route and Milk Route) and one in the city of Recife (CIT Route). Currently, it has 38 Routes of Integration Hubs, divided into 8 production activities, namely: goat raising (14), dairy cattle (1), fruit culture (9), beekeeping (4), cocoa culture (1), circular economy (2), biodiversity (5), and Communication and Information Technology - CIT (2).

Prodeter and Investe Turismo - Ministry of Tourism (Mtur)

Prodeter's participation in and partnership with the *Investe Turismo* Program of the Ministry of Tourism (Mtur) is present in 11 territories, covering 26 municipalities, in ten states of the BNB's area of operation. Banco do Nordeste participated in the launching of the *Investe Turismo* Program in the Northeast region, disclosing the FNE's financing lines for the sector.

It should be stressed that currently Prodeter has 8 Territorial Action Plans, whose production activity is the tourism, being 3 projects in Bahia state; 2 projects in Paraíba state; 2 projects in Ceará state; 1 project in Minas Gerais state; and 1 project in Pernambuco state.

4.4. Cooperation Agreement

In 2019, 48 Bank's cooperation agreements with partner institutions were registered, such as corporate representation bodies, franchising companies, universities, research and technical assistance and rural extension bodies, cities administration, state governments, ministries, National and State Sebrae, joint initiatives generated from rescheduling carried out by the Bank's units in the states and in the central administration.

5. ECONOMIC AND FINANCIAL PERFORMANCE

5.1 BNB Total Assets

In 2019, Banco do Nordeste maintained practically the same volume of assets as the prior year, totaling a volume of R\$58.63 billion. 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 2.4% in cash and cash equivalents, interbank investments and securities, with emphasis, in this section, to the settlement of the Eurobonds and the partial repurchase of the Debt Instrument Eligible to Principal Capital. At the end of the year, the Securities portfolio balance amounted to R\$39.69 billion. In relation to the balances of loan transactions of BNB's own portfolio, net of allowances, there was a 4.3% increase (R\$9.43 billion in December 2019; R\$9.04 billion in December 2018).

5.2 Net Income

Net Income for 2019 amounted to R\$1,736.7 million, which represented an increase of 135.6% as compared with R\$737.0 million computed in the same period of prior year (restated net income). Operating Income reached R\$2,440.6 million, representing a 93.3% growth compared with the R\$1,262.3 million (restated) obtained in 2018. The return on average Equity for the period was 36.2% p.a. Significant recurring factors of the expressive results for 2019 were the following: **a)** growth in the financial margin of loan transactions of the own portfolio, **b)** increase of R\$234.8 million in revenues from long-term financing with FNE funds (R\$1,550.0 million in 2019 against R\$1,315.2 million in 2018), due to the increase in disbursement levels; and **c)** increase in Service Revenues in the amount of R\$188.2 million.

Other nonrecurring factors also contributed significantly to the result for the period, namely: a) increase of R\$485.7 million in the financial margin arising from the rescheduling of loan transactions based on Laws No. 13340/16 and No. 13606/18; b) net recording of tax credits resulting from the change in the Social Contribution (CSLL) rate, amounting to R\$167.1 million; and c) recognition of impairment of investments in corporate bonds (debentures) amounting to R\$126.8 million.

Worth stressing that upon disregarding the nonrecurring results for the period, Adjusted Net Income amounts to R\$1,204.3 million which, compared with income for 2018 (R\$601.0 million), presents a significant difference of 100.4%, as demonstrated in the recurring income calculation in Chart 1 below:

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

Statement of Recurring Net Income	2018	2019	Var.R\$	Var. %
Net Income	737.0 ¹	1,736.70	999.7	135.6%
(-) Extraordinary Income for the Period				
Credit Recovery -Law No. 13340/13606 ²	(254.5)	(740.2)	(485.7)	190.8%
Voluntary Dismissal Incentive Program (PID)	58.7	4.5	(54.2)	-92.3%
Deferred Tax Asset - Contingencies	(28.3)	-	28.3	-100.0%
Debentures Impairment	-	126.8	126.8	-
Tax Credits (change in CSLL rate from 15% to 20% from March 2020 onwards)	-	(167.1)	(167.1)	-
Tax Effect (IR + CSLL) ³	88.1	243.6	155.5	176.4%
Recurring Net Income	601.0	1,204.3	603.3	100.4%

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¹Restated Income

^{*}This includes article 29-A of Law No. 13606 - Prodecir III Op.

³2018: 45%; 2019: 40%

Source: Banco do Nordeste, Control and Risk Board.

5.3 Operational Efficiency

In 2019, Banco do Nordeste presented an operational efficiency ratio of 52.3%, characterized by the management of administrative expenses in relation to the entire margin of financial intermediation and service revenues, which represents a 13.3 percentage-point improvement compared with prior year. The improvement in efficiency is significant, since there is a significant increase in financial margin and in service revenues, associated with a slight increase in administrative expenses. Specifically, Personnel expenses remained at the same level as in 2018. Such behavior is the result of the savings provided by the reduction in the number of employees, in view of the Voluntary Dismissal Incentive Program implemented in 2019 and even considering the salary readjustments granted on September 2019 and 2018. Regarding other administrative expenses, there was an increase of 3.6% in the period. However, the following reductions are highlighted: R\$12.5 million with data processing expenses; R\$6.7 million with court and registry office fees; and R\$6.0 million Advertising, Publicity and Publications. Financial margins grew 48.6% for the same main reasons that explain the increase in net income, as well as for the increase of 7.4% in Service Revenues, which reached R\$2.73 billion in 2019, also contributing to improved efficiency.

5.4 Equity

Banco do Nordeste recorded R\$5,427.4 million in Equity at the end of 2019. At the Special General Meeting held on 04.25.2019, the shareholder approved the capital increase by R\$969.0 million, derived from allocation of Statutory Reserves - Reserve for Operational Margin, with no issue of shares. Accordingly, capital increased from R\$2,844.0 million to R\$3,813.0 million, represented by 86,371,464 common book-entry paid-up shares, with no par value, duly approved by the Central Bank of Brazil.

5.5 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 a whole by Basel III, Banco do Nordeste has overcome the minimum capital requirements stipulated, which guarantees the Bank a margin to continue expanding its exposures and business. At 12.31.2019, the Bank presented a Referential Equity Index of 14.42% (13.76% at 12.31.2018). Tier I index was 10.44% (9.00% at 12.31.2018) and Principal Capital Index was 9.04% (9.00% at 12.31.2018). Referential Equity (RE) totaled R\$8,265.6 million (R\$6,541.7 million at 12.31.2018), Tier I amounted to R\$5,983.0 million and Principal Capital amounted to R\$5,181.9 million (at 12.31.2018, Tier I and Principal Capital totaled the same amount of R\$4,279.9) whereas risk weighted assets (RWA amount) totaled R\$57,311.9 million (R\$47,553.2 million at 12.31.2018).

Regarding the performance of Banco do Nordeste against the minimum capital requirements in 2019, it should be stressed that the events that most influenced the result obtained in 2019 were: a) Subordinated Financial Bills taken out in the amount of R\$801.0 million, which were authorized by the Central Bank to compose the Tier I Referential Equity, as of July 2019, as Complementary Capital; b) authorization by the Central Bank to repurchase the amount of R\$500.0 million of the Instrument Eligible to Principal Capital authorized to compose the Referential Equity; c) increase in Equity due to the income obtained in the year; d) increase in Actuarial Liabilities (R\$579.7 million); and the mark-to-market of Securities portfolio (R\$479.8 million).

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Chart 2 - Equity Adequacy (R\$ million)

Specification	12.31.2018	12.31.2019
Referential Equity (RE)	6,541.7	8,265.6
. Tier I	4,279.9	5,983.0
. Tier II	2,261.8	2,282.6
Risk-Weighted Assets (RWA)	47,553.2	57,311.9
IRRBB amount	63.9	21.5
Margin on Required Referential Equity	2,440.2	3,680.6
Margin on Required Referential Equity considering IRRBB	2,376.3	3,659.1
Margin on Tier I Required Referential Equity	1,426.7	2,544.3
Margin on Required Principal Capital	2,140.0	2,602.9
Required Additional Principal Capital (RWA * 2.5%) ^(*)	891.6	1,432.8
Margin on Required Additional Principal Capital	535.1	1,111.5
Basel Indexes:		
. Principal Capital Index (minimum requirement of 4.5%)	9.00%	9.04%
. Tier I index (minimum requirement of 6.0%)	9.00%	10.44%
. Basel index (Minimum requirement of 8.0%) ^(*)	13.76%	14.42%
. Basel index including IRRBB	13.55%	14.35%

(*) In December 2018, the minimum requirement of Basel Index was 8.625% and of Additional Principal Capital was 1.875%.

Source: Banco do Nordeste, Control and Risk Board.

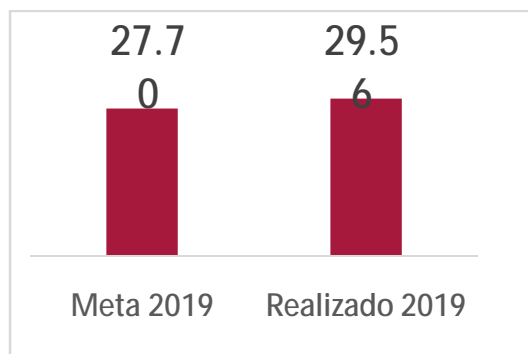
6. Operational Performance

6.1 Volume of Transactions

In 2019, Banco do Nordeste carried out 5.3 million loan transactions amounting to R\$42.16 billion.

Long-term financing, which encompass rural, manufacturing, agroindustry, infrastructure, trade and service investments, accounted for 71.5% of the funds taken out and amounted to R\$30.14 billion and 575.8 thousand transactions. Of this amount, 98.1% refers to transactions carried out with FNE funds, totaling R\$29.56 billion in the year, exceeding the goal established for the period by 6.7%.

Figure 1 - FNE transactions taken out in 2019 - Goal versus Achieved (R\$ billion)



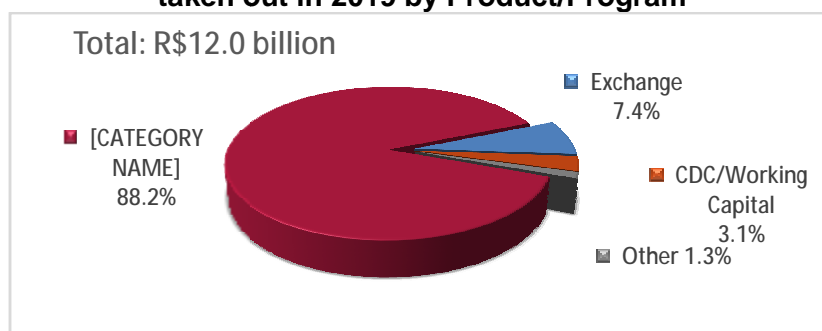
Source: Banco do Nordeste, Control and Risk Board.

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Short-term loans to Urban Microcredit (Crediamigo), Direct Consumer Credit (CDC), Working Capital, Credit Card, Secured Account, Exchange and Discount totaled R\$12.03 billion in 4.7 million transactions.

Regarding short-term loans (Figure 2), which accounted for 28.5% of the volume taken out in 2019 (R\$12.03 billion), the Crediamigo program is highlighted, which covered 88.2% of short-term loan transactions, reaching approximately R\$10.60 billion, and Exchange operations that amounted to R\$893.4 million (7.4%).

Figure 2 - Short-term loan transactions taken out in 2019 by Product/Program



Source: Banco do Nordeste, Control and Risk Board.

Fund raising

At 12.31.2019, Banco do Nordeste recorded fund raising of R\$8.75 billion, a reduction of 3.1% compared with the balance presented in December 2018. Demand deposits amounted to R\$405.3 million in December 2019, representing a 23.3% increase compared with 2018. Savings deposits totaled R\$2.63 billion in December 2019, representing an 8.2% increase within 12 months. In December 2019, fund raising in time deposits totaled R\$5.71 billion, a reduction of 8.9% compared with prior year, in line with the Bank's fund raising strategy.

Chart 3 - Fund raising in 2019 (R\$ million)

Fund raising	Dec 2018	Dec 2019	Variation
Demand Deposits	328.6	405.3	23.3%
Savings Deposits	2,433.8	2,633.8	8.2%
Time Deposits	6,268.7	5,711.4	- 8.9%
Total	9,031.1	8,750.5	-3.1%

Source: Banco do Nordeste - Planning Board and Finance and Credit Board.

Distribution and Management of Investment Funds

In 2019, net worth of investment funds reached R\$8,525.7 million, representing a 20.1% increase in relation to 2018. In the same position, Banco do Nordeste managed 21 investment funds, with 88,615 shareholders, an increase of 14.2% in relation to the same period of 2018. Revenue from investment fund administration fee totaled R\$56.6 million in 2019, representing a 23.2% increase in relation to prior year.

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Northeast Investment Fund (Finor)

Finor's Net Worth reached R\$931.8 million in 2019, representing a 7.1% increase in relation to 2018, arising from the remuneration levied on the Finor funds deposited at the Bank and not yet invested, and from the positive net inflow of funds from tax incentives. Revenue from administration fee on FINOR portfolio totaled R\$19.0 million in the same period, an increase of 40.3% in relation to 2018.

6.2 Performance by Segment

Family Farming

Banco do Nordeste is the main financial agent in the Northeast region of the National Program for Strengthening Family Farming (Pronaf), currently with an active portfolio of R\$9.64 billion, and 1.8 million of transactions.

In 2019, the Bank's results in the operation of Pronaf, including the operations carried out by the Rural Microcredit Program - Agroamigo, registered 516 thousand financing transactions carried out, in the total amount of R\$3.07 billion. Of the amount invested, 75.8% comprise financing in the semi-arid region, which means growth compared to 2018 when financing in the semi-arid region stood at 74.2% of total investments.

National Rural Property Financing Program - PNCF Social

From 2019 onwards, changes were incorporated into the National Rural Property Financing Program, composed of three lines of financing, of which the Bank operates the PNCF Social, which comprises three basic components:

- a) Subproject for Land Acquisition (SAT): financing proposal for the acquisition of rural property supported by reimbursable funds from the Land Fund and from the Agrarian Reform, which are transferred through a financing agreement.
- b) Subproject for Community Investment (SIC): basic and production infrastructure projects carried out by rural workers' associations constituted exclusively by beneficiaries of the PNCF Social line, with non-reimbursable funds from the Subprogram for Fighting Rural Poverty, transferred through a specific onlending agreement; and
- c) Subprojects for Basic Investment (SIB): basic and production infrastructure projects implemented by beneficiary rural workers with reimbursable funds from the Land Fund, included in the SAT financing agreement.

In 2019, 314 transactions were carried out under SAT, which totaled R\$14.4 million and 16 SIC onlending agreements amounting to R\$5.0 million.

Rural Microentrepreneur

Agroamigo serves family farmers through two types: Agroamigo Crescer, focused on customers of Pronaf Group B and Agroamigo Mais, to serve the other Pronaf groups, in transactions of up to R\$15 thousand, except for Groups A and A/C.

In 2019, R\$2.51 billion were financed, with 495 thousand transactions carried out by Agroamigo. Of this amount, 76.6% was invested in the semi-arid region and 48.0% was intended for the female audience. Moreover, Agroamigo reached an active portfolio of R\$4.76 billion and 1.2 million customers in more than 1.3 million transactions. The amounts and quantitative data made by Agroamigo are contained in the information related to the Family Farming segment.

Urban microentrepreneur

Banco do Nordeste operates in the urban microfinance segment through the Crediamigo Program, which disbursed R\$10.60 billion in 2019. The amount of disbursements reached

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4.5 million transactions. At the end of 2019, Crediamigo had 2.2 million customers with active loans. Crediamigo's operational capacity averaged 18.5 thousand disbursements per day. Default, represented by loans overdue for more than 90 days in relation to the active portfolio, stood at 1.41%. Another important participation of Crediamigo relates to banking, since the Program opened 459 thousand checking accounts in the course of 2019. The checking accounts of Crediamigo customers are not subject to any fees.

Micro and Small Enterprises (MSE)

In 2019, the Micro and Small Enterprise (MSE) segment reached a new historical record of investment, it took out R\$3.63 billion in 43.6 thousand transactions. Considering only FNE funds, the financed amount was R\$3.46 billion, which represents an achievement of 111% of the goal established for the period. It is worth to highlight the overcoming of the FNE goal for MSE in all states where Banco do Nordeste operates.

The trade segment was mostly benefited and served with R\$1.90 billion in transactions carried out, corresponding to 55.1% of FNE funds invested by Banco do Nordeste in this segment. In the service segment, the amount of R\$886.0 million was invested, representing 20.3% of the total, while in the manufacturing segment R\$588.0 million were invested, that is, 17% of the total funds. In the semi-arid region, one of the priority sub-areas under the National Policy on Regional Development (PNDR), 16 thousand loans were taken out only with FNE funds, representing 51.5% of total loan transactions carried out.

Corporate

In 2019, Banco do Nordeste reached year end with 868 Corporate customers, targeting companies with annual gross revenue in excess of R\$400.0 million, in addition to customers within the scope of union-related and Infrastructure transactions. In 2019, this segment took out R\$12.77 billion in transactions with FNE funds (including NE-Export transactions), representing 86.28% of the volume taken out in the same period of 2018. Of the amount taken out by the segment in 2019, R\$10.19 billion were in Infrastructure transactions, focusing on initiatives in structuring areas for regional development, such as power generation, mainly wind and photovoltaic power, distribution and transmission of energy, basic sanitation and airport infrastructure. The amount taken out was approximately 90.81% of the amount invested in this segment in 2019.

Compared to the Bank's total performance, of the amount of R\$29.50 billion invested with FNE funds, 43.29% was taken out by customers of the Corporate segment. Of the goal established for the Infrastructure sector, the Corporate segment accounted for 84.92%.

Agribusiness Individuals

In 2019, 7 thousand transactions were carried out, amounting to R\$3.09 billion with FNE funds, to serve rural producers in the Bank's area of operation, of which R\$1.44 billion with small rural producers. The amount taken out corresponds to 115.75% of the goal established for 2019. Of the amount taken out, 63.9% were intended for costing, 31.63% for investment and 4.47% for trade.

Various actions were taken to boost the Bank's results, in order to streamline processes, expand the customer base, increase the profitability of the agribusiness segment and expand digital service in agribusiness. In December 2019, Agribusiness assets (FNE) in the Bank, including small producers, amounted to R\$10.30 billion, involving 57.6 thousand transactions.

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Individuals

This segment operates primarily in serving students benefited by the Student Financing Program (FNE P-Fies) and borrowers from the FNE Sol credit facility for acquisition of distributed power micro and mini generation systems (domestic consumption). In a complementary manner, it also includes the shareholders/members of the companies served by the Bank.

In 2019, regarding the investment in student financing (P-Fies), more than R\$7.3 million was taken out in transactions with source of funds exclusively from FNE. Currently, there are agreements with 120 Maintainers of Higher Education Institutions that make the Program operational.

It should also be noticed, the FNE Sol for individuals, a credit facility created in 2019. In its launching year, more than 2.8 thousand transactions were carried out, which represented an amount of R\$86.3 million, corresponding to 172.65% of the goal initially planned.

Government

Government segment customers are comprised of public administration agencies, both direct and indirect, with all their respective agencies, except for non-dependent companies pertaining to indirect public administration, according to current legislation. 1,938 customers, reached an average balance of R\$578.7 million in December 2019 in fund raising and a debt balance of loan transactions amounting to R\$444.7 million.

Business

The business segment serves of small, medium and large-sized companies, covering legal entities with annual revenues from R\$4.8 million to R\$400.0 million. In 2019, the Bank reached a figure of 11.5 thousand customers with a profile of the business segment, a 15.18% increase compared with the figure at the end of 2018.

These companies took out from the business segment portfolios R\$5.74 billion in transactions with FNE, except for infrastructure, which represents an increase of 11.3% in relation to 2018. With regard to infrastructure transactions, the Business segment took out R\$1.03 billion from FNE, only 27.5% of the amount took out in 2018, due to the allocation of the infrastructure transactions to the Corporate segment.

In addition to transactions with FNE funds, the business segment also took out R\$747.0 million with other sources of funds.

Total investments (with all sources) in the business segment in 2019 totaled R\$7.63 billion, of which: R\$1.19 billion in Agribusiness; R\$3.88 billion in Trade and Services; R\$1.53 billion in Manufacturing, and R\$1.03 billion in Infrastructure.

6.3 Credit recovery

2019 represented a great opportunity to regularize debts, particularly of rural producers that suffered from the droughts of recent years, through the enactment of Laws No. 13340/2016 and No. 131606/2018.

The amounts earned in 2019 with credit recovery reached the historical mark of R\$16.20 billion. These regularizations facilitated the historical mark of recovery in cash of R\$826.0 million of overdue loans and loss. In total, 157 thousand transactions were regularized, whose global figures represented significant results of improvements in asset quality and positive effects on the Bank's Debt Rescheduling.

Regarding Law No. 13340/2016, 46.9 thousand transactions were regularized, totaling R\$2.47 billion, of which 43 thousand transactions were carried out with FNE and 3.7 thousand transactions with non-FNE sources.

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While regarding Law No. 13606/2018, 45.4 thousand transactions were regularized, totaling R\$11.64 billion, impacting significantly the numbers of Debt Rescheduling, which demonstrates the effectiveness of the strategies defined by the Executive Board.

7. 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>).

In this regard, Banco do Nordeste, as an entity of the Indirect Public Administration, maintains, in its Corporate Governance structure, boards that aim to evaluate, direct and monitor its management. The Board of Directors, assisted by the Audit Committee, the Compensation and Eligibility Committee, the Capital and Risk Committee, the Internal Audit and Ombudsman, the Executive Board and the Ethics Committee are present in this order.

The Bank's Corporate Governance structure, available at <https://www.bnb.gov.br/sobre-o-banco/estrutura-organizacional>, is as follows: General Meeting, Board of Directors, Executive Board, Supervisory Board, Audit Committee, Compensation and Eligibility Committee, Capital and Risk Committee, Internal Audit, Ombudsman, Internal Controls and Compliance, Ethics Committee and External Audit.

The Bank's governance structure is defined in its Charter, which is the instrument that governs the social relationships within publicly-held entities, available on the Internet, at <http://www.bnb.gov.br/estatuto-social>.

7.1 Audit

In 2019, the Internal Audit carried out valuation services, with emphasis on: Customer Service; *Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (Capef)*; *Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil (Camed)*; Corporate Governance; Market Strategies; Accounting - Related Parties; Internal Controls; Loan (Concession, Administration and Recovery); Capital Management; Integrated Risk Management; IT Physical Environment Management; System Security Assurance; IT Services Continuity Assurance; Business Planning; and Integrity Program.

7.2 Internal controls

The BNB's compliance indicator reached 97.28%. The result confirms the Bank management's business orientation to conduct business with integrity and on a sustainable and profitable manner.

Decision-making and/or evaluation committees are also essential components of the control and risk management structure, which are specialized in a variety of subjects. In addition to the various specialized committees, the Bank has an Integrity and Ethics Committee, whose task, among others, is to coordinate the application of the Bank's Integrity Policy, by determining the steps and actions required to improve the Institution's Integrity Program mechanisms. Banco do Nordeste's Ethics Committee also plays an important role in supporting the Structure of Internal Controls, since its function is to promote the Code of Ethical, Conduct and Integrity, represent the citizen (whether or not a customer) within the business environment, including mediate conflicts and operate for the improvement of internal processes in the Institution.

8. RISK MANAGEMENT

Banco do Nordeste's Corporate Risk Management Policy is built from the Risk Appetite Statement (RAS) defined by the Board of Directors and includes guidelines for activities related to continuous and integrated management of financial risks (credit, operational, market and liquidity risks, and interest rate risk of the bank portfolio - IRRBB), socio-environmental, reputational and compliance risks. Those risks are considered significant by Banco do Nordeste due to its potential impact on the achievement of the Bank's strategic objectives.

Banco do Nordeste's risk management process is premised on compliance with current legislation and the Bank's Risk Appetite Statement (RAS), the adoption of good market practices and the use of defined and documented methodological models that can be tested for consistency, reliability and transparency of results.

Banco do Nordeste's risk management structure is compatible with the level of risk appetite, the nature and complexity of the Institution's products, services, activities, processes and systems, supports Bank's governance as an integral part of its Internal Control System and works as an instrument that contributes to the achievement of the planned strategic objectives.

In 2019, the Bank implemented various measures to comply with the legislation in force and in line with Corporate Governance and Risk Management best practices. These measures include:

- ü Review of the Bank's Risk Management and Capital structure;
- ü A restated Bank's Risk Appetite Statement (RAS);
- ü A restated Corporate Risk Management Policy in compliance with the provisions set forth in the new legislation in force and in the RAS;
- ü Implementation of new calculation routines for the bank portfolio interest rate risks (IRRBB) based on models of variation of economic value (Δ EVE) and variation of income (expenses) from financial intermediation (Δ NII);
- ü A restated Business Continuity Management Policy;
- ü Updated liquidity contingency plan; and
- ü Timely periodical reporting to senior management.

9. RELATIONSHIPS

9.1 Customer relationship

Banco do Nordeste follows its customer relationship policy in light of Resolution No. 4539/2016 of the National Monetary Council, aiming at providing better customer service and consolidating institutional image of credibility, security and competence.

The Customer Relationship and Citizen Information Center held 4,876.1 thousand calls in 2019, of which: 337.6 thousand telephone calls (SAC and CAC); 152.9 thousand through multimedia channels (SIC, email, social networks, consumidor.gov, complaints sites); 33.8 thousand copies of payment slips issued, at the customer request; 4,351.5 thousand active services including: business guidance for businesses, credit and insurance administration charges, monitoring of business and relationship opportunities, banking security monitoring, insurance renewal, satisfaction surveys and institutional campaigns.

It should be noticed that the Citizen Information Service (SIC), created by the Access to Information Law, provides active transparency services (available at

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<http://www.bnb.gov.br/aceso-a-informacao>) and passive transparency services (available at <http://www.bnb.gov.br/aceso-a-informacao/servico-de-informacao-ao-cidadao-sic>).

Ombudsman

In 2019, 1,179 calls were recorded, including complaints, whistleblowing events, praises, suggestions and information, representing an increase of 29.7% as compared with 2018.

In accordance with CMN/Bacen Resolution No. 4433/2015, the Ombudsman's Office must send a reply to the demands made by BNB's customers and users within ten business days. This deadline may be exceptionally extended, in up to 10% of the month's total cases, for another 10 business days. Worth highlighting that, in 2019, Banco do Nordeste's Ombudsman's Office replied to 100% of the complaints within the legal term.

According to the Central Bank of Brazil, in 2019 Banco do Nordeste remained in the 2nd rank with the lowest number of complaints with that government agency, among financial institutions with more than 4 million customers. The ranking is formed based on demands registered by the public and considers commercial, multiple, cooperative, and investment banks, branches of foreign banks, savings and loan banks, credit, financing and investment companies (SCFI) and pooled financing administrators. In results of the Ombudsman Quality Ranking covering the 2nd and 3rd quarters of 2019 and also published by the Central Bank, Banco do Nordeste's Ombudsman's Office reached first position, having reached the maximum score (five) in the third quarter of the year. The purpose of this ranking is to provide society with qualitative information on the performance of the ombudsmen of financial institutions.

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

In 2019, the Bank's Information Technology (IT) Oversight made available various products and services that made the Bank even more digital, considerably improving operational efficiency by automating various processes and providing a better customer experience upon using applications on web and mobile channels. Giro Digital was improved, incorporating the operation of uploading documents and checking of sufficiency of guarantee, endorsement and surety, which added greater agility to self-service operations and mobility to MSE customers seeking Working Capital. In relation to Microcredit, the S-476 and S-344 systems were developed for all the Bank's units, with implementation of new operations in the web and mobile modules of the Agroamigo system.

9.3 Relationship with the Society

The sponsorship actions conciliate Federal Government guidelines with institutional and market interests, aiming to broaden relationships, promote products, increase business, and strengthen the brand. In 2019, R\$ 8.8 million was allocated to 379 projects, of which 47 were cultural and 332 were institutional-marketing in nature. The investment in sponsorship projects, whose sources were tax incentive laws corresponded to 16% of the total funds invested.

Banco do Nordeste understands the culture as part of the integral policy to the development of the Northeast region. In this sense, it adopts the guidelines of democratization of access to artistic-cultural manifestations, support to production, fruition, circulation and artistic-cultural formation. Its three cultural centers (Fortaleza and Cariri, in Ceará state, and in Sousa, in Paraíba state) offer to the community a democratic space of accessibility to the various areas of the arts, through a free artistic and cultural agenda.

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Therefore, the Bank promotes the audience training and moves cultural professionals at the local, regional and national levels. In 2019, Cultural Centers reached an estimated audience of 478 thousand people, of which 130 thousand participated in 1,559 activities of performing arts (theater), visual arts, cinema, literature, music, training workshop, children's art-related activities and cultural tradition. The libraries installed in equipment reached the mark of 209 thousand visitors.

9.4 Relationship with employees

Banco do Nordeste ended year 2019 with 6,802 employees, 145 middle-level scholarship holders, 657 upper-level scholarship holders and 513 young apprentices. Due to the implementation of the Voluntary Dismissal Incentive Program (PID), 268 employees were dismissed, providing renewal of staff. 159 calls were made to candidates arising from the competition held in 2018, of which 116 for the positions of Banking Analyst (middle level) and 43 for Technical Expert - Systems Analyst (upper level).

In 2019, five Banks of Managing Officers' Succession were structured, an internal selection process for key managing officers, with 161 employees approved and 36 appointments.

In 2019, the Corporate University of Banco do Nordeste structured an excellence program for leaders, involving current and potential managing officers - Management Excellence Program (PEG), offering 150 training opportunities for the formation of middle management.

The Bank contracted training for all employees, enabling them to change their behavior and culture - "Digital Transformation Path", - so that BNB remains increasingly aligned with new trends in this matter. The Pilot class was carried out with 23 employees representing the strategic, tactical and operational levels.

10. ENTITIES OF PENSION PLAN AND HEALTH CARE FOR EMPLOYEES

10.1 Camed

The Assistance for Banco do Nordeste do Brasil Employees (CamedSaúde), established in 1979, is a member of Camed Group, together with CamedAdministradora e Corretora de Seguros Ltda. and Creche Paulo VI. CamedSaúde has a portfolio of 37,596 beneficiaries (at 12.31.2019) and is present in the Northeast region, in the north of the states of Minas Gerais and Espírito Santo and in the cities of Belo Horizonte, Brasília, Rio de Janeiro and São Paulo. In other states, Camed beneficiaries are served through Reciprocal Agreements with other health care plan operators.

In 2019, CamedSaúde had a surplus of R\$7.6 million. This result was lower than that of 2018, mainly due to the fact that health care, hospital, dental and related services costs increased by 9.10% in 2019, while in 2018 it grew only 0.32% in relation to prior year and, also, due to the fact that CamedSaúde recorded a technical reserve for insufficient contributions, established by the National Regulatory Agency for Private Health Insurance and Plans (ANS), in the amount of R\$6.5 million.

CamedCorretora, in its turn, is present mainly in localities where Banco do Nordeste operates through its branches, and ended the year 2018 with a positive result of R\$10.9 million, representing a growth of 29% in relation to prior year. This result was driven by the increase in the sale of insurance in Banco do Nordeste credit business base, increasing commission revenues from R\$49.0 million in 2018 to R\$64.0 million in 2019, representing a 30% growth in the year.

10.2 Capef

Banco do Nordeste Employees' Pension Fund (Capef) is a privately-held Entity of Supplementary Pension Plans (EFPC), created in 1967, whose assets under management (AUM) amount to R\$4.94 billion at 12.31.2019. Capef has 12,439 participants and vested beneficiaries. These participants are grouped into two pension plans: a defined benefit plan - DB Plan, a plan which is closed for new participants, and a variable contribution plan - CV Plan I, created in 2010. The BD Plan closed 2019 with 1,271 active participants, 3,867 retirees and 1,319 pensioners, and obtained a return of 11.56%, equivalent to 113.04% of its actuarial target of 10.23% (INPC + 5.50% per year). The VC I plan is in the capitalization phase. In 2019, this plan obtained a return of 14.23% equivalent to 145.42% of its actuarial target of 9.78% (IPCA + 5.25% p.a.). The plan closed 2019 with 5,675 active participants, 267 retirees and 40 pensioners.

11. 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 2019, any services other than independent audit services.



MINISTÉRIO DA
ECONOMIA



PÁTRIA AMADA
BRASIL
GOVERNO FEDERAL

Financial Statements

BANK

In thousand of reais (R\$)

Position:12.31.2019

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

BALANCE SHEETS

Years ended December 31, 2019 and 2018

General Management and Branches in Brazil

(Amounts in R\$ thousand)

ASSETS

		12.31.2019	12.31.2018 Restated
CURRENT ASSETS		13.326.453	16.409.154
CASH AND CASH EQUIVALENTS	(Note 5)	168.525	133.428
INTERBANK INVESTMENTS	(Note 6.a)	3.376.358	7.779.984
Open market investments		3.275.927	7.626.446
Interbank deposit investments		100.431	153.538
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	1.747.783	1.296.313
Own portfolio		1.362.688	701.750
Linked to repurchase agreements		242.819	-
Derivative financial instruments		-	585.664
Linked to guarantees given		142.276	8.899
INTERBANK ACCOUNTS		526.650	502.579
Receipts and payments pending settlement		508	1.362
Linked Credits:			
Central Bank Deposits	(Note 8.a)	525.291	500.019
Correspondents		851	1.198
LOANS		5.082.117	4.268.172
Loans	(Note 9.a)	5.412.295	4.614.935
Public sector		75.318	185.614
Private sector		5.336.977	4.429.321
(Allowance for loan losses)	(Note 9.a)	(330.178)	(346.763)
OTHER CREDITS		2.395.068	2.402.198
Exchange portfolio	(Note 10.a)	855.128	868.658
Income receivable	(Note 10.b)	18.319	15.938
Securities Trading	(Note 10.c)	20	12
Sundry	(Note 10.d)	1.611.362	1.528.319
(Allowance for losses on other credits)	(Note 10.e)	(89.761)	(10.729)
OTHER ASSETS		29.952	26.480
Other assets		15.412	15.868
(Valuation Allowance)		(581)	(632)
Prepaid expenses		15.121	11.244
LONG-TERM RECEIVABLES		45.071.845	42.026.807
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	37.942.241	35.077.031
Own portfolio		36.056.160	33.398.598
Linked to repurchase agreements		1.304.444	1.238.171
Linked to guarantees given		575.692	440.262
Securities under Repurchase Agreements with Free Movement		5.945	-
INTERBANK ACCOUNTS		74.903	70.581
Linked Credits:			
National Treasury - Rural Credit Loans		152	-
National Housing System (SFH)	(Note 8.a)	74.751	70.581
LOANS		4.348.997	4.774.644
Loans	(Note 9.a)	4.622.988	5.044.811
Public sector		370.603	429.654
Private sector		4.252.385	4.615.157
(Allowance for loan losses)	(Note 9.a)	(273.991)	(270.167)
OTHER CREDITS		2.705.704	2.104.551
Sundry	(Note 10.d)	2.733.058	2.132.399
(Allowance for losses on other credits)	(Note 10.e)	(27.354)	(27.848)
PERMANENT ASSETS		232.473	241.780
INVESTMENTS		1.592	1.591
Other investments		6.878	6.877
(Provision for losses)		(5.286)	(5.286)
PROPERTY AND EQUIPMENT IN USE		230.318	220.241
Property and equipment in use		174.027	169.752
Revaluation of property and equipment in use		107.132	107.132
Other property and equipment in use		314.731	303.583
(Accumulated depreciation)		(365.572)	(360.226)
INTANGIBLE ASSETS		563	19.948
Intangible assets		563	19.948
TOTAL ASSETS		58.630.771	58.677.741

LIABILITIES AND EQUITY

		12.31.2019	12.31.2018 Restated
CURRENT LIABILITIES		13.619.087	16.288.477
DEPOSITS	(Note 13.b)	5.870.828	6.750.628
Demand deposits		405.302	328.683
Savings deposits		2.633.831	2.433.765
Interbank deposits		1.165.021	1.559.993
Time deposits		1.666.674	2.428.187
OPEN MARKET FUNDING	(Note 13.c)	1.545.801	1.372.662
Own portfolio		1.545.801	1.227.897
Third-party portfolio		-	144.765
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15.b)	46.107	1.311.459
Funds from real estate, mortgage, credit and similar notes		46.107	162.276
Liabilities for foreign securities		-	1.149.183
INTERBANK ACCOUNTS		429	316
Receipts and payments pending settlement		429	316
INTERBANK ACCOUNTS		3.493	8.108
Third-party funds in transit		3.381	7.996
Internal transfers of funds		112	112
BORROWINGS	(Note 14.c)	881.557	900.437
Foreign borrowings		881.557	900.437
DOMESTIC ONLENDING - OFFICIAL INSTITUTIONS	(Note 14.b)	102.555	131.908
National Treasury		168	162
National Bank for Economic and Social Development (BNDES)		88.080	113.476
FINAME		14.307	18.270
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	-	21.591
Derivative financial instruments		-	21.591
FOREIGN ONLENDING	(Note 14.d)	57.504	168.656
Foreign onlending		57.504	168.656
OTHER LIABILITIES		5.110.813	5.622.712
Collection of taxes and other contributions	(Note 16.a)	1.699	1.477
Exchange portfolio	(Note 16.b)	1.354	5.319
Social and statutory	(Note 16.c)	337.855	179.662
Tax and social security	(Note 16.d)	951.086	594.593
Securities Trading	(Note 16.e)	153	153
Financial and development funds	(Note 16.f)	1.193.931	2.357.803
Debt Instruments Eligible to Capital	(Note 17)	250.000	-
Sundry	(Note 16.i)	2.374.735	2.483.705
LONG-TERM PAYABLES		39.584.279	38.176.385
DEPOSITS	(Note 13.b)	6.379.026	6.063.633
Time deposits		6.379.026	6.063.633
OPEN MARKET FUNDING	(Note 13.c)	5.924	8.819
Own portfolio		5.924	8.819
DOMESTIC ONLENDING - OFFICIAL INSTITUTIONS	(Note 14.d)	1.065.182	1.090.110
National Treasury		337	320
National Bank for Economic and Social Development (BNDES)		1.030.853	1.041.974
FINAME		33.992	47.816
FOREIGN ONLENDING	(Note 14.d)	374.358	411.946
Foreign onlending		374.358	411.946
OTHER LIABILITIES		31.759.789	30.601.877
Tax and social security	(Note 16.d)	401.124	115.998
Financial and development funds	(Note 16.f)	22.462.547	23.114.932
Subordinated Debt Eligible to Capital	(Note 17)	2.545.199	2.369.446
Debt Instruments Eligible to Capital	(Note 17)	1.301.040	1.000.000
Sundry	(Note 18)	5.049.879	4.001.501
EQUITY	(Note 19)	5.427.405	4.212.879
CAPITAL		3.813.000	2.844.000
Domiciled in Brazil		3.813.000	2.844.000
REVALUATION RESERVES		13.726	13.979
INCOME RESERVES		2.651.514	2.277.391
EQUITY ADJUSTMENTS		(1.050.835)	(950.962)
RETAINED EARNINGS (ACCUMULATED LOSSES)		-	28.471
TOTAL LIABILITIES AND EQUITY		58.630.771	58.677.741

INCOME STATEMENTS

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019

General Management and Branches in Brazil

(Amounts in R\$ thousand)

		2nd half of 2019	12.31.2019	12.31.2018 Restated
INCOME FROM FINANCIAL INTERMEDIATION		2.632.780	5.489.910	5.105.949
Loans	(Note 9.a.2)	1.382.260	2.701.552	1.893.376
Gain (loss) on securities transactions	(Note 7.b)	1.140.388	2.548.592	2.731.858
Gain (loss) on derivative financial instruments	(Note 7.d)	-	47.343	144.398
Foreign exchange gains (losses)	(Note 11.b)	97.822	167.308	310.953
Compulsory deposit gains (losses)	(Note 8.b)	12.310	25.115	25.364
EXPENSES FROM FINANCIAL INTERMEDIATION		(1.371.411)	(2.981.897)	(3.570.687)
Open Market Funding	(Note 13.d)	(369.104)	(858.758)	(988.528)
Borrowings and onlending	(Note 14.e)	(820.685)	(1.725.018)	(2.121.141)
Allowance for loan losses	(Note 9.e)	(181.622)	(398.121)	(461.018)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		1.261.369	2.508.013	1.535.262
OTHER OPERATING INCOME/EXPENSES	(Note 19)	11.969	(67.354)	(272.927)
Income from services provided		1.395.889	2.628.904	2.461.703
Income from bank fees		53.681	98.426	77.005
Personnel expenses		(1.002.588)	(2.002.378)	(2.001.459)
Personnel expenses		(866.812)	(1.728.086)	(1.734.361)
Post-employment benefits		(135.776)	(274.292)	(267.098)
Other Administrative Expenses		(664.678)	(1.286.167)	(1.222.206)
Tax Expenses		(148.947)	(326.982)	(312.696)
Other operating income		1.004.221	2.044.497	1.888.307
Other operating expenses		(625.609)	(1.223.654)	(1.163.581)
OPERATING INCOME (EXPENSES)		1.273.338	2.440.659	1.262.335
NON-OPERATING INCOME (EXPENSES)		(2.507)	(5.826)	3.503
INCOME BEFORE INCOME TAXES AND PROFIT SHARING		1.270.831	2.434.833	1.265.838
INCOME TAX AND SOCIAL CONTRIBUTION	(Note 20)	(220.007)	(592.902)	(481.612)
Provision for income tax		(209.954)	(365.360)	(204.382)
Provision for social contribution		(165.112)	(261.312)	(163.965)
Deferred tax asset		155.059	33.770	(113.265)
STATUTORY PROFIT SHARING		(58.916)	(105.246)	(47.208)
NET INCOME		991.908	1.736.685	737.018
Number of shares (in thousands)		86.371	86.371	86.371
Basic/diluted earnings per share (in R\$)		11,48	20,11	8,53

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019
General Management and Branches in Brazil
(Amounts in R\$ thousand)

EVENTS	PAID-IN CAPITAL		Revaluation Reserves	INCOME RESERVES			EQUITY ADJUSTMENTS	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
	CAPITAL	CAPITAL INCREASE	OWN ASSETS	LEGAL RESERVE	RESERVE FOR OPERATIONAL MARGIN	RESERVE FOR COMPLEMENTARY DIVIDEND EQUALIZATION			
BALANCES AT 12.31.2017 RESTATED	2.844.000	-	11.769	271.416	1.413.610	-	(850.954)	60.870	3.750.711
ADJUSTMENTS ACCORDING TO CMN RESOLUTION No. 4535, NET OF TAX EFFECTS:									
DEPRECIATION								19.343	19.343
REVERSAL OF REALIZATION OF REVALUATION RESERVE			2.254					(2.254)	-
BALANCES AT 12.31.2017 ADJUSTED	2.844.000	-	14.023	271.416	1.413.610	-	(850.954)	77.959	3.770.054
PRIOR YEARS' ADJUSTMENTS									
Creditors								5.866	5.866
Debtors								(13.922)	(13.922)
EQUITY ADJUSTMENTS									
Adjustments to Securities (Net of Tax Effects)							68.325		68.325
Actuarial Gains or Losses (Net of Tax Effects)							(168.333)		(168.333)
OTHER EVENTS:									
Revaluation of Assets:									
Realization of Revaluation Reserves (Net of Tax Effects)								177	-
Reversal of Realization of Revaluation Reserve - CMN Resolution No. 4535 (Net of Tax Effects)			(177)					(133)	-
Transfer to Statutory Reserve according to the EGM 26032018			133		(568.800)	568.800			
NET INCOME FOR THE YEAR (RESTATED)								737.018	737.018
Allocations:									
Reserves				36.275	556.090			(592.365)	-
Prepayment of IOE monetarily restated								(54.642)	(54.642)
Provision for complementary IOE for the year								(131.487)	(131.487)
BALANCES at 12.31.2018 RESTATED	2.844.000	-	13.979	307.691	1.400.900	568.800	(950.962)	28.471	4.212.879
CHANGES FOR THE YEAR	-	-	(44)	36.275	(12.710)	568.800	(100.008)	(49.488)	442.825
BALANCES at 12.31.2018 RESTATED	2.844.000	-	13.979	307.691	1.400.900	568.800	(950.962)	28.471	4.212.879
PRIOR YEARS' ADJUSTMENTS									
Creditors								431	431
Debtors								(919)	(919)
EQUITY ADJUSTMENTS									
Adjustments to Securities (Net of Tax Effects)							479.801		479.801
Actuarial Gains or Losses (Net of Tax Effects)							(579.674)		(579.674)
CAPITAL INCREASE:									
Transfer for capital increase					(969.000)				-
Capitalization	969.000	969.000							-
Revaluation of Assets:									
Set up of Reserves (Net of Tax Effects)								(1.573)	(1.784)
Realization of Revaluation Reserve of June 2019 - CMN Resolution No. 4535			(211)					42	-
NET INCOME FOR THE YEAR			(42)					1.736.685	1.736.685
Allocations:									
Reserves				86.834	1.062.489	193.800		(1.343.123)	-
Return on Capital Payable:									
Dividends								(83.910)	(83.910)
Interest on Equity (IOE)								(332.857)	(332.857)
Monetary Restatement of Prepaid Dividends and IOE								(3.247)	(3.247)
BALANCES at 12.31.2019	3.813.000	-	13.726	394.525	1.494.389	762.600	(1.050.835)	-	5.427.405
CHANGES FOR THE YEAR	969.000	-	(253)	86.834	93.489	193.800	(99.873)	(28.471)	1.214.526
BALANCES at 06.30.2019	3.813.000	-	13.949	344.930	982.671	568.800	(995.568)	-	4.727.782
PRIOR YEARS' ADJUSTMENTS									
Creditors								431	431
EQUITY ADJUSTMENTS									
Adjustments to Securities (Net of Tax Effects)							161.448		161.448
Actuarial Gains or Losses (Net of Tax Effects)							(216.715)		(216.715)
OTHER EVENTS:									
Revaluation of Assets:									
Reversal of Realization of Revaluation Reserve - CMN Resolution No. 4535 (Net of Tax Effects)			(223)					(1.561)	(1.784)
NET INCOME FOR THE SIX-MONTH PERIOD								991.908	991.908
Allocations:									
Reserves				49.595	511.718	193.800		(755.113)	-
Return on Capital Payable:									
Dividends								(66.403)	(66.403)
Interest on Equity (IOE)								(166.015)	(166.015)
Monetary Restatement of Prepaid Dividends and IOE								(3.247)	(3.247)
BALANCES at 12.31.2019	3.813.000	-	13.726	394.525	1.494.389	762.600	(1.050.835)	-	5.427.405
CHANGES FOR THE SIX-MONTH PERIOD	-	-	(223)	49.595	511.718	193.800	(55.267)	-	699.623

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019

General Management and Branches in Brazil

(Amounts in R\$ thousand)

		2nd half of 2019	12.31.2019	12.31.2018 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME FOR THE SIX-MONTH PERIOD/YEAR	(Note 4.b)	991.908	1.736.685	737.018
Adjustments to Net Income:				
Depreciation and Amortization Expenses	(Note 12)	5.873	11.608	10.103
Provision for Impairment of Other Assets, net		(2.695)	(51)	12
Allowance for loan losses, net	(Note 4.b)	141.972	318.237	452.847
Allowance for Losses on Other Credits, net	(Note 4.b)	39.650	79.884	8.171
Provision for Financial Guarantees Provided, net (FNE risks)	(Note 19.f and g)	214.246	354.277	495.878
Provision for Financial Guarantees Provided, net (FDNE risks)		(29)	12	586
Provision for Contingencies, net	(Note 21)	113.432	155.079	52.154
Provision for Other Contingencies, net		17.843	60.875	82.258
Actuarial Liabilities (Post-Employment Benefits)		135.017	272.880	266.132
Provision for Debt Instruments Eligible to Principal Capital	(Note 28 a.3)	82.456	239.988	173.481
Monetary Restatement of Judicial Deposits	(Note 13.d)	8.262	17.072	26.485
Deferred Tax Asset		(155.059)	(33.770)	(113.265)
Provision for Losses on Linked Credits - SFH	(Note 8.b)	(49)	(98)	(95)
Restatement of Debt Instruments Eligible to Principal Capital	(Note 19.g)	-	4.674	4.365
Monetary Restatement of Appeal Deposits		(7.779)	(14.043)	(12.716)
Provision for charges on issue of Financial Bills	(Note 13.d)	26.374	28.446	-
Adjusted Net Income for the Six-Month Period/Year		1.611.422	3.231.755	2.183.414
Interbank investments		109.019	197.872	(47.669)
Interbank and Interdepartmental accounts		(38.925)	(32.798)	13.535
Loans		(589.429)	(706.535)	(396.209)
Other Credits		(578.077)	(626.095)	360.658
Other Assets		(7.005)	(4.431)	6.526
Deposits		(127.062)	(581.481)	979.594
Open Market Funding		(18.472)	170.245	395.034
Funds from acceptance and issue of securities		(95.457)	(56.771)	122.190
Borrowings and Onlending		(148.304)	(221.900)	(404.221)
Derivative financial instruments		-	564.072	(137.560)
Other Liabilities		(1.976.402)	(623.828)	1.764.289
Reversal of Realization of Revaluation Reserve - CMN Resolution No. 4535		(4.171)	(1.573)	-
Realization of Revaluation Reserve of June 2019 - CMN Resolution No. 4535		30	(211)	-
Income Tax and Social Contribution Paid		(217.431)	(352.658)	(389.721)
Prior Years' Adjustments		(28.070)	(488)	(8.057)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(2.108.334)	955.175	4.441.803
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments		-	(1)	-
Investments in property and equipment in use		34.642	(25.854)	(39.970)
Investments in assets not for own use		(321)	(6.748)	(1.239)
Disposal of property and equipment in use		3.774	4.169	2.602
Write-off of Intangible Assets		-	19.385	-
Disposal of assets not for own use		4.614	7.758	122
Securities Available for Sale		(1.242.937)	(3.422.543)	(9.286.329)
CASH USED IN INVESTING ACTIVITIES		(1.200.228)	(3.423.834)	(9.324.814)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of Dividends		(184.240)	(315.261)	(147.010)
Payment of Interest on Debt Instruments Eligible to Principal Capital		-	(178.156)	(196.838)
Payment of Eurobonds		-	(1.208.582)	-
CASH USED IN FINANCING ACTIVITIES		(184.240)	(1.701.999)	(343.848)
Increase (decrease) in cash and cash equivalents		(3.492.802)	(4.170.658)	(5.226.859)
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS				
At beginning of six-month period/year		6.937.253	7.615.109	12.841.968
At end of six-month period/year		3.444.451	3.444.451	7.615.109
Increase (decrease) in cash and cash equivalents		(3.492.802)	(4.170.658)	(5.226.859)

STATEMENTS OF VALUE ADDED

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019

General Management and Branches in Brazil

(Amounts in R\$ thousand)

	2nd half of 2019	%	12.31.2019	%	12.31.2018 Restated	%
INCOME	4.276.833		8.634.136		7.911.868	
Financial intermediation	2.632.780		5.489.910		5.105.949	
Services rendered and bank fees	1.449.570		2.727.330		2.538.708	
Allowance for loan losses	(181.622)		(398.121)		(461.018)	
Other income/expenses	376.105		815.017		728.229	
EXPENSES FROM FINANCIAL INTERMEDIATION	(1.189.789)		(2.583.776)		(3.109.669)	
INPUTS ACQUIRED FROM THIRD PARTIES	(639.037)		(1.237.200)		(1.176.534)	
Materials, energy and other expenses	(46.191)		(92.492)		(87.939)	
Third-party services	(359.307)		(687.731)		(610.794)	
Other	(233.539)		(456.977)		(477.801)	
Data processing and telecommunications	(125.811)		(261.708)		(275.326)	
Advertising, promotions and publications	(13.722)		(21.868)		(28.327)	
Transportation	(16.029)		(29.643)		(30.877)	
Security	(33.151)		(64.678)		(60.618)	
Travel	(8.027)		(15.873)		(17.449)	
Other	(36.799)		(63.207)		(65.204)	
GROSS VALUE ADDED	2.448.007		4.813.160		3.625.665	
RETENTIONS	(5.872)		(11.608)		(10.103)	
Depreciation, Amortization and Depletion	(5.872)		(11.608)		(10.103)	
NET VALUE ADDED PRODUCED BY THE ENTITY	2.442.135		4.801.552		3.615.562	
TOTAL VALUE ADDED TO BE DISTRIBUTED	2.442.135		4.801.552		3.615.562	
DISTRIBUTION OF VALUE ADDED	2.442.135		4.801.552		3.615.562	
PERSONNEL	921.811	37,75	1.833.148	38,18	1.780.987	49,26
WORK COMPENSATION	645.121	26,42	1.281.338	26,69	1.233.850	34,13
Salaries	586.205		1.176.092		1.186.642	
Profit sharing	58.916		105.246		47.208	
BENEFITS	231.163	9,47	462.344	9,63	459.804	12,72
Provisions (post-employment benefits)	135.776		274.292		267.098	
Benefits – Other	95.387		188.052		192.706	
Unemployment Compensation Fund (FGTS)	45.527	1,86	89.466	1,86	87.333	2,42
TAXES, RATES AND CONTRIBUTIONS	508.648	20,83	1.194.361	24,87	1.061.988	29,37
Federal	485.033		1.150.552		1.024.141	
State	37		72		39	
Municipal	23.578		43.737		37.808	
THIRD-PARTIES CAPITAL REMUNERATION	19.768	0,81	37.358	0,78	35.569	0,98
Rent	19.768		37.358		35.569	
EQUITY REMUNERATION	991.908	40,62	1.736.685	36,17	737.018	20,38
INTEREST ON EQUITY (IOE)	168.954	6,92	335.796	6,99	186.129	5,15
Federal Government	93.692		186.213		94.926	
Other	75.262		149.583		91.203	
DIVIDENDS	66.711	2,73	84.218	1,75	-	
Federal Government	36.994		46.702		-	
Other	29.717		37.516		-	
RETAINED PROFITS FOR THE SIX-MONTH PERIOD/YEAR	756.243	30,97	1.316.671	27,42	550.889	15,24

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

Years ended December 31, 2019 and 2018

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), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (Plano Contábil das Instituições do Sistema Financeiro Nacional - Cosif).

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); and
- CPC 41 - Earnings per Share (CVM Rule No. 636 of 08.06.2010).

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 noncurrent 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 Long-term payables according to the expected outflow of funds.

Receivables and payables are recorded in Current assets and Long-term receivables and in Current liabilities and Long-term 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 allowance 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 long-term 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 BolsaBalcão);

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) Derivative financial instruments

Banco do Nordeste limits its operations in the derivative market to swap transactions intended solely to hedge its asset and liability positions.

Swap transactions are stated in balance sheet and memorandum accounts, according to their nature, based on prevailing accounting standards and legal provisions. They are measured at market value upon preparation of monthly trial balances and half-yearly balance sheet. Valuations or devaluations are stated in P&L accounts. The rates disclosed by B3 S.A. are used to calculate the market value of these transactions.

Hedge Accounting

Considering the risk of foreign exchange exposure and conditions of the funding market abroad through long-term Senior Unsecured Notes - Eurobonds, the Bank designated derivative financial instruments (swap contracts) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marked-to-market of derivative financial instruments designated as hedging instruments, the hedged item is also adjusted for changes in market value.

Changes in the market value of derivatives designated as hedging instruments and the market value adjustment of the hedged item (recorded as part of its book value) are recognized in P&L for the period. If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under *hedge* accounting conditions, the hedging relationship ends.

The risk management objectives and the hedging strategy of such risks during the entire transaction are adequately documented, and so is the assessment of the transaction effectiveness. A hedge is expected to be highly effective if the changes in market value or cash flow attributed to the hedging instrument offsets the changes in market value of the hedged item, in an interval between 80% and 125%.

h) Loans, Advances on Exchange Contracts, Other Credits with Loan Features and Allowance for Loan Losses

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.

i) 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.

j) Permanent

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.

k) 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 increase 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 Letter No. 3171/2002. In the case of Deferred Tax Liabilities, the Brazilian Corporation Law has not established criteria 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:

- Allowance for loan losses: 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).

l) Employee benefits

The Bank grants its employees short-term and post-employment benefits. Short-term 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 “Equity adjustments”, in Equity.

Contributions referring to the portion of defined contribution of the variable contribution plan are recognized in P&L.

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 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.

Restatement of corresponding figures

In the year, the Bank recalculated the useful lives of property and equipment, in accordance with CMN Resolution No. 4535 of 11.24.2016, whose effects were recorded in "Retained earnings or Accumulated losses" and "Depreciation expenses" accounts.

According to CPC 23 - Accounting Policies, Change of Estimate and Errors, adopted by CMN Resolution No. 4007, these recalculations were recognized retrospectively and generated the following effects on the balances as of 12.31.2018, which are being restated:

BALANCE SHEETS	12.31.2018		
	Originally stated	Adjustment	Restated
Permanent Assets	193,002	48,778	241,780
Property and Equipment in Use	171,463	48,778	220,241
(Accumulated depreciation)	(409,004)	48,778	(360,226)
Total Assets	58,628,963	48,778	58,677,741
Long-Term Payables	38,158,465	17,920	38,176,385
Other Obligations	30,583,957	17,920	30,601,877
Tax and Social Security	98,078	17,920	115,998
Equity	4,182,021	30,858	4,212,879
Revaluation Reserves	11,592	2,387	13,979
Retained Earnings (Accumulated Losses)	-	28,471	28,471
Total Liabilities	58,628,963	48,778	58,677,741

INCOME STATEMENTS	12.31.2018		
	Originally stated	Adjustment	Restated
Other Administrative Expenses	(1,241,249)	19,043	(1,222,206)
Income Tax and Social Contribution	(474,084)	(7,528)	(481,612)
Provision for Income Tax	(199,677)	(4,705)	(204,382)
Provision for Social Contribution	(161,142)	(2,823)	(163,965)
Net Income	725,503	11,515	737,018
Earnings per Share - (Basic/Diluted) - in R\$	8.400	0.133	8.533

STATEMENTS OF CHANGES IN EQUITY	12.31.2018		
	Originally stated	Adjustment	Restated
Equity	4,182,021	30,858	4,212,879
Revaluation Reserve	11,592	2,387	13,979
Retained Earnings (Accumulated Losses)	-	28,471	28,471

STATEMENTS OF CASH FLOWS	12.31.2018		
	Originally stated	Adjustment	Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income for the Year	725,503	11,515	737,018
Depreciation, Amortization and Depletion	(29,146)	19,043	(10,103)
Adjusted Net Income	2,190,942	(7,528)	2,183,414
Other Obligations	1,756,761	7,528	1,764,289

STATEMENTS OF VALUE ADDED	12.31.2018		
	Originally stated	Adjustment	Restated
Retentions	(29,146)	19,043	(10,103)
Depreciation, Amortization and Depletion	(29,146)	19,043	(10,103)
TAXES, RATES AND CONTRIBUTIONS	1,054,460	7,528	1,061,988
Federal	1,016,613	7,528	1,024,141
EQUITY REMUNERATION	725,503	11,515	737,018
RETAINED PROFITS FOR THE YEAR	539,374	11,515	550,889

STATEMENT OF COMPREHENSIVE INCOME	12.31.2018		
	Originally stated	Adjustment	Restated
Net Income	725,503	11,515	737,018
Other Comprehensive Income	(99,831)	(133)	(99,964)
Realization of Revaluation Reserve	322	(145)	177
Tax Effect on Realization of Revaluation Reserve	(145)	12	(133)
Comprehensive Income	625,672	(11,382)	637,054

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 12.31.2019 and 12.31.2018, 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	2nd half/2019			01.01 to 12.31.2019			01.01 to 12.31.2018 Restated		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	2,077,572	1,556,922	3,634,494	4,381,526	3,147,055	7,528,581	3,961,107	3,036,651	6,997,758
Income From Loans	1,382,260	-	1,382,260	2,701,552	-	2,701,552	1,893,376	-	1,893,376
Gain (Loss) securities	428,951	711,437	1,140,388	1,015,985	1,532,607	2,548,592	1,057,914	1,673,944	2,731,858
Gain (loss) on derivative financial instruments	-	-	-	47,343	-	47,343	144,398	-	144,398
Foreign Exchange Gain (Loss)	97,822	-	97,822	167,308	-	167,308	310,953	-	310,953
Compulsory Investment Gains (Losses)	12,310	-	12,310	25,115	-	25,115	25,364	-	25,364
Other Revenues	156,229	845,485	1,001,714	424,223	1,614,448	2,038,671	529,102	1,362,707	1,891,809
Expenses	(645,810)	(945,146)	(1,590,956)	(1,425,065)	(1,918,389)	(3,343,454)	(1,899,433)	(2,168,726)	(4,068,159)
Open market expenses	(369,104)	-	(369,104)	(858,758)	-	(858,758)	(988,528)	-	(988,528)
Expenses on Borrowings and Onlending	(95,084)	(725,601)	(820,685)	(168,186)	(1,556,832)	(1,725,018)	(449,887)	(1,671,254)	(2,121,141)
Allowance for Loan Losses (Note 9.e)	(181,622)	(219,545)	(401,167)	(398,121)	(361,557)	(759,678)	(461,018)	(497,465)	(958,483)
Proagro Provision Receivable	-	-	-	-	-	-	-	(7)	(7)
Financial Margin	1,431,762	611,776	2,043,538	2,956,461	1,228,666	4,185,127	2,061,674	867,925	2,929,599
Service Revenues	385,794	1,010,095	1,395,889	693,876	1,935,028	2,628,904	614,989	1,846,714	2,461,703
Income from Fees, Charges and Commissions	53,681	-	53,681	98,426	-	98,426	77,005	-	77,005
PASEP and COFINS	(35,862)	(88,374)	(124,236)	(81,678)	(199,853)	(281,531)	(87,710)	(185,535)	(273,245)
Income after Fees and Commissions	1,835,375	1,533,497	3,368,872	3,667,085	2,963,841	6,630,926	2,665,958	2,529,104	5,195,062
Administrative Expenses			(1,667,266)			(3,288,545)			(3,223,665)
Personnel Expenses			(1,002,588)			(2,002,378)			(2,001,459)
Depreciation and Amortization			(5,873)			(11,609)			(10,103)
Other Administrative Expenses			(658,805)			(1,274,558)			(1,212,103)
Other expenses			(299,501)			(691,595)			(570,629)
Expenses with Provisions, Except Allowance for Loan Losses			(131,274)			(215,953)			(134,930)
Income Before Taxation and Profit Sharing			1,270,831			2,434,833			1,265,838
Income Tax and Social Contribution			(220,007)			(592,902)			(481,612)
Profit Sharing			(58,916)			(105,246)			(47,208)
Net Income			991,908			1,736,685			737,018

Note 5 - Cash and Cash Equivalents

Specification	12.31.2019	12.31.2018
Cash and cash equivalents in local currency	166,586	129,549
Cash and cash equivalents in foreign currency	1,939	3,879
Total cash and cash equivalents	168,525	133,428
Interbank investments ⁽¹⁾	3,275,926	7,481,681
Total cash and cash equivalents	3,444,451	7,615,109

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

Note 6 - Interbank Investments

a) Breakdown

Specification	12.31.2019	12.31.2018
a) Open market investments	3,275,927	7,626,446
Resale agreements pending settlement	3,275,927	7,481,681
Resale agreements pending settlement - Financed position	-	144,765
b) Interbank deposit investments	100,431	153,538
Investments in foreign currencies	24,440	45,188
Interbank deposit investments	75,991	108,350
Total	3,376,358	7,779,984
Short-term	3,376,358	7,779,984

b) Income from interbank investments

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
a) Income from open market investments (Note 7.b)	166,344	393,012	712,116
Funded position	165,113	387,929	704,614
Financed position	1,231	5,083	7,502
b) Income from interbank deposit investments (Note 7.b)	1,609	5,233	6,892
Total	167,953	398,245	719,008

NOTE 7 - Securities and Derivative Financial Instruments

a) Securities

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

a.1) Securities and Derivative Financial Instruments

Specification	12.31.2019	12.31.2018
Securities available for sale	39,423,052	35,550,260
Securities held to maturity	266,972	237,420
Swap differential receivable	-	585,664
Total	39,690,024	36,373,344
Short-term	1,747,783	1,296,313
Long-term	37,942,241	35,077,031

a.2) Securities portfolio

Securities available for sale	12.31.2019									12.31.2018	
	Market value					Final maturity	Cost value	Market/book value	Market adjustment	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	-	-	1,525,861	37,111,997		38,278,918	38,650,858	371,940	35,065,997	(446,684)
Financial Treasury Bills (LFT)	-	-	-	1,472,104	32,895,287	From 2020 to 2025	34,357,431	34,367,391	9,960	31,233,564	11,309
National Treasury Notes (NTN)	-	-	-	-	3,255,427	From 2050 to 2055	2,376,638	3,255,427	878,789	1,914,110	230,388
Financial Bills	-	-	-	53,735	833,334	From 2020 to 2022	920,896	887,069	(33,827)	1,807,566	(57,936)
Debentures ⁽¹⁾	13,000	-	-	-	124,935	From 2026 to 2041	582,172	137,935	(444,237)	107,133	(593,538)
Federal Government Securities - FCVS	-	-	-	-	2,959	2027	3,556	2,959	(597)	3,397	(688)
Federal Government Securities - Other	-	-	-	-	-	1993	38,141	-	(38,141)	-	(36,196)
Agrarian Debt Bonds (TDAs)	-	-	-	22	55	From 2020 to 2022	84	77	(7)	227	(23)
Investment Fund Shares	487	-	-	-	-		2,089	487	(1,602)	431	(1,605)
Social Development Funds (FDS)	-	-	-	-	-	No maturity	1,602	-	(1,602)	-	(1,605)
Investment Guarantee Fund (FGI)	445	-	-	-	-	No maturity	445	445	-	400	-
Operation Guarantee Fund (FGO)	42	-	-	-	-	No maturity	42	42	-	31	-
Variable Income Securities	53,739	-	-	-	-		23,241	53,739	30,498	34,671	11,430
Other Tax Incentives (FINOR)	171	-	-	-	-	No maturity	109	171	62	171	62
Shares Issued by Publicly-Held Companies	53,568	-	-	-	-	No maturity	23,132	53,568	30,436	34,500	11,368
Security Deposits ⁽²⁾	-	-	-	142,277	575,691		718,059	717,968	(91)	449,161	(336)
Financial Treasury Bills (LFT)	-	-	-	142,277	575,691	From 2020 to 2025	717,093	717,968	875	440,262	594
Federal Government Securities - Other	-	-	-	-	-	1993	966	-	(966)	-	(916)
Debentures	-	-	-	-	-	-	-	-	-	8,899	(14)
Total of Category	67,226	-	-	1,668,138	37,687,688		39,022,307	39,423,052	400,745	35,550,260	(437,195)
Tax credit (Note 20.c)									231,429		
Provision for Deferred Taxes and Contributions (Note 20.d)									(413,323)		
Total Market Value Adjustment									218,851		

⁽¹⁾ In the year, the amount of R\$126,781 was recognized as permanent loss for the debentures of the Bank's portfolio, as provided for in article 6 of Bacen Circular No. 3068 of 11.08.2001.

⁽²⁾ Breakdown: Guarantees on Stock Exchange Transactions R\$535,858 (R\$270,805 at 12.31.2018); Guarantees on Clearing House Association Transactions R\$3,265 (R\$3,081 at 12.31.2018); Guarantees on Legal Proceedings R\$149,288 (R\$147,388 at 12.31.2018); and Other Guarantees R\$29,557 (R\$27,887 at 12.31.2018).

Account "Federal Government Securities - Other" under items Fixed Income Securities and Security Deposits records cash investments in government securities named by the National Treasury as NUCL910801, maturing on 08.31.1993, but not yet redeemed by the National Treasury. These securities record a full devaluation due to their maturity, without, however, falling under the concept of Permanent Loss,

as provided by Bacen Circular No. 3068 of 11.08.2001.

In view of the classification of assets under “Available-for-sale securities”, the amount of R\$400,745 ((R\$437,195) at 12.31.2018) are recorded in the Bank’s Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to R\$218,851 (R\$260,952) at 12.31.2018).

Securities held to maturity	12.31.2019							12.31.2018	
	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	-	-	12,419	254,553		266,972	251,995	237,420	184,507
National Treasury Notes (NTN) - P	-	-	-	187,756	2030	187,756	172,779	176,986	124,073
Investment Fund Shares - Criatec	-	-	-	22,040	2021	22,040	22,040	13,923	13,923
Investment Fund Shares - Criatec II	-	-	-	14,963	2023	14,963	14,963	12,981	12,981
Investment Fund Shares - Criatec III	-	-	-	3,829	2026	3,829	3,829	2,289	2,289
FIP Brasil Agronegócios	-	-	12,419	-	2020	12,419	12,419	13,309	13,309
Nordeste III FIP	-	-	-	25,965	2023	25,965	25,965	17,932	17,932
Total of Category	-	-	12,419	254,553		266,972	251,995	237,420	184,507

⁽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 period, 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	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Open Market Investments (Note 6.b)	166,344	393,012	712,116
Interbank Deposit Investments (Note 6.b)	1,609	5,233	6,029
Fixed Income Securities	970,902	2,148,621	2,013,340
Variable Income Securities	1,533	1,726	373
Total	1,140,388	2,548,592	2,731,858

c) Derivative Financial Instruments

The Bank operates under a conservative investment policy focused on investing strictly in compliance with the maturity terms and rates established by the respective sources of funds in order to avoid any mismatching among assets and liabilities in terms of maturities, interest rates and applicable indexes. At 12.31.2019, the Bank has no swap transactions, since the contracts expired on 05.03.2019.

Specification	12.31.2018	
	Differential receivable	Differential payable
Within 3 months	-	-
3 to 12 months	585,664	21,591
1 to 3 years	-	-
Total	585,664	21,591

c.1) Derivative Financial Instruments Classified as Market Risk Hedge (Hedge Accounting)

Specification	12.31.2018				
	Curve value		Market value		Market value adjustment
Hedging Instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI	
<i>Swap - Foreign currency - Long position</i>	1,170,210	584,546	1,148,619	584,546	(21,591)
Hedged Item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
<i>Eurobonds - Senior Unsecured Notes</i>	1,170,493		1,148,033		(22,460)
Tax credit (Note 20.c)					-
Provision for Deferred Taxes and Contributions (Note 20.d)					(8,984)

⁽¹⁾ Net of tax effects at source, amounting to R\$1,150 at 12.31.2018, on interest from transaction.

The transactions with derivative financial instruments for hedging purposes were assessed as effective under Bacen Circular Letter No. 3082 of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes, and of hedging instruments (swap contracts).

d) Gain (loss) on Derivative Financial Instruments

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Swap	-	47,343	144,398
Total	-	47,343	144,398

NOTE 8 - Linked Credits

a) Linked Credits

Specification	12.31.2019			12.31.2018		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory Payments - Savings Deposits	518,222	-	518,222	486,835	-	486,835
Compulsory Reserves - Cash Funds	7,069	-	7,069	13,184	-	13,184
National Housing System (SFH)	83,126	(8,375)	74,751	78,858	(8,277)	70,581
National Treasury - Rural credit	152	-	152	-	-	-
Total	608,569	(8,375)	600,194	578,877	(8,277)	570,600
Short-term	525,291	-	525,291	500,019	-	500,019
Long-term	83,278	(8,375)	74,903	78,858	(8,277)	70,581

b) Compulsory investment gain/loss

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Income from Linked Credits - Central Bank of Brazil	10,195	20,945	21,422
Income from Linked Credits - SFH	2,164	4,268	4,037
Appreciation (Devaluation) of Linked Credits	(49)	(98)	(95)
Total	12,310	25,115	25,364

NOTE 9 - Loan portfolio and Allowance for Loan Losses

a) Loan portfolio and allowance for loan losses

Specification	12.31.2019		12.31.2018	
	Gross amount	Allowance	Gross amount	Allowance
Loans	10,035,283	(604,169)	9,659,746	(616,930)
Short Term	5,412,295	(330,178)	4,614,935	(346,763)
Long Term	4,622,988	(273,991)	5,044,811	(270,167)
Other Accounts with Loan Features	903,400	(89,761)	883,584	(10,729)
Short Term	886,812	(89,761)	880,453	(10,729)
Long Term	16,588	-	3,131	-
Total	10,938,683	(693,930)	10,543,330	(627,659)

a.1) Breakdown of loan portfolio

Specification	12.31.2019	12.31.2018
Advances to Depositors	283	160
Loans	5,371,883	4,460,331
Discounted Credit Notes	7,311	12,704
Financing	1,583,077	1,540,865
Financing in foreign currency	24,525	10,616
Agribusiness Financing	5,273	5,965
Rural Financing	1,162,224	1,366,030
Infrastructure and Development Financing	1,880,707	2,263,075
Loans Subtotal	10,035,283	9,659,746
Income Receivable from Advances Granted	13,602	11,787
Debtors for Purchase of Assets	15,894	662
Notes and Credits Receivable (Note 10.d)	51,174	51,269
Advances on Exchange Contracts (ACC) ⁽¹⁾ (Note 11.a)	822,730	819,866
Other Accounts with Loan Features Subtotal	903,400	883,584
Total	10,938,683	10,543,330

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

a.2) Income from Loans

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Loans and Discounted Credit Notes	593,654	1,132,575	869,288
Financing	214,638	425,489	541,072
Agribusiness Financing	456	964	564
Rural Financing	313,546	645,155	234,606
Recovery of Loans Written off as Losses	259,966	497,369	247,846
Total	1,382,260	2,701,552	1,893,376

b) Breakdown 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 12.31.2019	Total at 12.31.2018
Rural	4,455	3,096	24,322	12,879	103,512	992,126	1,140,390	1,293,076
Manufacturing	29,541	45,305	35,025	113,628	649,907	1,334,395	2,207,801	2,381,250
Government	3,233	3,298	29,568	9,309	29,908	370,602	445,918	615,268
Other Services	114,902	103,723	88,637	204,411	303,570	1,477,105	2,292,348	2,308,207
Trade	907,324	797,289	711,739	1,192,723	414,259	266,047	4,289,381	3,395,694
Financial Brokers	64	65	66	201	420	11,560	12,376	632
Housing	-	-	-	-	-	-	-	157
Individuals	25,862	10,801	6,722	12,416	10,812	8,824	75,437	83,739
Total at 12.31.2019	1,085,381	963,577	896,079	1,545,567	1,512,388	4,460,659	10,463,651	
Total at 12.31.2018	953,785	874,408	711,446	1,281,809	1,384,987	4,871,588		10,078,023

⁽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 12.31.2019	Total at 12.31.2018
Rural	113	6	71	298	108	32	628	39,791
Manufacturing	3,260	2,639	2,598	7,759	12,312	78,446	107,014	36,626
Other Services	7,201	1,640	1,524	4,606	7,920	44,765	67,656	87,010
Trade	46,366	1,856	1,665	4,760	8,140	54,700	117,487	131,358
Financial Brokers	-	-	-	-	-	-	-	45
Individuals	187	213	210	639	666	970	2,885	2,851
Total at 12.31.2019	57,127	6,354	6,068	18,062	29,146	178,913	295,670	
Total at 12.31.2018	21,114	15,545	12,691	28,392	43,188	176,751		297,681

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 at 12.31.2019	Total at 12.31.2018
Rural	-	115	6	793	217	153	25,196	26,480	39,126
Manufacturing	2,146	2,574	2,313	2,219	7,557	2,242	1	19,052	7,169
Other Services	12,330	1,086	3,484	1,589	4,059	3,876	154	26,578	28,819
Trade	87,155	1,045	1,898	1,655	4,060	4,602	12	100,427	84,726
Financial Brokers	-	-	-	-	-	-	-	-	27
Individuals	27	597	786	553	1,683	3,077	102	6,825	7,759
Total at 12.31.2019	101,658	5,417	8,487	6,809	17,576	13,950	25,465	179,362	
Total at 12.31.2018	14,772	13,229	17,966	13,816	31,026	39,277	37,540		167,626

⁽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	12.31.2019				12.31.2018			
	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance
AA	2,920,892	-	2,920,892	-	3,722,942	-	3,722,942	-
A	5,875,376	-	5,875,376	(29,377)	4,696,442	-	4,696,442	(23,482)
B	630,622	41,610	672,232	(6,722)	714,345	29,577	743,922	(7,439)
C	560,877	33,315	594,192	(17,826)	529,726	30,253	559,979	(16,799)
D	126,094	36,557	162,651	(16,265)	158,894	24,218	183,112	(18,311)
E	36,034	20,377	56,411	(16,923)	32,733	28,424	61,157	(18,347)
F	7,744	31,801	39,545	(19,772)	13,275	24,010	37,285	(18,642)
G	79,523	21,606	101,129	(70,790)	16,302	29,876	46,178	(32,326)
H	226,489	289,766	516,255	(516,255)	193,364	298,949	492,313	(492,313)
Total	10,463,651	475,032	10,938,683	(693,930)	10,078,023	465,307	10,543,330	(627,659)

⁽¹⁾ These include loans overdue up to 14 days.

d) Changes in the Allowance for the period

Specification	12.31.2019	12.31.2018
Opening Balance of Allowance for Losses on Loan Portfolio	627,659	950,848
(+) Allowance Recognized/(Reversed) for the Period	398,121	460,408
(-) Loans Written off as Loss for the Period	(331,850)	(783,597)
(=) Net Allowance for Losses on Loan Portfolio	693,930	627,659
Opening Balance of Allowance for Losses on other Credits without Loan Features	27,848	27,238
(+) Allowance Recognized for the Period	153	834
(-) Reversal of Allowance for the Period	(647)	(224)
(=) Net Allowance for Losses on Other Credits without Loan Features (Note 10.e)	27,354	27,848
(=) Balance of Allowance for Loan Losses	721,284	655,507

e) Breakdown of the Allowance Expense Balance

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
(+) Expenses with Allowance for Loan Losses	141,973	318,237	452,847
(+) Expenses with Allowance for Losses on Other Credits	40,073	81,047	7,628
(-) Reversal of Operating Provisions	(480)	(1,163)	(67)
(=) Balance of Expenses with Allowance for Losses on Other Credits with Loan Features	181,566	398,121	460,408
(+) Allowance for Losses on Other Credits without Loan Features	56	56	835
(-) Reversals of Allowances for Other Credits without Loan Features	-	(56)	(225)
(=) Balance of Expenses with Allowance for Loan Losses (Note 4)	181,622	398,121	461,018

f) Financial Guarantees Provided

Specification	12.31.2019		12.31.2018	
	Balance	Provision	Balance	Provision
Other Bank Guarantees	-	-	450	-
Public Sector	28,525,698	(2,748,825)	24,029,174	(2,990,936)
FDNE (Note 16.i and Note 21.f.2)	136,129	(1,234)	131,323	(1,222)
FNE (Note 16.i and Note 21.f.2)	28,387,515	(2,747,591)	23,887,363	(2,989,707)
Proagro (Note 16.i and Note 21.f.2)	2,054	-	10,488	(7)

g) Loan Concentration

Specification	12.31.2019		12.31.2018	
	Balance	% of portfolio	Balance	% of portfolio
10 Major debtors	1,983,570	18.13	2,079,899	19.73
50 Major debtors	4,003,785	36.60	4,340,102	41.16
100 Major debtors	4,576,639	41.84	4,942,422	46.88

f) In 2019, loans that had been written off as loss were recovered in the amount of R\$259,966 (R\$247,846 at 12.31.2018) and renegotiations amounted to R\$1,024,023 (R\$501,483 at 12.31.2018).

NOTE 10 - Other Credits

Specification	12.31.2019	12.31.2018
a) Foreign Exchange Portfolio (Note 11.a)	855,128	868,658
b) Income receivable	18,319	15,938
c) Securities Trading	20	12
e) Sundry	4,344,420	3,660,718
Tax Credits on ALL, Unearned Income, Transactions Extended, Provisions for Contingencies and PID (Note 20.c)	1,292,188	1,322,540
Tax Credits on Actuarial Provisions (Note 20.c)	1,542,624	891,040
Tax Credits on Securities, Derivative Financial Instruments and Hedged Item (Note 20.c)	231,429	288,101
Debtors for Escrow Deposits	513,595	410,721
Taxes and contributions to be offset	456,321	356,473
Tax incentive options	26,748	26,748
Notes and Credits Receivable (Note 9.a.1)	51,174	51,269
Advances and Early Salary Payments	2,981	1,986
Payments to be Refunded	3,587	2,409
Amounts receivable - bonus/rebates	62,396	85,167
Other Amounts	161,377	224,264
e) Allowance for Losses on Other Credits	(117,115)	(38,577)
Credits with Loan Features	(89,761)	(10,729)
Credits without Loan Features (Note 9.d)	(27,354)	(27,848)
Total	5,100,772	4,506,749
Short-term	2,395,068	2,402,198
Long-term	2,705,704	2,104,551

NOTE 11 - Foreign Exchange Portfolio

a) Breakdown

Specification	12.31.2019	12.31.2018
Assets - Other Credits (Note 10.a)	855,128	868,658
Exchange Purchased to be Settled	841,527	856,751
Rights on Exchange Sales	629	5,354
Advances Received in Local Currency	(629)	(5,233)
Income Receivable from Advances Granted	13,601	11,786
Current assets (Note 10.a)	855,128	868,658
Liabilities - Other obligations (Note 16.b)	1,354	5,319
Exchange Purchase Obligations	823,454	819,866
Exchange Sold to be Settled	629	5,318
(Advances on Exchange Contracts - ACC) (Note 9.a.1)	(822,730)	(819,866)
Other Amounts	1	1
Current Liabilities (Note 16.b)	1,354	5,319

b) Foreign Exchange Gains (Losses)

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Exchange Income	98,472	168,261	311,799
Exchange Expenses	(650)	(953)	(846)
Total	97,822	167,308	310,953

NOTE 12 - Permanent Assets

a) Investments

Specification	12.31.2018	01.01.2019 to 12.31.2019		12.31.2019	
	Restated accounting	Changes		Cost value	Accounting balance
		Additions	Write-offs		
Shares and Units of Interest	331	-	-	331	331
Artworks and Valuables	1,260	1	-	1,261	1,261
Total	1,591	1	-	1,592	1,592

b) Property and Equipment

Specification	12.31.2018	01.01.2019 to 12.31.2019			12.31.2019		
	Restated accounting balance	Changes			Cost value	Accumulated depreciation	Accounting balance
		Additions	Write-offs	Depreciation			
Buildings	79,826	5,006	(113)	(1,662)	264,190	(181,133)	83,057
Data processing system	76,477	14,165	(804)	(6,653)	182,360	(99,175)	83,185
Furniture and equipment in use	33,378	5,942	(2,500)	(2,611)	80,058	(45,849)	34,209
Land	17,576	-	(607)	-	16,969	-	16,969
Facilities	5,350	406	(17)	(105)	19,190	(13,556)	5,634
Communication system	50	62	(3)	(9)	306	(206)	100
Security system	7,348	254	(125)	(334)	18,466	(11,323)	7,143
Transportation system	236	19	-	(234)	14,351	(14,330)	21
Total	220,241	25,854	(4,169)	(11,608)	595,890	(365,572)	230,318

c) Intangible assets

Specification	12.31.2018	01.01.2019 to 12.31.2019			12.31.2019	
	Accounting balance	Changes			Cost value	Accounting balance
		Additions	Write-offs ⁽¹⁾	Amortization		
Spending on Intangible Assets under Development	19,948	-	(19,385)	-	563	563
Total	19,948	-	(19,385)	-	563	563

(1) This refers to the write-off, due to impairment, of the Asset that allocated the license acquisition costs for the use of ERP software, measured adopted by the Bank management in view of the result of a study conducted over the 1st half, through which the conclusion was that there is no expected generation of future economic benefits with its use or disposal.

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 12.31.2019	Total at 12.31.2018
Demand deposits	405,302	-	-	-	-	-	405,302	328,683
Savings deposits	2,633,831	-	-	-	-	-	2,633,831	2,433,765
Interbank Deposits	528,636	636,385	-	-	-	-	1,165,021	1,559,993
Time deposits	561,089	1,105,585	3,676,111	1,704,789	886,107	112,019	8,045,700	8,491,820
Time deposits	226,082	1,073,863	1,906,535	1,588,357	804,528	112,019	5,711,384	6,268,746
Interest-Yielding Judicial Deposits	329,858	-	-	-	-	-	329,858	338,746
Finor/Cash and cash Equivalents and Reinvestments - Law No. 8167	-	-	1,769,576	81,578	81,579	-	1,932,733	1,774,562
FAT - Funds Available	657	448	-	-	-	-	1,105	29,249
FAT - Funds Applied	4,492	13,226	-	-	-	-	17,718	36,905
Other	-	18,048	-	34,854	-	-	52,902	43,612
Funds from acceptance and issue of securities	44,074	2,033	-	-	-	-	46,107	1,311,459
<i>Eurobonds - Senior Unsecured Notes</i>	-	-	-	-	-	-	-	1,149,183
Agribusiness Credit Bills (LCA)	44,074	-	-	-	-	-	44,074	162,276
Financial Bills - charges	-	2,033	-	-	-	-	2,033	-
Debt instruments eligible to capital	-	250,000	-	-	-	1,301,040	1,551,040	1,000,000
Subordinated Debts Eligible to Capital	-	-	-	-	-	2,545,199	2,545,199	2,369,446
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	
Total at 12.31.2018	4,005,491	4,056,596	3,938,740	1,061,156	1,036,782	3,396,401		17,495,166

b) Deposits

Specification	12.31.2019	12.31.2018
Demand deposits	405,302	328,683
Government deposits	6,527	6,039
Linked Deposits	175,616	136,476
Legal entities	173,543	153,133
Individuals	48,152	32,647
Other Amounts	1,464	388
Savings deposits	2,633,831	2,433,765
Free savings deposits - Individuals	1,741,528	1,580,066
Free savings deposits - Legal entities	891,360	852,933
From related parties and Financial System Institutions	943	766
Interbank Deposits	1,165,021	1,559,993
Time deposits	8,045,700	8,491,820
Time deposits	5,711,384	6,268,746
Interest-Yielding Judicial Deposits	329,858	338,746
Other time deposits	2,004,458	1,884,328
Interest-yielding special deposits/FAT (Note 26 and Note 28.a.1)	18,823	66,154
Funds Available (Note 26)	1,105	29,249
ProgerUrbano	-	9,360
Protrabalho	346	1,778
Infrastructure	-	1,286
PNMPO	759	16,825
Funds Applied (Note 26)	17,718	36,905
ProgerUrbano	-	190
Protrabalho	17,718	22,196
PNMPO	-	14,519
Finor/Cash and cash equivalents and Reinvestments (Law No. 8167/91)	1,932,733	1,774,562
Other Amounts	52,902	43,612
Total	12,249,854	12,814,261
Short-term	5,870,828	6,750,628
Long-term	6,379,026	6,063,633

c) Open Market Funding

Specification	12.31.2019	12.31.2018
Own portfolio	1,551,725	1,236,716
Financial Treasury Bills (LFT)	1,551,725	1,236,716
Third-party portfolio	-	144,765
National Treasury Notes (NTN)	-	144,765
Total	1,551,725	1,381,481
Short-term	1,545,801	1,372,662
Long-term	5,924	8,819

d) Expenses with Open Market Funding

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Funding expenses	(300,413)	(742,228)	(918,568)
Time deposits	(174,450)	(351,529)	(340,202)
Savings deposits	(39,569)	(81,521)	(81,218)
Judicial deposits	(8,262)	(17,072)	(26,485)
Interbank Deposits	(17,767)	(37,394)	(41,490)
Special deposits	(52,450)	(106,649)	(110,794)
Funds from acceptance and issue of securities	(2,402)	(137,277)	(307,558)
Other deposits	(5,513)	(10,786)	(10,821)
Expenses with open market funding	(68,691)	(116,530)	(69,960)
Third-party portfolio	(1,231)	(5,083)	(7,502)
Own portfolio	(41,086)	(83,001)	(62,458)
Financial Bills	(26,374)	(28,446)	-
Total	(369,104)	(858,758)	(988,528)

NOTE 14 - Borrowings and Onlending

a) 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 12.31.2019	Total at 12.31.2018
Foreign Borrowings	130,332	751,225	-	-	-	-	881,557	900,437
Domestic onlending	33,397	69,158	314,258	315,853	397,229	37,842	1,167,737	1,222,018
Foreign onlending	30,422	27,082	177,073	135,152	62,133	-	431,862	580,602
Total at 12.31.2019	194,151	847,465	491,331	451,005	459,362	37,842	2,481,156	
Total at 12.31.2018	190,074	1,010,927	472,715	492,940	498,921	37,480		2,703,057
Short-term							1,041,616	1,201,001
Long-term							1,439,540	1,502,056

b) Domestic Onlending - Official Institutions

Specification	Annual restatement rate (%)	12.31.2019	12.31.2018
National Treasury	IGP - DI + 2.00	505	482
BNDES		1,118,933	1,155,450
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	Fixed rate 1.5 to 11.10 TJLP +0.00 to 4.00 IPCA 9.41 Exc. var. + 2.00 to 4.00	729,216	767,975
Credit Facility for Investment in Agriculture		389,717	387,475
Finame		48,299	66,086
"ProgramaAutomático" (program for purchase of new machinery and equipment by companies based in Brazil)	Fixed rate 1.5 to 7.00 TJLP +0.00 to 4.00 Exc. var. + 2.00 to 4.00	27,528	44,393
Agricultural Program		20,771	21,693
Total (Note 28.a.1)		1,167,737	1,222,018
Short-term		102,555	131,908
Long-term		1,065,182	1,090,110

c) Borrowings

Specification	Annual restatement rate (%)	12.31.2019	12.31.2018
Foreign borrowings/Foreign currency payables	USD	881,557	900,437
Total		881,557	900,437
Short-term		881,557	900,437

d) Foreign Onlending

Specification	Annual restatement rate (%)	12.31.2019	12.31.2018
BID-Prodetur I	USD + 4.51	-	112,392
BID-Prodetur II	USD + 3.52	427,022	462,387
BID-Other Programs	USD + 3.52	4,840	5,823
Total		431,862	580,602
Short-term		57,504	168,656
Long-term		374,358	411,946

e) Expenses with borrowings and onlending

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Expenses on borrowings	(6)	(6)	-
Domestic borrowings	(6)	(6)	-
Expenses with Onlending	(86,519)	(179,080)	(306,856)
Domestic onlending - Official institutions in Brazil	(41,322)	(95,838)	(130,191)
National Treasury	(9)	(24)	(34)
BNDES	(40,110)	(92,965)	(125,881)
Finame	(1,203)	(2,849)	(4,276)

Foreign onlending expenses	(45,197)	(83,242)	(176,665)
Expenses on Onlending with Foreign Banks	(83,576)	(141,305)	(271,625)
Expenses with Financial and Development Funds	(650,584)	(1,404,627)	(1,542,660)
Total	(820,685)	(1,725,018)	(2,121,141)

NOTE 15 - Funds from Acceptance and Issue of Securities

a) Liabilities for Foreign Securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 12.31.2019	Market value at 12.31.2019	Market value at 12.31.2018 ⁽²⁾
<i>Eurobonds – Senior Unsecured Notes</i> ⁽¹⁾	05.03.2012	05.03.2019	4.375	300,000	-	-	1,149,183
Total				-	-	-	1,149,183
Short-term						-	1,149,183

⁽¹⁾ This obligation was settled on 05.03.2019.

⁽²⁾ Considering tax effects.

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

Specification	Annual Interest	Nominal value	12.31.2019	12.31.2018
Agribusiness Credit Bills (LCA) ⁽¹⁾	81.19% of CDI	97,523	44,074	162,276
Financial Bills - contractual charges			2,033	-
Total			46,107	162,276
Short-term			46,107	162,276

⁽¹⁾ Note with average maturity term of 35 days.

NOTE 16 - Other Liabilities

Specification	12.31.2019	12.31.2018 Restated
a) Collection and transfer of taxes and levies	1,699	1,477
Funds from Proagro	76	227
Federal taxes received	-	35
Tax on Financial Transactions (IOF) payable	832	783
Other taxes and levies	791	432
b) Foreign exchange portfolio (Note 11.a)	1,354	5,319
c) Social and statutory	337,855	179,662
Return on Capital Payable	232,293	131,418
Profit Sharing	105,562	48,244
d) Tax and Social Security	1,352,210	710,591
Provision for Deferred Taxes and Contributions	695,011	298,010
Securities and Derivative Financial Instruments (Note 20.d)	413,323	103,221
Revaluation of buildings and Land	1,745	1,591
From recovered credits, hedged items and deferred depreciation (Note 20.d)	279,943	193,198
Provision for Income Tax and Social Contribution	543,083	308,822
Income Tax	331,949	165,587
Social Contribution	211,134	143,235
Taxes and Contributions Payable	114,116	103,759
e) Securities Trading	153	153
f) Financial and Development Funds	23,656,478	25,472,735
FNE (Note 28.a.1)	22,702,557	24,585,592
Other Amounts	953,921	887,143
g) Debt instruments eligible to capital	1,551,040	1,000,000
Authorized Principal Capital (Note 17.a and Note 28.a.1)	750,000	1,000,000
Authorized Complementary Capital (Note 17.b and Note 27.ii)	801,040	-
h) Subordinated Debts Eligible to Capital (Note 17.c and Note 28.a.1)	2,545,199	2,369,446
i) Other	7,424,614	6,485,206
Provision for Contingencies	562,438	401,730
Labor claims (Note 21.f.1.ii)	334,025	206,531
Civil proceedings (Note 21.f.1.iii)	176,738	146,964
Other Tax Proceedings (Note 21.a.1.ii)	17,815	15,769
Other contingencies	33,860	32,466
Other (Note 21.f.1.iv)	33,860	32,466
Provision for Financial Guarantees Provided (Note 21.f.2)	2,748,825	2,990,936
FNE (Note 9.f and Note 21.f.2.i)	2,747,591	2,989,707
Onlending	628	1,017
Full risk - BNB	22,630	59,135
Shared risk	2,724,333	2,929,555
FDNE (Note 9.f and Note 21.f.2.ii)	1,234	1,222
Proagro (Note 9.f and Note 21.f.2.iii)	-	7
Actuarial liabilities	3,430,173	2,227,601
Retirement and DB Pension Plan (Note 23.k and Note 28.a.2)	931,871	606,070
Health Care Plan (Note 23.k and Note 28.a.2)	2,134,473	1,474,370
Life insurance - Post-Employment Benefit (Note 23.k and Note 28.a.2)	363,829	147,161
Accrued Payments	519,213	505,807
Personnel expenses	189,823	249,489
Other Amounts	89,402	82,836
Interest and charges on debt instruments eligible to principal capital	239,988	173,482
Other Amounts	163,965	359,132
Total	36,870,602	36,224,589
Short-term	5,110,813	5,622,712
Long-term	31,759,789	30,601,877

NOTE 17 - Debt Instruments Eligible to Capital (Note 27.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	12.31.2019	12.31.2018
Debt Instruments Eligible to Capital (Note 16.g and Note 28.a.1)	1,000,000	Profitability on Equity	01.19.2016	750,000	1,000,000
Short-term				250,000	-
Long-term				500,000	1,000,000

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	12.31.2019	12.31.2018
Financial Bills ⁽¹⁾ (Note 16.g)	801,040	117% of Selic	June 2019	801,040	-
Long-term				801,040	-

⁽¹⁾ Interest paid every six months.

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	12.31.2019	12.31.2018
Fundo Constitucional de Financiamento do Nordeste (FNE)	2,545,199	2,369,446
Funds available	1,629,532	1,379,634
Funds applied	915,667	989,812
Total (Note 16.h and Note 28.a.1)	2,545,199	2,369,446

NOTE 18 - Equity

a) Capital

The Bank's capital in the amount of R\$3,813,000 (R\$2,844,000 at 12.31.2018) is represented by 86,371,464 common, book-entry, paid-in shares with no par value, held as follows:

Specification	12.31.2019		12.31.2018	
	Number of shares	% of Capital	Number of shares	% of Capital
Federal Government	47,896,415	55.45	44,049,447	51.00
FI CAIXA FGEDUC MULTIMERCADO	30,205,568	34.97	30,205,568	34.97
BB FGO Investment Fund Shares	6,206,000	7.19	6,217,900	7.20
National Development Fund (FND) ⁽¹⁾	0	0.00	3,846,968	4.45
Other	2,063,481	2.39	2,051,581	2.38
Total	86,371,464	100.00	86,371,464	100.00

⁽¹⁾ Balance of shares transferred to the Federal Government in the process of extinction of FND.

At the Extraordinary General Meeting held on 04.25.2019, shareholders approved the capital increase by R\$969,000, arising from the incorporation of Statutory Reserves - Reserve for Operational Margin, without issue of new shares. Capital was changed from R\$2,844,000 to R\$3,813,000, represented by 86,371,464 common, book-entry, paid-in shares with no par value, duly approved by the Central Bank.

b) Revaluation Reserve

The amount of R\$13,726 (R\$13,979 at 12.31.2018) refers to 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\$253 (R\$44 at 12.31.2018) was transferred to Retained Earnings (Accumulated Losses).

c) Payment of IOE for 2018

Through the Annual General Meeting held on 04.25.2019, the payment of complementary Interest on Equity (IOE) for the year ended 12.31.2018 was approved in the amount of R\$131,487. This payment was made on 05.08.2019

d) Dividends and IOE for the 1st half of 2019

Through the Board of Director's Meeting held on 08.09.2019, Prepayment of Dividends for the year was approved, being R\$17,507 as Dividends and R\$166,842 as IOE attributed to dividends, totaling R\$184,349, net of R\$183,832 corresponding to a benefit, net of income tax, of 25.00% on adjusted net income for the six-month period (R\$53,372 at 06.30.2018). Such benefit was paid in 08.28.2018. Total IOE for the six-month period provided a reduction in expenses on tax charges in the amount of R\$66,737 (R\$23,770 at 06.30.2018).

e) Dividends and IOE for the Year

The Bank's Chart ensures to shareholders minimum dividend of 25% on net income calculated in the year, adjusted according to Law.

The Board of Directors proposed at the Annual General Meeting the payment of Dividends and Interest on Equity (IOE) in the gross amount of R\$420,014 (R\$418,970 net of income tax), of which R\$84,218 as Dividends and R\$335,796 (R\$334,752 net of income tax) as IOE attributed to the dividend amount, corresponding to 25.06% of adjusted net income, calculation basis of Dividends and IOE for the year. As a result of this proposal and considering the prepayment of Dividends and IOE for the first half of the year, monetarily restated in the amount of R\$187,595, the amount of R\$232,418 (R\$231,892 net of income tax) was recorded in a Provision account for payment of complementary Dividends and IOE for the year.

Total IOE for the year reduced tax expenses by R\$132,303 (R\$82,634 at 12.31.2018).

f) Statement of calculation of Dividends/IOE:

Specification	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Net income for the year	1,736,685	725,503
2. Legal reserve set up	(86,834)	(36,275)
3. Debt Adjustments to Retained Earnings (Accumulated Losses)	(18,840)	(82,785)
4. Revaluation Reserves Transferred to Retained Earnings (Accumulated Losses)	(3,908)	177
5. Credit Adjustments to Retained Earnings (Accumulated Losses)	48,778	135,598
6. Calculation basis of Dividends/Interest on Equity	1,675,881	742,218
7. Gross Dividends and IOE Proposed in the Year	420,013	186,129
8. Net Dividends and IOE Proposed in the Year	418,970	185,555
9. Dividends as IOE Proposed in the Year (R\$3.8877963266 per share) (R\$2.1549796995 per share at 12.31.2018)	335,795	186,129
10. Withholding Income Tax on IOE for the 1 st half of the year	(517)	(165)
11. Withholding Income Tax on IOE for the 2 nd half of the year	(526)	(409)
12. Net IOE attributable to dividends (item 9 - item 10 - item 11) R\$3.8757284616 per share (at 12.31.2018: IOE of R\$ 2.1483321041 per share)	334,752	185,555
13. Prepayment of IOE restated by SELIC	(169,780)	(54,642)
14. Net Complementary Income Tax of IOE of R\$1.9160183051 per share (item 9 - item 11 - item 13) (at 12.31.2018: IOE of R\$1.51569253138977 per share)	165,489	131,078
15. Dividends Proposed in the Year (R\$0.9750666936 per share) (R\$0 per share at 12.31.2018)	84,218	-
16. Dividends prepaid and restated by SELIC	(17,815)	-
17. Complementary Dividends of R\$0.7688076346 per share (item 15 - item 16) (at 12.31.2018: Dividends of R\$0 per share)	66,403	-
18. Dividends + IOE Net of Income Tax (attributed to Dividends) in relation to the Dividend Calculation Basis/IOE (item 8/item 6) (R\$4.8507951551 per share) (R\$ 2.1549796995 per share at 12.31.2018)	25.000%	25.000%
19. Gross Dividends + IOE in relation to the Dividend/IOE Calculation Basis (item 7/item 6) (R\$4.8628630201 per share) (R\$2.1549796995 per share at 12.31.2018)	25.062%	25.077%

g) Legal Reserve

The legal reserve corresponds to 5% on net income calculated in the closing date of every year. In 2019, this reserve totaled R\$86,834 (R\$36,275 at 12.31.2018).

h) Statutory reserve

The Statutory Reserve represents the remaining balance of net income calculated in the closing of every year, after establishment of the Legal Reserve and the amount distributed as IOE/Dividends. In 2019, the amount of R\$1,256,989 was recorded, of which R\$1,062,489 was allocated to the Reserve for Operational Margin and R\$193,800 to the Reserve for Complementary Dividend Equalization (R\$556,090 at 3.12.2018 allocated to the Reserve for Operational Margin).

i) Equity Adjustment

Specification	12.31.2019	12.31.2018
Securities Available for Sale ⁽¹⁾	479,801	(111,464)
Actuarial Gains and Losses (Post-Employment Benefits) ⁽¹⁾	(579,674)	111,524
Equity adjustment⁽¹⁾	(99,873)	60

⁽¹⁾Net of tax effects.

NOTE 19 - Other Operating Income/Expenses

Specification	2nd half of 2019	01.01 to 12.31.2019	01.01 to 12.31.2018 Restated
a) Service revenue	1,395,889	2,628,904	2,461,703
Investment fund management	30,729	56,589	42,893
Fund and program management	1,021,940	1,958,549	1,884,914
Service Rendered	343,220	613,766	533,896
b) Income from bank fees	53,681	98,426	77,005
c) Personnel expenses	(1,002,588)	(2,002,378)	(2,001,459)
Salaries	(579,040)	(1,161,699)	(1,170,831)
Social charges	(206,106)	(404,234)	(399,247)
Retirement and Pension Plan - DB and VC I Capef Plans	(63,804)	(120,845)	(107,544)
Health care plan - Camed Natural Plan	(65,816)	(141,246)	(145,977)
Life insurance - Post-employment benefit	(6,156)	(12,201)	(13,577)
Benefits, training sessions, fees and compensation of interns	(81,666)	(162,153)	(164,283)
d) Other administrative expenses	(664,678)	(1,286,167)	(1,222,206)
Data processing	(114,132)	(237,610)	(250,052)
Advertising and publicity	(8,496)	(11,787)	(17,761)
Third-party services ⁽¹⁾	(319,376)	(610,494)	(547,640)
Rentals, material and public utilities	(40,597)	(80,217)	(74,261)
Travel	(8,027)	(15,873)	(17,449)
Communications	(11,679)	(24,098)	(25,274)
Depreciation and amortization (Note 12)	(5,873)	(11,608)	(10,103)
Asset maintenance and upkeep	(25,362)	(49,633)	(49,247)
Surveillance, security and transportation	(49,180)	(94,321)	(91,495)
Promotions, public relations and publications	(5,226)	(10,081)	(10,566)
Financial system services	(19,831)	(37,741)	(31,588)
Specialized technical services	(20,100)	(39,496)	(31,566)
Insurance	(1,921)	(4,229)	(2,207)
Court, notary and attorney fees	(15,333)	(31,359)	(38,130)
Worker' union dues and Associations	(1,225)	(2,644)	(1,789)
Condominium fees, catering, kitchen and meals	(2,988)	(5,871)	(5,770)
FUNDECI (Science and Technology Development Fund)	(3,800)	(3,800)	(4,000)
Other Amounts	(11,532)	(15,305)	(13,308)
e) Taxexpenses (Note 20.e)	(148,947)	(326,982)	(312,696)
COFINS and PIS/PASEP	(124,262)	(281,577)	(273,270)
ISS and IPTU/Improvement tax	(23,190)	(42,314)	(36,553)
Other Amounts	(1,495)	(3,091)	(2,873)
f) Other operating income	1,004,221	2,044,497	1,888,307
Del credere commission on fund management	844,623	1,615,780	1,369,542
Exchange Losses on Borrowings	24,421	109,661	119,957
Exchange losses on funding expenses	-	66,870	107,799
Exchange loss on reclassification of Development Financial Fund obligation expenses	862	3,882	4,087
Reversal of operating provisions for risks on FNE loans	5,293	7,273	1,594
Recovery of charges and expenses	3,258	5,845	6,171
Reversal of operating provisions	4,335	18,431	18,263
Interest and commissions	10,650	12,287	1,531
Monetary restatement	1,376	1,898	828
FNE - Recovery of amounts settled by the Bank	95,707	178,325	236,192
Other Amounts	13,696	24,245	22,343
g) Other operating expenses	(625,609)	(1,223,654)	(1,163,581)
Exchange losses on exchange area	(2,542)	(2,984)	(2,504)
Exchange loss on loans granted	(24,114)	(109,350)	(132,643)
Negative monetary restatement of loans	(2,322)	(3,372)	(127)
Discounts granted in renegotiations	(55,246)	(69,846)	(30,367)
Loan Charges	(12,162)	(16,500)	(3,524)
Tax Contingencies	(1,313)	(2,359)	(4,304)
Risks on FNE Loans	(219,545)	(361,556)	(497,465)
Risks on FDNE Loans	(11)	(52)	(3,354)
Labor Claims	(112,119)	(152,720)	(48,367)
Civil Proceedings	(16,632)	(57,875)	(78,633)
Other proceedings	(1,210)	(2,999)	(3,626)
Debt Instruments Eligible to Principal Capital (IECP)	(82,456)	(239,988)	(173,481)
Monetary restatement IECP	-	(4,674)	(4,365)
FNE Remuneration - Available Funds - article 9-A of Law No. 7827	(41,000)	(82,544)	(91,330)
FNE Remuneration - Funds Applied - article 9-A, Law No. 7827	(46,186)	(93,211)	(72,648)
Other Amounts	(8,751)	(23,624)	(16,843)
Total	11,969	(67,354)	(272,927)

⁽¹⁾ These comprise expenses for 2019 amounting to R\$515,658 (R\$463,788 at 12.31.2018) on behalf of Instituto Nordeste Cidadania (INEC); this refers to a Civil Society Organization of Public Interest ("Oscip") 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 20 - 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 12.31.2019	01.01 to 12.31.2018 (restated)	01.01 to 12.31.2019	01.01 to 12.31.2018 (restated)
Income Before Income Taxes and Profit Sharing	2,434,833	1,265,838	2,434,833	1,265,838
Statutory profit sharing	(105,246)	(47,208)	(105,246)	(47,208)
Interest on Equity (IOE)	-	(186,129)	-	(186,129)
Income before taxes, less statutory profit sharing and interest on equity	2,329,587	1,032,501	2,329,587	1,032,501
Permanent additions/exclusions	(413,810)	(28,809)	(414,289)	(30,073)
Temporary additions/exclusions	(563,650)	(283,273)	(563,650)	(283,274)
Taxable income	1,352,127	720,419	1,351,648	719,154
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(338,008)	(180,025)	(202,747)	(143,786)
Deductions (tax incentives)	16,711	13,499	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	25	25	15	20
Current IRPJ/CSLL expenses - after tax incentives, revaluation reserve and adjustments to Retained Earnings (Accumulated Losses) ⁽¹⁾	(321,272)	(166,501)	(202,732)	(143,766)
Provision for Deferred Taxes and Contributions - Arising from Tax Recovered Credits, Depreciation, Derivative Financial Instruments and Hedged Items	(35,172)	(37,881)	(51,573)	(20,199)
Provision for Income Tax and Social Contribution	(356,444)	(204,382)	(254,305)	(163,965)
IRPJ/CSLL Tax Credits - Provisions, Derivative Financial Instruments and Hedged Item	(102,341)	(42,700)	136,111	(70,565)
Total IRPJ/CSLL	(458,786)	(247,082)	(118,193)	(234,530)
Effective Rate (%)	19.69	23.93	5.07	22.71
a.2) Specification of the provision for IRPJ and CSLL	12.31.2019	12.31.2018 (restated)	12.31.2019	12.31.2018 (restated)
Provision for Income Tax and Social Contribution	321,272	166,501	202,732	143,767
Provision for Taxes on Revaluation Reserve Realized - 2017	-	(939)	-	(552)
Provision for Taxes on Revaluation Reserve Realized	24	25	15	20
Provision for Income Tax and Social Contribution⁽¹⁾	321,296	165,587	202,747	143,235
Taxes and Contributions Recoverable on Prepayments, Including Withholding Taxes	(229,544)	(212,423)	(113,492)	(134,041)
Taxes Payable (Recoverable) for the Period	91,752	(46,836)	89,255	9,194

⁽¹⁾ The current Provision for and Expenses with IRPJ and CSLL include R\$15,923, resulting from the accounting, in 2019, of reversal of Pasep/Cofins expenses amounting to R\$36,928, referring to the period from December 2014 to December 2018, due to recalculations of tax bases thereon. The provision accounts are also increased by R\$3,116 due to the application of interest on the amount payable to the Receita Federal do Brasil (RFB).

b) Reconciliation of IRPJ and CSLL Charges

Specification	12.31.2019	12.31.2018 (restated)
Income before taxes and profit sharing	2,434,833	1,265,838
Total charge of 40% - IRPJ (25%) and CSLL (15%)	(973,933)	(569,627)
Statement of tax levy:		
Income Tax and Social Contribution for the Period	(576,979)	(481,712)
Increase/Decrease in Income Tax and Social Contribution arising from:	(396,954)	(87,915)
Profit sharing/IOE	(176,416)	(105,002)
Other Income/FNE/Del Credere/Onlending Operations - Article 9-A of Law No. 7827	(22,872)	(20,648)
Temporary Differences - Other Provisions (Labor, Civil, Tax and Other Proceedings)	(634)	(202)
Temporary differences - Actuarial Provisions	-	36,558
Temporary Differences - Transactions with Reimbursement Longer than 10 Years	(3,214)	17,730
Difference of CSLL rate (from 20% to 15%) ⁽¹⁾	(197,516)	(9,279)
IRPJ/CSLL arising from the exclusion of Pasep/Cofins	6,369	-
Other (Tax Incentives, Permanent Additions/Exclusions)	(2,671)	(7,072)
Total Reconciled Tax Levy	(973,934)	(569,627)

⁽¹⁾ In 2018 the CSLL rate was 20%, with a total charge of 45%. In 2019 and until February 2020, the 15% rate was in force and, from March 2020 onwards, the CSLL rate will return to 20%.

c) Deferred Tax Assets and Liabilities

Specification	12.31.2019		12.31.2018		12.31.2019	12.31.2018
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Allowances (ALL)						
Opening balance	711,030	426,632	802,220	526,293	1,137,662	1,328,513
Set up	261,288	270,845	247,077	148,260	532,133	395,337
Realization/Reversal	(396,189)	(237,713)	(338,267)	(247,921)	(633,902)	(586,188)
Closing Balance (Note 10.d)	576,129	459,764	711,030	426,632	1,035,893	1,137,662
b) Unearned Income - Operations not Related to Legal Proceedings						
Opening balance	2,101	1,261	-	-	3,362	-
Set up	1,059	1,027	2,708	1,753	2,086	4,461
Realization/Reversal	(1,044)	(627)	(607)	(492)	(1,671)	(1,099)
Closing Balance (Note 10.d)	2,115	1,661	2,101	1,261	3,776	3,362
c) Provisions - Extended Transactions						
Opening balance	-	-	-	-	-	-
Set up	1,004	798	-	-	1,802	-
Realization/Reversal	-	-	-	-	-	-
Closing Balance (Notes 3 and 10.d)	1,004	798	-	-	1,802	-
d) Actuarial provisions						
Opening balance	269,396	161,638	257,640	154,584	431,034	412,224
Set up	51,657	86,124	14,480	8,689	137,781	23,169
Realization/Reversal	(40,639)	(24,384)	(2,724)	(1,635)	(65,023)	(4,359)
Closing Balance (Notes 3 and 10.d)	280,414	223,378	269,396	161,638	503,792	431,034
e) Provision for the Voluntary Dismissal Program ("PID")						
Opening balance	14,667	8,800	-	-	23,467	-
Set up	99	60	14,667	8,800	159	23,467
Realization/Reversal	(14,766)	(8,860)	-	-	(23,626)	-
Closing Balance (Note 10.d)	-	-	14,667	8,800	-	23,467
f) Provision for contingencies						
Opening balance	98,781	59,268	81,083	48,650	158,049	129,733
Set up	76,646	73,716	44,261	26,556	150,362	70,817
Realization/Reversal	(36,059)	(21,635)	(26,563)	(15,938)	(57,694)	(42,501)
Closing Balance (Note 10.d)	139,368	111,349	98,781	59,268	250,717	158,049
g) Derivative financial instruments						
Opening balance	5,398	3,239	-	-	8,637	-
Set up	308	185	16,906	10,143	493	27,049
Realization/Reversal	(5,706)	(3,424)	(11,508)	(6,904)	(9,130)	(18,412)
Closing Balance (Note 10.d)	-	-	5,398	3,239	-	8,637
h) Hedged Item						
Opening balance	-	-	3,128	1,877	-	5,005
Set up	876	526	7,141	4,284	1,402	11,425
Realization/Reversal	(876)	(526)	(10,269)	(6,161)	(1,402)	(16,430)
Closing Balance (Note 10.d)	-	-	-	-	-	-
Effect on Equity						
i) Securities						
Opening balance	173,455	106,009	164,744	105,550	279,464	270,294
Set up	204,978	129,706	115,601	69,017	334,684	184,618
Realization/Reversal	(248,148)	(134,571)	(106,890)	(68,558)	(382,719)	(175,448)
Closing Balance (Notes 7.a.2 and 10.d)	130,285	101,144	173,455	106,009	231,429	279,464
j) Actuarial valuation adjustments						
Opening balance	287,504	172,502	217,365	130,420	460,006	347,785
Set up	289,625	289,201	117,019	70,212	578,826	187,231
Realization/Reversal	-	-	(46,881)	(28,129)	-	(75,010)
Closing Balance (Note 10.d)	577,129	461,703	287,503	172,503	1,038,832	460,006

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

Specification	Income Tax		Social Contribution	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Total Temporary Differences	6,991,153	6,860,096	6,991,153	6,680,096
2. Tax Credits on Temporary Differences	1,747,788	1,670,024	1,392,996	1,003,950
3. Tax Credits Recognized in Assets on Provisions	1,576,160	1,383,478	1,258,652	830,102
4. Tax Credits Recognized in Assets due to Mark-to-Market of Securities, Derivative Financial Instruments and Hedged Item	130,285	178,853	101,144	109,248
5. Total Tax Credits Recognized in Assets (item 3 + item 4) ⁽¹⁾	1,706,445	1,562,331	1,359,796	939,350
6. Tax credits not Recognized in Assets (item 2 - item 5) ⁽²⁾	41,343	107,693	33,200	64,600

⁽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 12.31.2019 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2020	84,469	82,932	62,195	61,016	146,664	143,948
2021	229,090	213,515	183,273	170,811	412,363	384,326
2022	123,122	110,564	98,498	88,451	221,620	199,015
2023	84,814	76,691	67,852	61,353	152,666	138,044
2024	97,524	83,287	78,019	66,630	175,543	149,917
2025	164,419	126,250	131,535	101,001	295,954	227,251
2026	58,429	50,471	46,744	40,377	105,173	90,848
2027	63,116	55,236	50,492	44,190	113,608	99,426
2028	49,454	42,023	39,564	33,619	89,018	75,642
2029	70,094	62,810	56,094	50,258	126,188	113,068
2029 onwards	681,913	681,913	545,531	545,530	1,227,444	1,227,443
Total	1,706,444	1,585,692	1,359,797	1,263,236	3,066,241	2,848,928

⁽¹⁾ For present value calculation purposes, the goal for average over - Selic rates was considered, projected by BACEN at 12.31.2019.

d) Provision for Deferred Taxes and Contributions

Specification	12.31.2019		12.31.2018 (restated)		12.31.2019	12.31.2018 (restated)
	IRPJ	CSLL	IRPJ	CSLL	Total	
	Effect on P&L					
a) Derivative Financial Instruments						
Opening balance	-	-	3,155	1,893	-	5,048
Set up	876	526	7,217	4,330	1,402	11,547
Realization/Reversal	(876)	(526)	(10,372)	(6,223)	(1,402)	(16,595)
Closing Balance (Notes 7.c and 16.d)	-	-	-	-	-	-
b) From Recovered Credits⁽¹⁾						
Opening balance	103,935	62,359	73,219	46,460	166,294	119,679
Set up	35,930	48,813	31,288	17,649	84,743	48,937
Realization/Reversal	(123)	(73)	(572)	(1,750)	(196)	(2,322)
Closing Balance (Note 16.d)	139,742	111,099	103,935	62,359	250,841	166,294
c) Hedged Item						
Opening balance	5,615	3,369	-	-	8,984	-
Set up	308	185	17,197	10,318	493	27,515
Realization/Reversal	(5,923)	(3,554)	(11,582)	(6,949)	(9,477)	(18,531)
Closing Balance (Notes 7.c.1 and 16.d)	-	-	5,615	3,369	-	8,984
d) Deferred Depreciation						
Opening balance	11,200	6,720	6,495	3,897	17,920	10,392
Set up	5,301	6,395	4,879	2,928	11,696	7,807
Realization/Reversal	(322)	(192)	(174)	(105)	(514)	(279)
Closing Balance (Note 16.d)	16,179	12,923	11,200	6,720	29,102	17,920
Effect on Equity						
e) Revaluation Reserve						
Opening balance	994	597	1,019	628	1,591	1,647
Set up	-	193	68	41	193	109
Realization/Reversal	(25)	(15)	(93)	(72)	(40)	(165)
Closing Balance (Note 16.d)	971	774	994	597	1,745	1,591
f) Securities						
Opening balance	64,156	39,065	24,848	15,139	103,221	39,987
Set up	888,277	578,499	218,603	132,348	1,466,776	350,951
Realization/Reversal	(721,962)	(434,712)	(179,295)	(108,422)	(1,156,674)	(287,717)
Closing Balance (Notes 7.a.2 and 16.d)	230,471	182,852	64,156	39,065	413,323	103,221

⁽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 12.31.2019, 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	29,108	28,187	21,046	20,339	50,154	48,526
2021	23,282	20,990	18,626	16,793	41,908	37,783
2022	23,115	19,588	18,492	15,670	41,607	35,258
2023	23,018	18,807	18,414	15,045	41,432	33,852
2024	18,659	14,023	14,927	11,219	33,586	25,242
2025	14,777	10,436	11,821	8,349	26,598	18,785
2026	9,034	5,984	7,227	4,787	16,261	10,771
2027	6,246	3,894	4,996	3,115	11,242	7,009
2028	5,460	3,204	4,367	2,563	9,827	5,767
2029	14,967	8,267	11,973	6,614	26,940	14,881
2029 onwards	219,697	219,697	175,759	175,758	395,456	395,455
Total	387,363	353,077	307,648	280,252	695,011	633,329

⁽¹⁾ For present value calculation purposes, the goal for average over - Selic rates was considered, projected by BACEN at 12.31.2019.

e) Tax Expenses

Specification	2nd half of 2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Cofins and Pis/Pasep ⁽¹⁾	(124,262)	(281,577)	(273,270)
ISS and IPTU/Improvement tax	(23,190)	(42,314)	(36,553)
Other Amounts	(1,495)	(3,091)	(2,873)
Total (Note 19.e)	(148,947)	(326,982)	(312,696)

⁽¹⁾ The tax for 2019 corresponds to R\$318,505, since there was a Pasep/Cofins reversal of R\$36,928 for the period from December 2014 to December 2018, due to recalculations of tax bases thereon.

NOTE 21 - 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	12.31.2019		12.31.2018	
	Base value	Provision	Base value	Provision
a) Provision for Contingencies				
a.1) Tax Proceedings (Notes 16.i and 21 f.1.i)	3,762,943	17,815	3,211,433	15,769
i) Legal Obligation	11,062	11,062	2,022	2,022
ii) Other Obligations - Sundry	3,751,881	6,753	3,209,411	13,747
Probable	6,753	6,753	13,747	13,747
Possible	3,577,567	-	3,048,220	-
Remote ⁽¹⁾	167,561	-	147,444	-
a.2) Labor Claims	602,533	334,025	482,297	206,531
Probable (Notes 16.i and 21 f.1.ii)	334,025	334,025	206,531	206,531
Possible	123,996	-	153,255	-
Remote	144,512	-	122,511	-
a.3) Civil Proceedings	7,716,331	176,738	6,593,396	146,964
Probable (Notes 16.i and 21 f.1.iii)	176,738	176,738	146,964	146,964
Possible	1,865,136	-	938,909	-
Remote ⁽²⁾	5,674,457	-	5,507,523	-
a.4) Other Contingencies (Notes 16.i and 21 f.1.iv)	1,088,651	33,860	946,799	32,466
i) Securitized Transactions	4,015	4,015	5,620	5,620
ii) Other Proceedings	1,084,636	29,845	941,179	26,846
Probable	29,845	29,845	26,846	26,846
Possible	2,537	-	16,964	-
Remote	1,052,254	-	897,370	-

⁽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 (R\$123,534 at 12.31.2018).

⁽²⁾ Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in four (4) proceedings, with balance of R\$3,241,508 at 12.31.2019. These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of attorney fees - R\$2,338,498 at 12.31.2019 (R\$2,008,363 at 12.31.2018); ii) loss of profit and payment of administrative fee - R\$400,309 at 12.31.2019 (R\$343,796 at 12.31.2018); iii) reassessment (solução indebita), loss of profits and compensation for pain and suffering - R\$276,512 at 12.31.2019 (R\$237,475 at 12.31.2018); iv) compensation for pain and suffering and loss of profits - R\$226,189 at 12.31.2019 (R\$194,256 at 12.31.2018).

- 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 12.31.2019, estimated losses amount to R\$3,266,787 (R\$2,793,275 at 12.31.2018).

Civil

Civil proceeding claiming compensation for pain and suffering. At 12.31.2019, estimated losses amount to R\$505,217, of which R\$505,067 are assessed as possible risk of loss and R\$150 are assessed as probable risk of loss (R\$433,893, of which R\$433,764 are assessed as remote risk of loss and R\$129 are assessed as probable risk of loss, at 12.31.2018).

Civil proceeding challenging compensation for pain and suffering and payment of fees. At 12.31.2019, estimated loss amounts to R\$165,424 (R\$142,070 at 12.31.2018).

Civil proceeding claiming payment of fine and compensation for pain and suffering. At 12.31.2019, estimated loss amounts to R\$97,690 (there was no contingency for this proceeding at 12.31.2018).

Civil proceeding claiming compensation for pain and suffering and consequential damages. At 12.31.2019, estimated loss amounts to R\$79,770 (R\$68,508 at 12.31.2018).

Civil proceeding challenging payment of attorney's fees. At 12.31.2019, estimated loss amounts to R\$78,928 (there was no contingency for this proceeding at 12.31.2018).

Civil proceeding challenging reassessment (solutio indebiti), payment of fine, funds pending drawdown and attorney fees. At 12.31.2019, estimated loss amounts to R\$55,195 (R\$45,336 at 12.31.2018).

Civil proceeding filed in 2014 related to post-employment benefits. At 12.31.2019, estimated loss amounts to R\$55,238 (R\$55,438 at 12.31.2018).

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

Specification	12.31.2019	12.31.2018
Labor Claims	205,621	108,634
Tax Proceedings	145,530	140,337
Civil Proceedings	127,544	127,699
Other claims	46	-
Counter-guarantees - IDB Onlending	34,854	34,051
Total	513,595	410,721

f) Changes in provisions

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

Specification	12.31.2019					12.31.2018				
	Opening balance	Recognition	Reversal	Payment	Closing Balance	Opening balance	Recognition	Reversal	Payment	Closing Balance
i) Tax Proceedings (Notes 16.i and 21.a.1)	15,769	2,763	(655)	(62)	17,815	13,328	4,967	(922)	(1,604)	15,769
ii) Labor Claims (Notes 16.i and 21.a.2)	206,531	172,883	(20,160)	(25,229)	334,025	169,253	62,968	(15,118)	(10,571)	206,531
iii) Civil Proceedings (Notes 16.i and 21.a.3)	146,964	92,294	(34,395)	(28,125)	176,738	116,349	104,816	(26,183)	(48,017)	146,964
iv) Other Proceedings (Notes 16.i and 21.a.4)	32,466	44,557	(43,163)	-	33,860	33,154	4,970	(2,904)	(2,754)	32,466
Total	401,730	312,497	(98,373)	(53,416)	562,438	332,084	177,721	(45,127)	(62,946)	401,730

f.2) Provisions for Financial Guarantees Provided

Specification	12.31.2019				12.31.2018			
	Opening balance	Recognition	Reversal/ Use/ Write-off	Closing Balance	Opening balance	Recognition	Reversal/ Use/ Write-off	Closing Balance
i) FNE (Notes 9.f and 16.i)	2,989,707	1,360,240	(1,602,356)	2,747,591	3,083,952	1,710,768	(1,805,013)	2,989,707
ii) FDNE (Notes 9.f and 16.i)	1,222	64	(52)	1,234	636	586	-	1,222
iii) Proagro (Notes 9.f and 16.i)	7	-	(7)	-	-	7	-	7
Total	2,990,936	1,360,304	(1,602,415)	2,748,825	3,084,588	1,711,361	(1,805,013)	2,990,936

NOTE 22 - Employee and Officer Compensation (in Brazilian reais)

a) Monthly Employee Compensation

Gross Compensation ⁽¹⁾	12.31.2019	12.31.2018
Maximum	44,349.57	42,780.80
Minimum	1,864.51	1,756.24
Average	11,690.10	11,237.39

⁽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 12.31.2019	01.01 to 12.31.2018	01.01 to 12.31.2019	01.01 to 12.31.2018	01.01 to 12.31.2019	01.01 to 12.31.2018
Gross Compensation⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	1,107,062.84	1,161,181.45	70,835.04	74,649.19	66,492.72	71,181.23
Lowest individual compensation ⁽³⁾	734,481.75	910,014.59	54,279.84	58,107.18	54,279.84	57,144.55
Average individual compensation ⁽⁴⁾	927,343.84	1,031,236.64	60,346.98	56,045.14	57,219.53	59,613.92
Number of members ⁽⁵⁾	6.25	6.67	5.33	6.08	5.17	5.42

⁽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 12.31.2019, the Bank had 6,802 employees (7,005 at 12.31.2018), a headcount decrease of 2.90%.

NOTE 23 - 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 participantssupplementary 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 participantssupplementary 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%, in the form of the Collective Bargaining Agreement (2018/2020). 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 12.31.2019, 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 12.31.2019, 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 12.31.2018).

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.

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

Specification	DB	VC I	CAMED	INSURANCE
Participants	1,248	5,358	6,290	4,771
Vested participants (retirees)	3,841	266	3,958	3,657
Vested participants (pensioners)	1,243	38	1,241	-
TOTAL	6,332	5,662	11,489	8,428

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	
	12.31.2019	12.31.2018
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	
	12.31.2019	12.31.2018
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	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Statutory discount rate for the actuarial obligation	6.60	9.00	7.22	9.17
Effective discount rate for the actuarial obligation	2.87	4.80	3.46	4.98
Average annual inflation rate	3.63	4.00	3.63	4.00
Nominal rate of salary increase ^{(1) (2)}	4.67	5.04	-	-
Nominal rate of benefit increases	3.63	4.00	3.63	4.00

⁽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			
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Statutory discount rate for the actuarial obligation	7.22	9.17	7.22	9.17
Effective discount rate for the actuarial obligation	3.46	4.98	3.46	4.98
Average annual inflation rate	3.63	4.00	3.63	4.00
Nominal rate of salary increase ⁽¹⁾	4.67	4.00	3.63	4.00
Nominal rate of benefit average increase ⁽¹⁾	2.45 ⁽²⁾	2.74 ⁽²⁾	3.63	4.00
Rate of increase in health care costs due to aging (aging factor)	3.47	3.70	Not applicable	Not applicable
Growth rate of health costs (HCCTR)	2.45 ⁽²⁾	2.74 ⁽²⁾	Not applicable	Not applicable

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

⁽²⁾ At 12.31.2019, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last ten (10) years. The rate found was 2.45%, above the aging factor and price overall inflation and decreases gradually in four (4) years, remaining at 1% p.a. from the 5th (fifth year). At 12.31.2019, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last ten (10) years. The rate found was 2.74%, above the aging factor and 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 12.31.2019, the following duration of the plans was determined: for Capef DB plans: 6.73 years (8.19 years at 12.31.2018); for CAPEF VC I Plan: 25.64 years (24.13 years at 12.31.2018); for Natural Plan: 21.26 years (23.09 years at 12.31.2018); and for Life Insurance: 19.58 years (17.93 years at 12.31.2018).

g) Actuarial Obligation Analysis

At 12.31.2019, 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

g.1.1) Defined Benefit (DB) plan: the present value of the actuarial obligation amounting to R\$5,647,446 (R\$4,545,981 at 12.31.2018) is partially based on plan assets amounting to R\$4,715,575 (R\$3,939,911 at 12.31.2018), resulting in a present value of the uncovered actuarial obligations of R\$931,871 (R\$606,070 at 12.31.2018). The obligation referring to vested participants amounts to R\$4,807,909 (R\$3,711,503 at 12.31.2018) and that referring to active participants amounts to R\$839,537 (R\$834,478 at 12.31.2018);

g.1.2) Variable Contribution (VC) I Plan: for unplanned benefits (DB portion) that have characteristics of the defined benefit plan, the present value of the actuarial obligation amounting to R\$32,359 (R\$14,538 at 12.31.2018) is lower than the fair value of plan assets amounting to R\$88,627 (R\$54,740 at 12.31.2018), resulting in a surplus of R\$56,268 (R\$40,202 at 12.31.2018), which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

g.2) Health care plan: the present value of the actuarial obligation amounting to R\$2,293,236 (R\$1,621,151 at 12.31.2018) is partially based on plan assets amounting to R\$158,763 (R\$146,781 at 12.31.2018), resulting in a present value of the uncovered actuarial obligations of R\$2,134,473 (R\$1,474,370 at 12.31.2018). The obligation referring to vested participants amounts to R\$1,517,652 (R\$1,151,076 at 12.31.2018) and that referring to active participants amounts to R\$775,584 (R\$470,075 at 12.31.2018).

g.3) Group life insurance: the present value of the uncovered actuarial obligations amounts to R\$363,829 (R\$147,161 at 12.31.2018), and there are no assets for this plan. The obligation related to vested participants amounts to R\$277,826 (R\$128,194 at 12.31.2018) and that related to active participants amounts to R\$100,999 (R\$40,797 at 12.31.2018). Of this total, a cross-subsidy is also deducted in the amount of R\$14,996 (R\$21,830 at 12.31.2018).

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

Specification	Capef			
	DB Plan		VC I Plan	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Present value of actuarial obligation at the beginning of the period	(4,545,981)	(4,161,598)	(14,538)	(21,807)
2. Interest expense	(392,997)	(390,990)	(1,311)	(2,034)
3. Current service cost	(2,989)	(8,562)	(119)	(463)
4. Benefits paid by the plan	448,414	429,021	610	470
5. Vested participant contributions (retirees and pensioners)	(78,919)	(80,348)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(7,345)	(270)
7. Remeasurements of actuarial gains (losses)	(1,074,974)	(333,504)	(9,656)	9,566
7.1. From experience adjustments	174,051	73,739	426	10,310
7.2. From changes in financial assumptions	(965,365)	(403,707)	(10,082)	(871)
7.3. From changes in the costing plan	(106,590)	-	-	-
7.4. From the Voluntary Dismissal Program ("PID")	-	(3,536)	-	127
7.5. From application of the benefit readjustments	(177,070)	-	-	-
8. Present value of actuarial obligation at the end of the period	(5,647,446)	(4,545,981)	(32,359)	(14,538)

Specification	Camed		Life insurance	
	Natural Plan			
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Present value of actuarial obligation at the beginning of the period	(1,621,151)	(1,470,786)	(147,161)	(134,567)
2. Interest expense	(145,446)	(139,767)	(13,158)	(12,760)
3. Current service cost	(9,626)	(18,463)	(1,976)	(1,214)
4. Benefits paid by the plan ⁽¹⁾	101,120	87,091	10,197	7,923
5. Vested participant contributions (retirees and pensioners)	(26,484)	(24,173)	(3,167)	(3,156)
6. Administrative expenses paid by the plan	12,351	11,544	-	-
7. Remeasurements of actuarial gains (losses)	(604,000)	(66,597)	(208,564)	(3,387)
7.1. Experience adjustments	(28,351)	167,801	43,187	8,366
7.2. Changes in financial assumptions	(484,613)	(231,162)	(85,548)	(11,795)
7.3. 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)	-	-	-
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 - PID	-	(3,236)	-	42
7.7. From changes in the Contract	-	-	(166,203)	-
8. Present value of actuarial obligation at the end of the period	(2,293,236)	(1,621,151)	(363,829)	(147,161)

⁽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	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Fair value of plan assets at the beginning of the period	3,939,911	3,750,382	54,740	44,629
2. Interest income	342,700	355,214	5,128	4,410
3. Employer contributions ⁽¹⁾	79,129	80,549	1,520	1,422
4. Active participants' contributions	178	212	1,531	1,429
5. Vested participants' contributions	78,919	80,348	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	7,345	270
7. Benefits paid by the plan	(448,414)	(429,021)	(610)	(470)
8. Gains/(losses) on assets ⁽²⁾	723,152	102,227	18,973	3,050
9. Fair value of plan assets at the end of the period	4,715,575	3,939,911	88,627	54,740

⁽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		12.31.2019	12.31.2018
	12.31.2019	12.31.2018		
1. Fair value of plan assets at the beginning of the period	146,781	116,548	-	-
2. Interest income	13,412	11,545	-	-
3. Employer contributions ⁽¹⁾	81,979	74,332	4,103	4,377
4. Return of Sponsor's contributions	(5,587)	(5,321)	-	-
5. Active participants' contributions	345	662	2,927	390
6. Vested participants' contributions	26,484	24,173	3,167	3,156
7. Administrative expenses paid by the plan	(12,351)	(11,544)	-	-
8. Benefits paid by the plan ⁽²⁾	(101,120)	(87,091)	(10,197)	(7,923)
9. Gains/(losses) on assets ⁽³⁾	8,820	23,477	-	-
10. Fair value of plan assets at the end of the period	158,763	146,781	-	-

⁽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.

j) Reconciliation Between Opening and Closing Balances of the Asset Ceiling Effect

Specification	Capef	
	VC I Plan	
	12.31.2019	12.31.2018
1. Asset ceiling effect at the beginning of the period	(40,202)	(22,822)
2. Interest on asset ceiling effect	(3,817)	(2,376)
3. Remeasurement of asset ceiling effect	(12,249)	(15,004)
4. Asset ceiling effect at the end of the period	(56,268)	(40,202)

k) 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	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Present value of actuarial obligation at the end of the period	(5,647,446)	(4,545,981)	(32,359)	(14,538)
2. Fair value of plan assets at the end of the period	4,715,575	3,939,911	88,627	54,740
3. Surplus (deficit) of the plan (item 1 - item 2)	(931,871)	(606,070)	56,268	40,202
4. Asset ceiling effect at the end of the period	-	-	(56,268)	(40,202)
5. Liability recognized in the balance sheet at the end of the period (Note 16.i)	(931,871)	(606,070)	-	-

Specification	Camed		Life insurance	
	Natural Plan			
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. Present value of actuarial obligation at the end of the period	(2,293,236)	(1,621,151)	(363,829)	(147,161)
2. Fair value of plan assets at the end of the period	158,763	146,781	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(2,134,473)	(1,474,370)	(363,829)	(147,161)
4. Liability recognized in the balance sheet at the end of the period (Note 16.i)	(2,134,473)	(1,474,370)	(363,829)	(147,161)

l) Amounts recognized in P&L for the year

Specification	Capef					
	DB Plan			VC I Plan		
	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Current service cost, net	(1,435)	(2,811)	(8,350)	758	1,412	966
1.1. Service cost	(1,495)	(2,989)	(8,562)	(60)	(119)	(463)
1.2. Active participants' contributions	60	178	212	818	1,531	1,429
2. Net interest	(25,149)	(50,297)	(35,776)	-	-	-
2.1. Interest expense	(196,499)	(392,997)	(390,990)	(655)	(1,311)	(2,034)
2.2. Interest income	171,350	342,700	355,214	2,558	5,128	4,410
2.3. Interest on ceiling effect	-	-	-	(1,903)	(3,817)	(2,376)
3. Amounts recognized in P&L for the year (item 1 + item 2)	(26,584)	(53,108)	(44,126)	758	1,412 ⁽¹⁾	966 ⁽¹⁾

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

Specification	Camed Natural Plan			Life insurance		
	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Current service cost, net	172	(9,281)	(17,801)	420	951	(824)
1.1. Service cost	-	(9,626)	(18,463)	(988)	(1,976)	(1,214)
1.2. Active participants' contributions	172	345	662	1,408	2,927	390
2. Net interest	(66,017)	(132,034)	(128,222)	(6,579)	(13,158)	(12,760)
2.1. Interest expense	(72,723)	(145,446)	(139,767)	(6,579)	(13,158)	(12,760)
2.2. Interest income	6,706	13,412	11,545	-	-	-
3. Amounts recognized in P&L for the year (item 1 + item 2) ⁽¹⁾	(65,845)	(141,315)	(146,023)	(6,159)	(12,207)	(13,584)

⁽¹⁾ Including employees' contribution granted to be refunded to the Bank - Natural Plan: 2nd half/2019: R\$29; 01.01 to 12.31.2019: R\$69; 01.01 to 12.31.2018: R\$46; and Life Insurance: 2nd half/2019: R\$3; 01.01 to 12.31.2019: R\$6; 01.01 to 12.31.2018: R\$7.

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

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Contributions (DC portion) ⁽¹⁾	(33,562)	(61,005)	(56,669)

⁽¹⁾ Including transferred employees' contribution: 2nd half of 2019: R\$55; 01.01 to 12.31.2019: R\$148; and 01.01 to 12.31.2018: R\$250.

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

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Administrative expenses	(3,713)	(6,880)	(6,999)

m) Amounts for the Period Recognized in Equity

The actuarial losses deriving from financial assumptions, at 12.31.2019, refer to the decreases in the actual discount rates in relation to 12.31.2018, which decreased from 4.80% (12.31.2018) to 2.87% (12.31.2019) in the BD plan; and from 4.98% (12.31.2018) to 3.46% (12.31.2019) in the VC I, Natural and Life Insurance plans.

In addition, the Bank recorded losses mainly arising from:(i) change in the costing plan, in DB plan, with the reduction of the vested participant's contribution percentage and benefit readjustment; (ii) increase in average health care costs in the Natural plan - these losses were higher than gains generated by the reduction of the administrative expenses' percentage and of health care inflation (HCCTR), after the change in the basis of health care costs of the last 10 years - and the readjustment of the dependent's contribution table; and (iii) change in the Group life insurance contract, whose ceiling insured capital was increased and premiums rates was reduced.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 12.31.2019	01.01 to 12.31.2018	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Gains/(losses) on assets ⁽¹⁾	723,152	102,227	18,973	3,050
2. Actuarial gains (losses) on obligation	(1,074,974)	(333,504)	(9,656)	9,566
2.1. From experience adjustments	174,051	73,739	426	10,310
2.2. From changes in financial assumptions	(965,365)	(403,707)	(10,082)	(871)
2.3. From changes in the costing plan	(106,590)	-	-	-
2.4. From the Voluntary Dismissal Program ("PID")	-	(3,536)	-	127
2.5. From application of the benefit readjustments	(177,070)	-	-	-
3. Asset ceiling effect	-	-	(12,249)	(15,004)
4. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3)⁽²⁾	(351,822)	(231,277)	(2,932)	(2,388)

⁽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 DB Plan actuarial calculation:01.01 to 12.31.2018: R\$57; and of the VC I plan: 01.01 to 12.31.2018: (R\$419).

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 12.31.2019	01.01 to 12.31.2018	01.01 to 12.31.2019	01.01 to 12.31.2018
1. Gains/(losses) on assets ⁽¹⁾	8,820	23,477	-	-
2. Actuarial gains (losses) on obligation	(604,000)	(66,597)	(208,564)	(3,387)
2.1. Experience adjustments	(28,351)	167,801	43,187	8,366
2.2. Changes in financial assumptions	(484,613)	(231,162)	(85,548)	(11,795)
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)	44,932	-	-	-
2.6. Changes in Other Assumptions -PID	-	(3,236)	-	42
2.7. 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⁾	(595,180)	(43,120)	(208,564)	(3,387)

⁽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 Natural Plan actuarial calculation:01.01 to 12.31.2018: R\$(20) and in the Group life insurance:01.01 to 12.31.2019: (R\$1).

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

Specification	Capef			
	DB Plan		VC I Plan	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. (Liabilities)/assets recognized at the beginning of the period	(606,070)	(411,216)	-	-
2. Employer contributions	79,129	80,549	1,520	1,422
3. Amounts recognized in P&L	(53,108)	(44,126)	1,412	966
4. Amounts recognized in equity for the period	(351,822)	(231,277)	(2,932)	(2,388)
5. (Liabilities)/assets recognized at the end of the period (Note 16.i)	(931,871)	(606,070)	-	-

Specification	Camed		Life insurance	
	Natural Plan			
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
1. (Liabilities)/assets recognized at the beginning of the period	(1,474,370)	(1,354,238)	(147,161)	(134,567)
2. Employer contributions	81,979	74,332	4,103	4,377
3. Return of Sponsor's contributions	(5,587)	(5,231)	-	-
4. Amounts recognized in P&L	(141,315)	(146,023)	(12,207)	(13,584)
5. Amounts recognized in equity	(595,180)	(43,120)	(208,564)	(3,387)
6. (Liabilities)/assets recognized at the end of the period (Note 16.i)	(2,134,473)	(1,474,370)	(363,829)	(147,161)

o) 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 (%)	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Fixed income	89.17	89.59	79.11	87.13	94.44	94.94
Variable income	2.68	0.95	7.30	4.44	2.88	4.50
Real Estate	6.34	6.67	6.02	3.11	2.68	0.56
Multimarket (Foreign and Structured Funds)	-	0.46	3.40	-	-	-
Operations with Participants	1.81	2.33	4.17	5.32	-	-
Other	-	-	-	-	-	-
Amounts included in the fair value of plan assets						
In financial instruments at the Bank	0.53	0.25	-	-	94.44	94.94
In properties/other assets used by the Bank	0.65	0.85	-	-	2.68	0.56

p) Sensitivity analysis of main assumptions

The sensitivity analysis shows how the defined benefit obligation, as of 12.31.2019, would be affected by changes in the following significant assumptions: (i) the increase or decrease by 0.25% p.a. in interest rate; and (ii) 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	
	12.31.2019	+ 0.25%	-0.25%
Present value of actuarial obligation	(5,647,446)	(5,505,385)	(5,796,669)
Fair value of assets	4,715,575	4,715,575	4,715,575
Technical surplus (deficit)	(931,871)	(789,810)	(1,081,094)
Variations:			
Increase/decrease in actuarial obligation (%)		(2.5%)	2.6%
Increase/decrease in technical surplus (deficit) – (%)		(15.2%)	16.0%

Capef - VC I Plan	Current parameters	Interest rate	
	12.31.2019	+0.25%	-0.25%
Present value of actuarial obligation	(32,359)	(30,002)	(34,560)
Fair value of assets	88,627	88,627	88,627
Technical surplus (deficit) ⁽¹⁾	56,268	58,625	54,067
Variations:			
Increase/decrease in actuarial obligation (%)		(7.3%)	6.8%
Increase/decrease in technical surplus (deficit) – (%)		4.2%	(3.9%)

⁽¹⁾ Amount not recognized in view of the asset ceiling effect.

Camed - Natural Plan	Current parameters	Interest rate		HCCTR	
	12.31.2019	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Present value of actuarial obligation	(2,293,236)	(2,196,510)	(2,396,809)	(2,401,981)	(2,191,149)
Fair value of assets	158,763	158,763	158,763	158,763	158,763
Technical surplus (deficit)	(2,134,473)	(2,037,747)	(2,238,046)	(2,243,218)	(2,032,386)
Variations:					
Increase/decrease in actuarial obligation (%)		(4.2%)	4.5%	4.7%	(4.5%)
Increase/decrease in technical surplus (deficit) – (%)		(4.5%)	4.9%	5.1%	(4.8%)

Life insurance	Current parameters	Interest rate	
	12.31.2019	+ 0.25%	-0.25%
Present value of actuarial obligation	(363,829)	(346,785)	(382,108)
Technical surplus (deficit)	(363,829)	(346,785)	(382,108)
Variations:			
Increase/decrease in actuarial obligation (%)		(4.7%)	5.0%
Increase/decrease in technical surplus (deficit) - (%)		(4.7%)	5.0%

q) Impacts on Future Cash Flows

q.1) Expected contributions for 2020

Specification	Capef		Camed	Life insurance
	DB Plan ⁽¹⁾	VC I Plan ⁽²⁾	Natural Plan ⁽³⁾	
1. Employer contributions	88,707	1,447	63,779	3,557
2. Active Employees' contributions	70	1,416	-	2,385
3. Former Vested Employees' contributions	88,638	-	27,711	4,099

⁽¹⁾ Except for contributions intended for administrative costing: 01.01 to 12.31.2019: Employer:R\$6,677 and Employees/Vested participants: R\$6,677;

⁽²⁾ Except for contributions intended for part of the DC plan: 01.01 to 12.31.2019: Employer:R\$58,107 and Employees:R\$58,138;

⁽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	661,802	251	104,722	9,722
From 1 to 2 years	557,941	292	106,552	10,329
From 2 to 3 years	515,793	344	112,033	10,961
From 3 to 4 years	473,753	385	117,916	11,596
Over 4 years	4,029,374	83,897	5,247,834	770,119
Total	6,238,663	85,169	5,689,057	812,727

⁽¹⁾ The amounts of expected benefits were calculated without present value discount.

⁽²⁾ Net of co-payment of vested participants.

r) Estimated Expenses for 2020

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(11,920)	1,284	(42,489)	(1,418)
2. Net interest	(58,611)	-	(151,390)	(26,123)
3. Total unrecognized (expenses)/revenues	(70,531)	1,284	(193,879)	(27,541)

NOTE 24 - Profit Sharing

The employees' profit sharing proposal for year corresponds to R\$105,003 (R\$46,532 at 12.31.2018), equivalent to 6.05% of net income for the year (6.41% at 12.31.2018) and 25% (25% at 12.31.2018) of dividends/interest on equity for the year.

The profit sharing expense for the year amounts to R\$105,246 (R\$47,208 at 12.31.2018), of which R\$105,003 (R\$46,532 at 12.31.2018) refer to Employees and R\$243 (R\$676 at 12.31.2018) refer to officers. Profit sharing amounts paid to Employees and Officers amounted to R\$79,235 (R\$37,329 at 12.31.2018) and R\$1,396 (R\$1,603 at 12.31.2018), respectively.

NOTE 25 - Fundo Constitucional de Financiamento do Nordeste (FNE)

- a) The total Equity of FNE, amounting to R\$89,289,553 (R\$82,046,352 at 12.31.2018) 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\$22,691,198 (R\$24,575,929 at 12.31.2018), 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\$1,381,078 (R\$1,507,276 at 12.31.2018).
- 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. The financing balances and provisions recorded under "Provision for financial guarantees provided" of the Bank are broken down as follows:

Risk level	Balances at 12.31.2019	Provision at 12.31.2019 ⁽²⁾	Balances at 12.31.2018	Provision at 12.31.2018 ⁽²⁾
AA	23.744.405	-	15.264.524	-
A	18.297.029	45.788	16.111.654	40.472
B	5.699.923	28.786	6.597.508	33.423
C	1.714.095	25.646	1.865.307	27.960
D	886.581	44.349	1.038.784	51.886
E	938.294	141.085	997.889	149.863
F	370.768	92.668	305.047	76.574
G	357.882	125.306	306.642	107.328
H	4.506.150	2.243.963	4.992.689	2.502.201
Total	56.515.127	2.747.591⁽¹⁾	47.480.044	2.989.707⁽¹⁾

⁽¹⁾ At 12.31.2019, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R\$44,715 (R\$46,587 at 12.31.2018).

⁽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 operations contracted up to 12.31.2011, with FNE funds and mixed funds from FNE and other sources.

- d) 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\$1,607,175 (R\$1,361,114 at 12.31.2018).
- e) In the period, the administration fee was R\$1,422,679 (R\$1,394,979 at 12.31.2018), calculated at 2.7% p.a. on Equity and appropriated on a monthly basis.

- f) 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.

NOTE 26 - 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⁾	12.31.2019	12.31.2018
Proger-Urbano - Investment	017/2006	-	373
Protrabalho - Investment	004/2007	105,039	107,606
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	-	15,859
Total		105,039	123,838

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R\$18,823 (R\$66,154 at 12.31.2018), are subject to average SELIC rate while they are not used in loan transactions. Regarding the funds released, their remuneration is calculated based on the Long-term Interest Rate (TJLP) for transactions taken out up to December 31, 2017 and Long-term Rate (TLP) for funds referring to transactions taken out from January 1, 2018 onwards, after they are released to final borrowers and over the period of financing. Available funds yielding interest at average SELIC rate totaled R\$1,105 (R\$29,249 at 12.31.2018).

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			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	17,716	18,062
PNMPO	01/2010	RA	31,138	407	759	2	761
Total (Note 13.b and Note 28.a.1)			49,158	605	1,105	17,718	18,823

Specification	Tade ⁽¹⁾	Return of FAT funds			12.31.2018		
		Form ⁽²⁾	RA	SELIC remuneration	Available TMS ⁽³⁾	TJLP or TLP applied ⁽⁴⁾	Total
Proger – Urbano- Investimento	17/2006	RA	2,684	128	9,360	190	9,550
FAT - Infraestrutura ⁽⁵⁾	18/2006	RA	42,783	996	1,286	-	1,286
Protrabalho-Investment	04/2007	RA	25,312	378	1,778	22,196	23,974
PNMPO	01/2010	RA	51,478	859	16,825	14,519	31,344
Total (Note 13.b and Note 28.a.1)			122,257	2,361	29,249	36,905	66,154

⁽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 transactions taken out from 01.01.2018 onwards.

⁽⁵⁾ Regarding FAT - Infraestrutura, RA is 1% on the balance and deductible reimbursements refer to the last 4 months.

NOTE 27 - 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 Bank'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.

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 Letter 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	
	12.31.2019	12.31.2018
Loans, co-payments and guarantees given	45,232,910	37,950,059
Public sector	1,080,003	1,036,853
Private sector	44,152,907	36,913,206
Trade	4,170,917	3,923,129
Foreign trade	776,651	835,103
Manufacturing	7,427,931	7,223,793
Infrastructure	13,628,564	8,855,282
Urban micro-financing	4,327,132	3,288,408
Individuals	128,248	129,389
Rural	8,758,702	8,079,973
Other Services	4,934,762	4,578,129
Market transactions	46,250,525	46,080,208
Federal Government securities	43,360,635	42,777,700
Repurchase agreements	6,382,342	10,247,552
Other	36,978,293	32,530,148
Interbank Deposits	75,991	108,350
Other securities	1,025,081	1,923,825
Other transactions	1,788,818	1,270,333
Other assets	4,892,986	5,414,501
Total	96,376,421	89,444,768

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\$3,283,834 (R\$3,674,323 at 12.31.2018). These transactions are backed by collaterals totaling R\$4,703,071 (R\$4,518,315 at 12.31.2018).

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	12.31.2019(%)	12.31.2018(%)
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Liquidity ratio	At reporting date	931.37	978.89
	Average for the last 12 months	854.15	965.33
	Maximum for the last 12 months	1,114.25	1,460.41
	Minimum for the last 12 months	493.14	720.43

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:

- VaR (value at risk) of asset and liability transactions in trading portfolio;
- change in in the economic value of financial instruments (Δ EVE) of the banking portfolio;
- change in gain (loss) from financial intermediation (Δ NI) of the banking portfolio;
- mapping of Minimum Required Capital (MRC);
- foreign exchange exposure report;
- sensitivity analysis;
- stress testing;
- back-testing; and
- 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
<ul style="list-style-type: none"> 1% (one percent) of the Referential Equity (RE) as the possibility of maximum loss of the Trading Portfolio; 15% (fifteen 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); 15% (fifteen 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 (ΔNI) used to measure the interest rate risk in the book banking (IRRBB); 8% (eight percent) of the amount of Referential Equity (RE), as the maximum limit of exposures in foreign currency. 	<p>If the exposure level exceeds 80% of the limit, the Risk Management Area will issue a warning to the Executive Board, the Risk Management Corporate Committee and to managing areas of the products/processes responsible for the exposure;</p> <p>If the exposure level exceeds the established limit, the Risk Management Area will issue a formal communication (warning) to the Risk Management Committee, the Executive Board, the Risk and Capital Committee and the Board of Directors for assessment and decision-making process, aiming at correcting directions and adequacy to the tolerance parameter established in the Bank's Risk Appetite Statement (RAS).</p>

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	1,718,274	1,716,936	(1,338)	1,715,599	(2,675)
Banking portfolio						
Dollar coupon	Reduction in coupon	(34,398)	(35,652)	(1,254)	(36,963)	(2,565)
Euro coupon	Increase in coupon	4,046	4,044	(2)	4,042	(4)
IGP coupon	Increase in coupon	230,044	225,713	(4,331)	221,683	(8,361)
IPCA coupon	Increase in coupon	(161,772)	(164,781)	(3,009)	(131,214)	30,558
TJLP coupon	Increase in coupon	85,689	84,793	(896)	83,929	(1,760)
TR coupon	Increase in coupon	(1,905,457)	(1,959,432)	(53,975)	(1,997,678)	(92,221)
Fixed interest rate	Increase in interest rate	4,416,499	4,339,359	(77,140)	4,272,176	(144,323)

(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\$47,271 (R\$64,563 at 12.31.2018 - short position), as follows:

Specification	12.31.2019	12.31.2018	Specification	12.31.2019	12.31.2018
Cash and cash equivalents	1,939	3,879	Deposits	-	-
Interbank Investments	24,441	45,188	Interdepartmental accounts	3,381	7,996
Loans	423,461	569,098	Borrowings and onlending - domestic	59,338	66,964
Other credits	879,654	879,154	Borrowings and onlending - foreign	431,861	1,729,785
			Other liabilities	882,186	905,756
Total assets in foreign currencies, excluding derivatives	1,329,495	1,497,319	Total liabilities in foreign currencies	1,376,766	2,710,501
Swap transactions	-	1,148,619			
Total long position in foreign currencies	1,329,495	2,645,938	Total short position in foreign currencies	1,376,766	2,710,501

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 12.31.2019, the Bank had a wide Basel rate (including capital to cover IRRBB) of 14.35% (13.55% at 12.31.2018). Tier I rate was 10.44% (9.00% at 12.31.2018) while Principal Capital rate was 9.04% (9.00% at 12.31.2018). RE computed was R\$8,265,588 (R\$6,514,685 at 12.31.2018), Tier I was R\$5,982,984 (R\$4,279,871 at 12.31.2018) and Principal Capital was R\$5,181,944 (R\$4,279,871 at 12.31.2018), while risk weighted assets (RWA amount) totaled R\$57,311,851 (R\$47,553,157 at 12.31.2018).

i. Minimum Required Capital - MRC (Basel III)

Specification	12.31.2019	12.31.2018
Referential Equity (RE)	8,265,588	6,541,685
. Tier I	5,982,984	4,279,871
. Principal Capital	5,181,944	4,279,871
. Complementary Capital	801,040	-
. Tier II	2,282,604	2,261,814
Risk-Weighted Assets (RWA)	57,311,851	47,553,157
. RWACPAD	46,532,628	37,903,465
. RWACAM	59,350	75,752
. RWAJUR	42,050	106,481
. RWACOM	4,375	4,812
. RWAOPAD	10,673,448	9,462,647
Margin on required RE	3,680,640	2,440,226
Capital to Interest Rate Risk for instruments classified in the Banking Book (IRRBB)	21,535	63,881
Margin on Required Referential Equity considering IRRBB	3,659,105	2,376,344
Margin on Tier I Required Referential Equity	2,544,273	1,426,681
Margin on Required Principal Capital	2,602,911	2,139,979
Required Additional Capital - ACP (2.5%) ⁽¹⁾	1,432,796	891,622
Margin on Required Additional Capital	1,111,477	535,060
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	9.04%	9.00%
. Tier I index (minimum requirement of 6.0%)	10.44%	9.00%
. Referential Equity index (minimum requirement of 8.0%) ⁽²⁾	14.42%	13.76%
. Referential Equity index including IRRBB	14.35%	13.55%

⁽¹⁾ 1.875% in December 2018.

⁽²⁾ 8.625% in December 2018.

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	12.31.2019	12.31.2018
Referential Equity (RE)	8,265,588	6,541,685
TIER I REFERENTIAL EQUITY	5,982,984	4,279,871
Principal Capital	5,181,944	4,279,871
Capital	3,813,000	2,844,000
Income reserves	2,651,514	2,277,391
Capital and revaluation reserve	13,726	11,592
Equity adjustments	(1,050,835)	(950,962)
Debt instruments eligible to Principal Capital	500,000	1,000,000
Prudential Adjustments	(745,461)	(902,150)
Prudential Adjustments - intangible assets	(563)	(19,947)
Prudential adjustment - Tax credits from temporary differences	(741,219)	(850,937)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(3,679)	(31,266)
Complementary Capital	801,040	-
Instruments Eligible to Complementary Capital (Note 16.g)	801,040	-
TIER II REFERENTIAL EQUITY	2,282,604	2,261,814
Instruments eligible to Tier II	2,282,604	2,282,604
Investment in other entities deducted of Tier II	-	(20,790)

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 aforementioned 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 Letter 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	12.31.2019	12.31.2018
Tier I Referential Equity	5,982,984	4,279,871
Total exposure	96,438,083	90,347,459
Leverage Ratio (%)	6.20	4.74

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	12.31.2019	12.31.2018
Referential Equity - fixed asset to equity limit	8,265,588	6,541,685
Fixed asset to equity limit (50% of adjusted RE)	4,132,794	3,270,842
Situation	231,910	173,054
Margin	3,900,884	3,097,789
Fixed asset to equity ratio	2.81%	2.65%

NOTE 28 - 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	12.31.2019	12.31.2018
Liabilities		
Time deposits - FAT (Note 13.b. and Note 26)	18,823	66,154
Domestic onlending - Official institutions (Note 14.b.)	1,167,737	1,222,018
National Treasury	505	482
BNDES	1,118,933	1,155,450
Finame	48,299	66,086
Other Liabilities	26,756,657	28,755,883
FNE (Note 16.f)	22,702,557	24,585,592
FDNE	662,590	697,939
Merchant Marine Fund (FMM)	96,311	102,906
Debt instruments eligible to capital (Note 16.g and Note 17.a.)	750,000	1,000,000
Subordinated debts eligible to capital (Note 16.h and Note 17.c.)	2,545,199	2,369,446
Total	27,943,217	30,044,055

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

Specification	12.31.2019	12.31.2018
Retirement and DB Pension Plan (Note 16.k and Note 23.k)	931,871	606,070
Health Care Plan (Note 16.k and Note 23.k)	2,134,473	1,474,370
Life insurance - Post-Employment Benefit (Note 16.k and Note 23.k)	363,829	147,161
Total	3,430,173	2,227,601

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

Specification	2nd half/2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Time deposits - FAT	(52,450)	(106,649)	(110,794)
National Treasury	(9)	(25)	(33)
BNDES	(40,110)	(92,965)	(125,881)
Finame	(1,203)	(2,849)	(4,276)
FMM	(4,881)	(9,003)	(15,804)
FNE	329,576	467,001	294,381
FDNE	13,101	26,273	26,348
Debt Instruments Eligible to Principal Capital	(82,456)	(239,988)	(173,481)
Subordinated Debts Eligible to Capital	(87,185)	(175,754)	(163,979)
Retirement and DB pension plan	(30,297)	(59,988)	(51,125)
Retirement and VC I pension plan	(32,749)	(59,446)	(55,453)
Health insurance plan	(65,816)	(141,246)	(145,977)
Life insurance - Post-employment benefit	(6,156)	(12,201)	(13,577)

b) Management Compensation

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

Specification	2nd half of 2019	01.01 to 12.31.2019	01.01 to 12.31.2018
Fees	1,939	3,830	4,707
Executive Board	1,671	3,284	4,081
Board of Directors	132	275	329
Supervisory Board	136	271	297
Other	665	1,268	1,440
Variable compensation (RVA) ⁽¹⁾	225	1,054	1,136
Total short-term benefits	2,829	6,152	7,283
Post-employment benefits	137	261	286
Total	2,966	6,413	7,569

A corresponds to an equity-based instrument, and the parameter for provision and payment in cash is the quotation price of the Bank's shares on B3. The amounts in the table above correspond to the provision for payments in the six-month period, as well as deferred installments to be settled in the following three years, in accordance with CMN Resolution No. 3921 of 11.25.2010.

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 29 - Statement of Comprehensive Income

Specification	2nd half of 2019	01.01 to 12.31.2019	01.01 to 12.31.2018 (restated)
Net Income	991,908	1,736,685	737,018
Other Comprehensive Income	(55,044)	(102,007)	(99,964)
Equity adjustment to available-for-sale securities	308,404	837,938	122,388
Tax effect on Equity adjustment to available-for-sale securities	(146,956)	(358,137)	(54,063)
Realization of Revaluation Reserve	49	(3,879)	177
Tax effect on revaluation reserve realized	174	1,745	(133)
Actuarial gains (losses)	(553,569)	(1,158,500)	(280,554)
Tax Effect on Actuarial Gains or Losses	336,854	578,826	112,221
Comprehensive Income	936,864	1,634,678	637,054

NOTE 30 - Other Information

a) 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.

b) Approval of Financial Statements

The financial statements were approved by the Board of Directors at the meeting held on February 12, 2020.

Fortaleza (Ceará State), February 12, 2020.

The Executive Board

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

Independent auditor's report on financial statements

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

Opinion

We have audited the accompanying financial statements of Banco do Nordeste do Brasil S.A. ("Bank"), which comprise the balance sheet as at December 31, 2019, and the related statements of income, of changes in equity and of cash flows for the year 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 December 31, 2019, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Restatement of corresponding figures

We draw attention to Note 3 to the financial statements, which describes that the balance sheet, the statements of income, of comprehensive income, of changes in equity, of cash flow and of value added have been changed to reflect the recalculation of the useful lives of property and equipment items, in accordance with CMN Resolution No. 4535 of 11.24.2016, the effects of which were accounted for in Retained Earnings or Accumulated Losses and Depreciation Expenses. The prior-year corresponding figures, presented for comparison purposes, were adjusted and are being rectified as provided for in NBC TG 23 - Accounting Practices, Changes in Estimates and Errors. Our opinion is not qualified in respect of this matter.

Key audit matters

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

addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements 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 21, 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 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 directly from the Bank’s 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 and tax assessments to which the Bank is party, and the sufficiency of disclosures related to issues arising from contingencies and provisions recorded.

Based on the results of the audit procedures performed on the contingency balance, which is consistent with management’s assessment, we consider that the criteria and assumptions for assessment of loss estimates associated with contingencies adopted by management, as well as the respective disclosures in Note 21, are acceptable in the context of the financial statements taken as a whole.

Post-employment benefits

The Bank has significant liabilities related to post-employment benefit plans that, as described in Note 23, include retirement, health and life insurance benefits. We considered this 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, health care costs, salary increases, household composition, and discount and inflation rates.

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. As a result of these procedures, we identified an audit adjustment indicating an actuarial liability overstated and equity understated. This adjustment was corrected by the Bank and, due to its immateriality on the financial statements taken as a whole, did not result in a change in our audit strategy.

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 23, are acceptable in the context of the financial statements taken as a whole.

2. 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 (credit losses); post-employment benefits; expenses related to other provisions for contingencies; market value adjustments and derivative financial instruments.

We considered this 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 20.

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 20, are acceptable in the context of the financial statements taken as a whole.

3. Allowance for loan losses

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 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 analyzed the sufficiency of disclosures in the notes to financial statements.

Based on the results of the audit procedures performed on the allowance for loan losses, 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.

4. 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 year ended December 31, 2019, prepared under the responsibility of the Bank management and presented as supplementary information for the purposes of accounting practices 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 these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in

accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement CPC 09 and are consistent with the overall individual and consolidated financial statements.

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

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

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

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

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

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercised professional judgment and maintained 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 communicated 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 controls that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 year and are therefore the key audit matters. We are required to 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, February 12, 2020.

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

Eduardo Wellichen
Accountant CRC - 1SP184050/O-6



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 Changes in Equity, of Cash Flows and of Value Added of Banco do Nordeste do Brasil S.A., for the year ended December 31, 2019, which were approved, on the date hereof, by the Board of Directors.

Based on the examination conducted, the information and clarifications received during the year, 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 are in a position to be referred for deliberation at the Annual General Meeting.

Fortaleza (CE), February 12, 2020

SUPERVISORY BOARD

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 2nd HALF OF 2019

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.

2 – Responsibilities

Coaud’s responsibilities are defined, among others, by Law No. 13303/2016 (State Law), Decree No. 8945/2016, CMN Resolution No. 3198/2004, as well as by Banco do Nordeste do Brasil’s Charters and Internal Regulation. 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*”.

The Audit Committee is responsible for evaluating the quality and integrity of the Financial Statements, the independence and quality of the external auditor’s work and of the Internal Audit, and the quality and effectiveness of the Internal Control System and risk management.

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 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 is responsible for performing periodic work, focusing on the main risks to which the Bank is exposed, monitoring, evaluating and assessing, independently, the risk management actions and the adequacy of governance and internal controls through checks as to the quality, sufficiency, compliance and effectiveness.

3 - Activities of the period

The activities developed by Coaud, in accordance with its Work Plan approved by Consad, 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 32 meetings over the 2nd half of 2019. In addition to its internal meetings, the work meetings included among the interlocutors the Board of Directors, the Supervisory Board, the Capital

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 2nd HALF OF 2019

and Risk Committee, BNB's CEO, the Executive Board, the internal and external audit, managing officers of the Bank's key areas, in addition to *Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil* (CAPEF). On these occasions, the main issues related to each area were addressed, and recommendations for improvement were provided, as applicable.

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.

3.1 Internal Audit

At the meetings held with the Audit Superintendence, its planning process, projects and compliance with the legislation and regulations applicable to the Internal Audit, among others, 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.

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.

3.3 Internal Control System

The assessment of the effectiveness of the Internal Control System was based mainly on the results of the work performed by the 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. Debates were also held and the conclusions of the internal and external audit work, as well as the assumptions used, the adherence of the actuarial assumptions and the results obtained by the plans were discussed.

SUMMARY OF AND CONCLUSIONS ON THE AUDIT COMMITTEE REPORT - 2nd HALF OF 2019

3.6 Risk Exposure

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

3.7 Financial Statements

BNB's Financial Statements, including explanatory information, the Management Report and the Independent Auditor's Report, unqualified, for the year ended 12.31.2019, 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 Internal Control System

The Internal Control System of Banco do Nordeste do Brasil is appropriate to the size and complexity of the Bank's business and is subject to permanent attention by Management. Nevertheless, there is still room for development, especially relating to strengthening the scope of performance of the second line of defense, in order to capture and monitor the implementation of improvement opportunities identified internally and by supervisory and control agencies.

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 deserves the Bank's coordinated 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 - 2nd HALF OF 2019

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 Audit System and the Audit Center, as well as permanent attention to the qualification of its professionals.

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.

4.4 Financial Statements

The Financial Statements for 2019 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, and reflect, in all material respects, the Banks's financial and patrimonial situation.

Fortaleza (Ceará State), February 12, 2020.

Audit Committee



MINISTÉRIO DA
ECONOMIA



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\$)

12.31.2019

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

(Law No. 7827 of 09.27.1989)

BALANCE SHEETS

Years ended December 31, 2019 and 2018

(Amounts in R\$ thousand)

ASSETS				LIABILITIES AND EQUITY			
		12.31.2019	12.31.2018			12.31.2019	12.31.2018
CURRENT ASSETS		36.749.337	38.305.319	CURRENT LIABILITIES		60	100
CASH AND CASH EQUIVALENTS	(Note 4.c.1)	6.091.262	15.332.039	Other liabilities		60	100
FUNDS COMMITTED WITH LOANS	(Note 4.c.1)	16.599.936	9.243.890	Accrued liabilities payable		60	100
AMOUNTS RECEIVABLE - CEF - EQUALIZATION OF BONUS FOR TIMELY PAYMENT		46	68				
LINKED CREDITS		859	222	EQUITY	(Note 7.b)	89.289.553	82.046.352
Rural Credit - PROAGRO receivable		859	222	TRANFERS FROM FEDERAL GOVERNMENT:			
ONLENDING DEBTORS		60.708	60.660	In the year		8.157.554	7.480.547
Onlending debtors - Other Institutions		60.708	60.660	In prior years		82.964.174	75.483.627
LOANS	(Note 4.b.2 and Note 6)	13.985.163	13.658.646	INCOME FROM PRIOR YEARS		(941.402)	(1.017.151)
Financing		6.458.745	6.801.680	INCOME FOR THE YEAR		(890.773)	99.329
Export financing		181.794	162.821				
Infrastructure and Development Financing		465.897	298.878				
Agribusiness Financing		255.409	242.902				
Rural Financing		7.109.342	6.659.003				
(Allowance for loan losses)		(486.024)	(506.638)				
OTHER CREDITS	(Note 4.c.4)	11.359	9.663				
Rights on Assets Received in Loan Transactions		11.359	9.663				
OTHER ASSETS	(Note 4.c.5)	4	131				
PROAGRO Securities		4	4				
Agrarian Debt Bonds (TDAs)		-	127				
LONG-TERM RECEIVABLES		52.540.276	43.741.133				
LINKED CREDITS		1.195	10.266				
Rural Credit – PROAGRO receivable		1.195	10.266				
ONLENDING DEBTORS		2.676.562	2.478.692				
Onlending Debtors - Banco do Nordeste - article 9-A of Law No. 7827	(Note 5)	2.545.200	2.369.446				
Onlending Debtors - Other Institutions		131.362	109.246				
LOANS	(Note 4.b.2 and Note 6)	49.862.247	41.251.821				
Financing		18.800.941	17.388.384				
Export financing		1.197	13.401				
Infrastructure and Development Financing		13.767.881	7.727.559				
Agribusiness Financing		728.394	710.722				
Rural Financing		16.563.834	15.411.705				
OTHER ASSETS	(Note 4.c.5)	272	354				
Agrarian Debt Bonds (TDAs)		306	436				
(Provision for Devaluation of Securities)		(34)	(82)				
TOTAL ASSETS		89.289.613	82.046.452	TOTAL LIABILITIES AND EQUITY		89.289.613	82.046.452

INCOME STATEMENTS

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019
(Amounts in R\$ thousand)

	2nd half of 2019	12.31.2019	12.31.2018
From loans	205.457	532.124	1.324.285
From remuneration of Cash and cash equivalents	638.417	1.381.079	1.507.275
From Reversal of Operating Provisions	33	48	112
EXPENSES			
From Management	(743.785)	(1.422.679)	(1.351.140)
From remuneration of Cash and Cash Equivalents	(42.103)	(86.948)	(88.473)
From Pronaf-compensation of Financial Agent/Performance Bonus	(224.208)	(425.401)	(406.678)
From Allowance for loan losses	(421.506)	(868.798)	(885.932)
From Audit	(180)	(198)	(120)
INCOME (LOSS) FOR THE SIX-MONTH PERIOD/YEAR	(587.875)	(890.773)	99.329

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019
(Amounts in R\$ thousand)

EVENTS	TRANFERS FROM FEDERAL GOVERNMENT	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
BALANCES AT 12.31.2017	75.483.626	(982.125)	74.501.501
Transfers from Federal Government in the year	7.480.547	-	7.480.547
Prior years' adjustments	-	(35.025)	(35.025)
Income for the year	-	99.329	99.329
BALANCES at 12.31.2018	82.964.173	(917.821)	82.046.352
CHANGES FOR THE YEAR	7.480.547	64.304	7.544.851
BALANCES at 12.31.2018	82.964.173	(917.821)	82.046.352
Transfers from Federal Government in the year	8.157.554	-	8.157.554
Prior Years' Adjustments	-	(23.580)	(23.580)
Loss for the year	-	(890.773)	(890.773)
BALANCES at 12.31.2019	91.121.727	(1.832.174)	89.289.553
CHANGES FOR THE SIX-MONTH PERIOD	8.157.554	(914.353)	7.243.201
BALANCES at 06.30.2019	87.327.885	(1.232.532)	86.095.353
Transfers from Federal Government in the six-month period	3.793.842	-	3.793.842
Prior Years' Adjustments	-	(11.767)	(11.767)
Loss for the year	-	(587.875)	(587.875)
BALANCES at 12.31.2019	91.121.727	(1.832.174)	89.289.553
CHANGES FOR THE SIX-MONTH PERIOD	3.793.842	(599.642)	3.194.200

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019

(Amounts in R\$ thousand)

		2nd half of 2019	12.31.2019	12.31.2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) for the Six-Month Period/Year	(Note 7.b)	(587.875)	(890.773)	99.329
Non-cash Expenses (Revenues):				
Allowance for loan losses	(Note 6.d)	421.506	868.798	885.932
Provision for Devaluation of Securities		37	48	30
Reversal of allowances for loans		(33)	(48)	(112)
Accrued Liabilities Payable		-	(41)	61
Adjusted Income (loss) for the Six-Month Period/Year		(166.365)	(22.016)	985.240
Linked Credits		8.318	8.434	(9.685)
Onlending debtors		(109.140)	(197.918)	(145.427)
Loans		(5.789.656)	(9.805.740)	(6.290.385)
Amounts receivable – CEF – Equalization of bonus for timely payment Profrota....		221	22	(13)
Other Credits		130	(1.696)	(264)
Other Assets		114	209	365
Prior years' adjustments	(Note 7.b)	(11.767)	(23.580)	(35.025)
CASH USED IN OPERATING ACTIVITIES		(6.068.145)	(10.042.285)	(5.495.194)
CASH FLOWS FROM FINANCING ACTIVITIES				
Transfers from Federal Government	(Note 7.b)	3.793.842	8.157.554	7.480.547
CASH PROVIDED BY FINANCING ACTIVITIES		3.793.842	8.157.554	7.480.547
Increase (decrease) in cash and cash equivalents		(2.274.303)	(1.884.731)	1.985.353
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS:				
At beginning of six-month period/year		24.965.501	24.575.929	22.590.576
At end of six-month period/year		22.691.198	22.691.198	24.575.929
Increase (decrease) in cash and cash equivalents		(2.274.303)	(1.884.731)	1.985.353

NOTES TO FINANCIAL STATEMENTS OF FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE (FNE)
Years ended December 31, 2019 and 2018
(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
Note 2 - Basis of preparation and presentation of financial statements	Note 7 - Equity
Note 3 - Management	Note 8 - Registration with the Federal Government Integrated Financial Management System (Siafi)
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 article 15-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	12.31.2019	12.31.2018
Revenue from Remuneration of Cash and Cash Equivalents	1.381.079	1.507.275

- 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;
- II)** 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	12.31.2019	12.31.2018
Administration fee	1,422,679	1,351,140
BNB's Yielding on Cash and Cash Equivalents	86,948	88,473
Yielding on PRONAF Balance	288,343	274,184
Yielding on PRONAF Disbursements	73,952	75,643
Performance Bonus	63,106	56,851
Total	1,935,028	1,846,291

c) Current Assets and Long-term Receivables

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	12.31.2019	12.31.2018
Cash and cash equivalents	6,091,262	15,332,039
Funds committed to loans ⁽¹⁾	16,599,936	9,243,890
Total Cash and Cash Equivalents	22,691,198	24,575,929

⁽¹⁾ Until 2018, the allocation to Funds Committed to Loans corresponded to the amount of expected and unrealized releases up to the calculation month, plus the payment forecast for the next ninety (90) days. From 2019, this practice was changed, starting considering a period of twelve (12) months of payment forecast with FNE funds rather than the subsequent 90 days.

- 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 (Prodecir) - 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	12.31.2019	12.31.2018
Exemption/Rebate - FNE Operations honored by the Bank	10,745	11,365
Exemption/Rebate - Operations with Other Sources - BNB	559,922	44,592
Discounts granted in Renegotiations	213,077	200,542
Total	783,744	256,499

- 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	12.31.2019	12.31.2018
Rights on assets received in loans	11,359	9,663
Total Other Credits	11,359	9,663

- 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	12.31.2019	12.31.2018
PROAGRO securities	4	4
Agrarian Debt Bonds (TDAs)	306	563
(Provision for devaluation of Securities)	(34)	(82)
Total other assets	276	485

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	12.31.2019	12.31.2018
Funds Available	1,629,532	1,379,634
Funds Applied	915,667	989,812
Total onlending to Banco do Nordeste	2,545,199	2,369,446

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.

In the year, yielding from funds temporarily not applied, based on the extra-market rate, reached R\$82,543 (R\$91,330 in 2018), while yielding from funds applied, based on the charges agreed with the borrowers, totaled R\$93,211 (R\$72,648 in 2018), as follows:

Specification	12.31.2019	12.31.2018
Yielding on Available Funds	82,543	91,330
Yielding on Funds Applied	93,211	72,648
Total	175,754	163,978

NOTE 6 - Financing transactions, onlending and allowance for loan losses

a) Breakdown of Loan Portfolio

a.1) Total Portfolio

Financing	12.31.2019			12.31.2018		
	Current	Past due	Balance at	Current	Past due	Balance
Financing	24,461,917	797,768	25,259,685	23,409,986	780,079	24,190,065
Export financing	182,991	-	182,991	174,502	1,720	176,222
Infrastructure and development financing	14,233,777	-	14,233,777	8,026,258	179	8,026,437
Agribusiness financing	924,448	59,355	983,803	893,779	59,895	953,674
Rural financing	23,027,094	646,084	23,673,178	21,307,436	763,271	22,070,707
Subtotal	62,830,227	1,503,207	64,333,434	53,811,961	1,605,144	55,417,105
Onlending to BNB	2,545,199	-	2,545,199	2,369,446	-	2,369,446
Onlending to other institutions	153,629	38,441	192,070	131,465	38,441	169,906
Total portfolio	65,529,055	1,541,648	67,070,703	56,312,872	1,643,585	57,956,457
Allowance	(58,282)	(427,742)	(486,024)	(71,034)	(435,604)	(506,638)
Total, net ⁽¹⁾	65,470,773	1,113,906	66,584,679	56,241,838	1,207,981	57,449,819

a.2) Full Risk Portfolio for BNB

Financing	12.31.2019			12.31.2018		
	Current	Past due	Balance	Current	Past due	Balance
Financing	-	-	-	989	2	991
Agribusiness financing	1,934	-	1,934	1,804	-	1,804
Rural financing	81,348	5,430	86,778	157,454	7,714	165,168
Subtotal	83,282	5,430	88,712	160,247	7,716	167,963
Onlending to BNB	2,545,199	-	2,545,199	2,369,446	-	2,369,446
Onlending to other institutions	152,286	-	152,286	126,684	-	126,684
Total portfolio	2,780,767	5,430	2,786,197	2,656,377	7,716	2,664,093
Total, Net ⁽¹⁾	2,780,767	5,430	2,786,197	2,656,377	7,716	2,664,093

a.3) Shared Risk Portfolio

Financing	12.31.2019			12.31.2018		
	Current	Past due	Balance	Current	Past due	Balance
Financing	24,355,184	789,750	25,144,934	23,311,911	773,504	24,085,415
Export financing	182,991	-	182,991	174,502	1,720	176,222
Infrastructure and development financing	14,233,777	-	14,233,777	8,026,258	179	8,026,437
Agribusiness financing	856,259	54,751	911,010	827,207	55,411	882,618
Rural financing	15,512,688	307,634	15,820,322	13,591,656	423,084	14,014,740
Subtotal	55,140,899	1,152,135	56,293,034	45,931,534	1,253,898	47,185,432
Total portfolio	55,140,899	1,152,135	56,293,034	45,931,534	1,253,898	47,185,432
Allowance	(38,409)	(287,131)	(325,540)	(41,983)	(300,678)	(342,661)
Total, Net ⁽¹⁾	55,102,490	865,004	55,967,494	45,889,551	953,220	46,842,771

a.4) Full Risk Portfolio for FNE

Financing	12.31.2019			12.31.2018		
	Current	Past due	Balance	Current	Past due	Balance
Financing	106,733	8,018	114,751	97,086	6,573	103,659
Agribusiness financing	66,255	4,604	70,859	64,768	4,484	69,252
Rural financing	7,433,058	333,020	7,766,078	7,558,326	332,473	7,890,799
Subtotal	7,606,046	345,642	7,951,688	7,720,180	343,530	8,063,710
Onlending to other institutions	1,343	38,441	39,784	4,781	38,441	43,222
Total portfolio	7,607,389	384,083	7,991,472	7,724,961	381,971	8,106,932
Allowance	(19,873)	(140,611)	(160,484)	(29,051)	(134,926)	(163,977)
Total, Net ⁽¹⁾	7,587,516	243,472	7,830,988	7,695,910	247,045	7,942,955

⁽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 12.31.2019	Total at 12.31.2018
Rural	331,369	372,658	395,980	1,594,517	3,330,184	15,845,112	21,869,820	19,859,864
Manufacturing	155,311	163,427	169,423	524,783	1,014,219	12,580,661	14,607,824	13,596,448
Government	5,194	5,194	5,194	11,980	18,366	657,239	703,167	311,725
Other services	111,079	121,807	117,284	355,235	759,118	13,537,498	15,002,021	9,683,078
Trade	208,810	213,019	206,775	595,306	1,008,421	4,467,634	6,699,965	5,852,806
Financial brokers	3	3	3	10	20	149	188	199
Total	811,766	876,108	894,659	3,081,831	6,130,328	47,088,293	58,882,985	49,304,120

⁽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 12.31.2019	Total at 12.31.2018
Rural	27,502	30,227	63,770	118,009	365,869	1,282,161	1,887,538	2,286,561
Manufacturing	26,098	26,477	25,091	71,315	128,842	758,382	1,036,205	1,077,961
Other services	12,728	12,856	11,756	33,719	61,844	405,101	538,004	601,344
Trade	22,890	23,181	20,515	54,216	80,716	328,311	529,829	602,907
Total	89,218	92,741	121,132	277,259	637,271	2,773,955	3,991,576	4,568,773

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 12.31.2019	Total at 12.31.2018
Rural	5,582	56,595	73,186	59,425	155,854	323,305	258	674,205	782,539
Manufacturing	10,863	14,105	29,222	27,920	84,141	169,986	6	336,243	322,084
Other services	4,010	8,793	14,933	14,987	43,794	87,492	-	174,009	189,398
Trade	6,576	15,754	24,358	23,350	68,435	135,933	9	274,415	150,191
Total	27,031	95,247	141,699	125,682	352,224	716,716	273	1,458,872	1,544,212

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;

b.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 year are as follows:

Specification	12.31.2019	12.31.2018
Allowance for loan losses at the beginning of the year	506,638	551,003
. Full FNE Risk	163,976	217,646
. Shared risk	342,662	333,357
(+) Net allowance recognized for the year	868,798	885,850
Allowance for loan losses - expenses	868,798	885,850
. Full FNE Risk	296,781	294,976
. Allowance for past due payment/Renegotiations	296,929	299,400
. Allowance Adjustments due to discounts	(148)	(4,424)
. Shared risk	572,017	590,874
. Allowance for past due payment/Renegotiations	574,762	582,120
. Adjustments of provision for operations indicating irregularities	(2,745)	8,754
(-) Loans written off as loss for the year	(889,412)	(930,215)
. Full FNE Risk	(300,273)	(348,646)
. Shared risk	(589,139)	(581,569)
(=) Allowance for loan losses at the end of the year	486,024	506,638
. Full FNE Risk	160,484	163,976
. Shared risk	325,540	342,662

At 12.31.2019, the amount of R\$37,875 (R\$40,620 at 12.31.2018) 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	2 nd half of 2019	12.31.2019	12.31.2018
Income from loans ⁽¹⁾	2,015,142	4,049,557	4,010,463
Del credere commission of Banco do Nordeste	(840,192)	(1,607,175)	(1,361,113)
Del credere commission of Other Institutions	(1,460)	(2,853)	(3,019)
Expenses on negative monetary restatement	(7,429)	(10,582)	(16,977)
Expenses on renegotiation discounts granted ⁽¹⁾	(126,019)	(213,077)	(200,542)
Expenses on Rebates/bonuses for timely payment - contracted by Banco do Nordeste	(577,436)	(1,096,024)	(1,036,013)
Expenses on Rebates/bonuses for timely payment - Onlending Law No. 7827 - article 9-A	(7,619)	(15,525)	(11,023)
Expenses on Rebates/bonuses for timely payment - Onlending to other institutions	(762)	(1,478)	(1,533)
Expenses on other Banco do Nordeste loans - Rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013 ⁽¹⁾	(6,357)	(10,745)	(11,365)
Expenses on loans - Other sources - Law No. 11322	(51)	(51)	-
Expenses with FNE loans honored by Banco do Nordeste- Rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013	(242,360)	(559,922)	(44,593)
Adjustment of amounts arising from disposal of assets	-	(1)	-
Total	205,457	532,124	1,324,285

⁽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 first half of 2019 reached R\$1,113,027, corresponding to 27.5% of income from loan transactions. In 2018, this expense reached R\$1,048,569, equivalent to 25.9% of income earned.

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	12.31.2019	12.31.2018
Timely payment bonus - FNE loans	1,096,021	1,036,005
Timely payment bonus - Onlending to other Institutions	1,478	1,553
Timely payment bonus - BNB's Onlending Operations - article 9-A of Law No. 7827	15,525	11,023
Timely payment bonus – renegotiations loans	3	8
Total	1,113,027	1,048,569

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 year, Banco do Nordeste returned to FNE the amount of R\$ 596,399 (R\$ 590,116 in 2018), related to BNB's share of risk in transactions that were written off as loss, as follows:

Specification	12.31.2019	12.31.2018
Interministerial Administrative Ruling No. 11 of 12.28.2005 - shared risk	589,145	581,601
Interministerial Administrative Ruling No. 11 of 12.28.2005 - Bank full risk	7,254	8,515
Total	596,399	590,116

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 year, the net negative adjustment of R\$23,580 (R\$35,026 in 2018) refers to recalculations of charges on loans.

Specification	12.31.2019	12.31.2018
Transfer From Federal Government in the year	8,157,554	7,480,547
Transfer From Federal Government in prior years	82,964,174	75,483,627
Prior-Years Income (Loss)	(941,402)	(1,017,151)
Income for the year	(890,773)	99,329
Total Equity	89,289,553	82,046,352

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 February 12, 2020.

Fortaleza (CE), February 12, 2020

The Executive Board

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

Independent auditor's report on financial statements

To the Management of

Fundo Constitucional de Financiamento do Nordeste - FNE

(Administered by 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 December 31, 2019, and the related statements of income, of changes in equity and of cash flows for the year 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 Fundo Constitucional de Financiamento do Nordeste - FNE as at December 31, 2019 its financial performance and its cash flows for the year then ended, in accordance with accounting practices described in explanatory information.

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the 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 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 Administrator and those charged with governance 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 financial statements

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

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercised professional judgment and maintained 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 administrator.

Concluded on the appropriateness of administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 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 communicated 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 controls that we identified during our audit.

São Paulo, February 12, 2020

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

Eduardo Wellichen
Accountant 1SP184050/O-6

BOARD OF DIRECTOR: Cláudio de Oliveira Torres (President) – Eudes de Gouveia Varela – José Lucenildo Parente Pimentel – Rheberny Oliveira Santos Pamponet – Ricardo Soriano de Alencar – Romildo Carneiro Rolim

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) – Antônio Jorge Pontes Guimarães Júnior (Director Financial and Credit) – Antônio Rosendo Neto Júnior (Director of Business) – Claudio Luiz Freire Lima (Director of Management) – Cornélio Farias Pimentel (Director of Control and Risk) – Perpétuo Socorro Cajazeiras (Director of Planning)

SUPERVISORY BOARD: Frederico Schettini Batista (President) – André de Castro Silva – Carlos Henrique Soares Nuto

AUDIT'S COMMITTEE: Carlos Donizeti Macedo Maia (Coordinator) – Cleber Santiago (Member) – Manoel das Neves (Member) – Rudinei dos Santos (Member)

SUPERINTENDENT FINANCIAL CONTROL: Aíla Maria Ribeiro de Almeida Medeiros (Accountant CRC-CE 016318/O-7)

ACCOUNTANT: José Graciano Dias – CRC-CE 007949/O-7