Financial Statements

Banco do Nordeste do Brasil S.A.

June 30, 2018 and 2017
with Independent Auditor's Report

Management Report

1st half of 2018

Banco do Nordeste

SUMMARY

A WORD FROM THE CEO

In 2018, Banco do Nordeste took on the challenge of allocating 100% of the funds from the Northeast Constitutional Financing Fund (FNE), paying special attention to conformity with the operations' compliance requirements. The results recorded in the first half of 2018 show that we have moved towards the goals established.

The total volume of funds applied by the Bank in the Northeast region, north of Minas Gerais and north of Espirito Santo, from January to June 2018, presents an increase of 55.1%, as compared with the amount invested in the same period of the prior year. This volume amounted to R$ 17.4 billion contracted by means of 2.4 million loan transactions.

Long-term financing amounted to R$ 12.5 billion and encompass rural, industrial, agro-industrial, infrastructure, trade and services investments. This amount is 84.8% above the investments in the first half of 2017.

In the year of its 30th anniversary, FNE originated 98.8% of the long-term loans contracted by Banco do Nordeste in the first half of the year. R$ 12.3 billion were applied in the fund's resources, up 93% as compared with the same period of the prior year.

FNE funds available for investments in infrastructure, at competitive interest rates, promoted a large increase in investments in this segment, 436% higher than the prior year. This figure ratifies the support given by Banco do Nordeste to the recovery of regional economic activity, by financing ventures in the energy, basic sanitation and water, port and airport segments. These investments amounted to R$ 5.9 billion.

The decrease in FNE interest rates, established by Provisional Executive Order (MP) No. 812, of December 27, 2017, amended by Law No. 13682/18, encouraged loan transactions. The new calculation method made FNE more competitive, with discounts that reach 72% on the Long-term Interest Rate (TLP). These discounts may be even larger if the rates charged by other banks for long-term loan transactions are considered.

Faced with the challenge of profitability, the Bank increased its operating profit by 51.1% in the first half of 2018, having reached R$ 436.7 million. In addition to the increase in volume of loans and disbursements, the decrease in provision for credit risk contributed to these results. Net income for the year amounted to R$ 231.8 million, which represents earnings of R$ 2.68 per share.

The increased volume of investments reflects the performance of our teams and strict compliance with the policies, rules and procedures established for these transactions. Under this perspective, Banco do Nordeste prepares to continue working dutifully in the second half of the year, to meet the Region's sustainable economic development goals.

Romildo Carneiro Rolim
CEO

1. HIGHLIGHTS:

The highlights of Banco do Nordeste performance relating to awards won, products launched and acknowledgements received in the first half of 2018 are presented as follows:

Awards

- The Territorial Development Program (Prodeter) received an award by Latin-American Association of Development Financial Institutions (Alide) in the Financial Products category.

Products

- The Bank began to make the Student Financing Fund (Fies) operational, using funds from the Northeast Constitutional Financing Fund (FNE).
- BNB Agro Card starts to finances acquisition of parts and maintenance of agricultural machinery and vehicles.
- The service network of “casas lotéricas” (lottery outlets) began to be shared with the Bank’s customers.
- The Pilot Project of Digital Office, installed in Fortaleza (CE), was launched. This Digital Office offers the Bank’s products and services remotely, i.e. by telephone, internet, interactive voice response (IVR), instant messaging (SMS) and in the future, video chat and chatbot.

Recognition

- In the first half of 2018, the Bank obtained 9.8 (in a 0 to 10 grade scale) in IG-SEST certification. This indicator was created by the Ministry of Planning, Development and Management to evaluate compliance with the requirements set forth by Law No. 13303/2016 (State-Owned Enterprises Law). The Bank was 4th place among the 46 state-owned companies assessed.

2. BUSINESS MODEL

Banco do Nordeste invests funds in the Region through loan and financing transactions, and offers financial products and services to economic agents, in order to produce results that will ensure the population’s sustainability and interests. The FNE is the main source of funds used by the Bank.

The solution to great regional issues, the transformation of the Northeast and its more effective role in the Brazilian social and economic scenario are Banco do Nordeste’s greatest challenge and main target of its initiatives as the Region development Bank, which operates expanding opportunities, empowering productive agents, producing impacts that interest the northeastern society, creating jobs, increasing household income, promoting social and financial inclusion, and working in an area of great economic needs such as the semi-arid.

Since 2009, the customer management methodology has been adopted as the Bank’s business model. This methodology contains the definition and structure of the segments, and observes grouping of characteristics, value proposals, relationship cycle and classification of groups of products. This model renders the loan granting process more agile, diversifies and increases the scale of loans and financing, integrating the relationship in a variety of businesses to the perception of value added of the Bank's actions, besides developing products and services specifically for customers' needs.

In order to reach better geographical coverage and identify business improvement opportunities, the Bank systematically prepares market dimensioning studies. Banco do Nordeste ended the first half of 2017 with 767 physical service points, 292 of which are branches and 475 of which are microcredit units.

3. BUSINESS STRATEGY

3.1 Business Planning

Banco do Nordeste directs all its efforts and resources to promote development in order to provide the well-being of families and improve competitiveness of the companies located in its area of operation.

The Bank elected three major strategic directives for its operation from 2018 to 2022:

- Improve FNE
- Advance in microcredit leadership
- Be the Bank for small and medium-sized Northeastern companies.

Faced with the challenge of investing 100% of FNE funds in 2018, the Bank improved its loan transaction contracting, control and monitoring processes, became more agile and managed to maintain the quality of credit services due to the involvement of everyone in the organization. As such, in the first half of 2018, loans using FNE funds reached R$ 12.3 billion, which represents 192% as compared with the amounts contracted in the same period of the prior year (R$ 6.4 billion).

In operation for 20 years, BNB Crediamigo Program offers credit and technical guidance to urban and rural entrepreneurs, fostering improvement of ventures and better application of funds.

The strategy to increase its market share, improving microcredit quality and the processes' compliance indices made the Program obtain better results in the first half of 2018.

Concerning the micro and small companies' segment, the Bank continuously seeks to offer innovative solutions, which provide business knowledge to entrepreneurs, enabling their development together with mechanisms that offer these entrepreneurs more accessible and agile services.

We highlight the following support actions to the qualification of micro and small entrepreneurs in the first half of 2018:

- partnership with Endeavor Institute - Brazil, an internationally renowned institution that offers capacity to entrepreneurs worldwide. This partnership allows the Bank to publish and offer its customers access to content made available by the Institute through the Bank's internet portal;

- BNB Micro and Small Company awards, in sales, service and industry categories, given in all states where the Bank operates, allowing the recognition and dissemination of ventures supported by the Bank that are success cases in the respective sectors.

3.2 Economic scenario

In view of the macroeconomic scenario, the increase in FNE contracting in the first half of 2018 was encouraged by the recovery of economic growth - although this recovery is considered moderate - especially by more favorable conditions in agribusiness, domestic retail and foreign trade, as well as low inflation rates.

In addition, more favorable economic perspectives for the following years in terms of expansion and modernization of infrastructure and renewable energy were also key for the corporate decisions to invest in the Northeast region and other areas where the Bank operates. In this context, financing line FNE Sol amounted to R$ 1.68 billion, considering centralized generation of solar, wind power and biomass energy.

Banco do Nordeste stands out as an institution that fosters the federal government's policy of expanding the distributed generation of electric power, in consonance with the renewable power generation sector, substantially contributing to construction of a cleaner energy matrix and to making the installation and consolidation of the related equipment production chain in the Northeast region more agile, facilitating the expansion and change of the sector axis to the Region, of a stronger calling for the generation of renewable energy, especially wind and solar.

Another great incentive to entrepreneurs of all sizes were the more favorable conditions offered by FNE relating to finance charges, which was a determining factor for the increase in the loans contracted in the first half of the year.

3.3 Northeast Constitutional Financing Fund (FNE)

FNE is comprised of public funds intended to finance production activities and contribute to the economic and social development of its area of operations, formed by the Northeast region and municipalities in the north of the states of Minas Gerais and Espírito Santo.

As the financial institution managing the FNE, Banco do Nordeste consolidates its role as a development bank in the Northeast region, supporting production projects and government policies that have an impact on urban and rural communities of the Northeast region, by means of its credit and development actions.

The application of FNE funds is governed by specific regulations, directing support to priorities for regional development, and constitutes a public financing policy, with annual implementation programming prepared by Banco do Nordeste in a process involving the participation of productive sectors, support and government entities in the states.

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

3.3.1 FNE performance

Based on FNE annual program, Banco do Nordeste contracted financing in the first half of 2018 amounting to R$ 12.33 billion, R$ 6.37 billion of which were directed to the rural (agriculture and livestock), agro industrial, industrial manufacturing, sales and services, and tourism sectors, and R$ 5.95 billion of which to infrastructure projects. Currently, FNE credit portfolio amounts to R$ 50.2 billion. Detailed information on financing contracted per State is presented in Table 1 below.

Table 1 - BNB/FNE 2018: Financing, Total and by State (R$ million)

State	Infrastructure		Other sectors		Total amount contracted
	Amount contracted	%	Amount contracted	%	
AL	-	-	269.4	4.2	**269.4**
BA	2,587.09	43.5	1,750.9	27.5	**4,338.0**
CE	1,204.37	20.2	764.8	12.0	**1,969.2**
ES	91.90	1.5	88.4	1.4	**180.3**
MA	332.63	5.6	720.7	11.3	**1,053.4**
MG	382.90	6.4	367.3	5.8	**750.2**
PB	182.89	3.1	334.0	5.2	**516.8**
PE	91.38	1.5	847.7	13.3	**939.1**
PI	521.80	8.8	547.4	8.6	**1,069.2**
RN	549.63	9.2	362.1	5.7	**911.7**
SE	6.40	0.1	323.7	5.1	**330.1**
Total	**5,951.0**	**100.00**	**6,376.4**	**100.0**	**12,327.4**

Source: Banco do Nordeste – Planning Board

Table 2 below shows a total increase of 93.0% of the volume of funds contracted in the first half of 2018, as compared with the same period of 2017, when the financed amount was of R$ 6.39 billion. Relating to this result, we should stress the increase of 20.8% in financing for Other sectors and 436% in financing for infrastructure, especially support to projects in the segments of ports and airports (8.7% of the total contracted in the sector), energy (76.8%), basic sanitation and water (14.2%). Such infrastructure funding, of a structural nature, is justified by the ability to generate employment and income, as well as the overflow, in the surrounding areas, of investment-related positive and development effects, and other actions there implemented as a result.

Table 2 - FNE: Contracting by Economic Sector (R$ million)

Sector	06.30.2017		06.30.2018		Variation - %
	Number	Amount	Number	Amount	
Rural	268,320	2,471,235	273,615	2,897,050	17.2
Agro industrial	2,481	66,380	86	125,567	89.2
Trade and Services	13,669	2,217,014	11,325	2,425,770	9.4
Industrial Manufacturing	1,551	378,379	1,353	688,415	81.9
Tourism	260	143,322	224	239,604	67.2
Infrastructure	13	1,110,629	48	5,950,982	435.8
Total	**286,294**	**6,386,959**	**286,651**	**12,327,388**	**93.0**

Source: Banco do Nordeste – Planning Board
Note: (1) Rural – comprises the Agriculture and Farming and Stock Breeding sectors.

FNR program execution is in compliance with the National Policy for Regional Development (PNDR), which establishes support to regional sub-areas and aims at reducing regional inequalities and promoting equality in access to development opportunities. Under this perspective, until June 2018, operations in 1,981 municipalities had been carried out, which represents 99.5% of the total municipalities covered by the Fund, and financing of R$ 6.1 billion for ventures in the semiarid had been provided, 49.2% of the total financed so far, R$ 3.2 billion of which relating to infrastructure projects.

Financing to priority micro regions (Low Income, Stagnant and Dynamic Income), sub-areas also included in PNDR, amounted to R$ 9.0 billion, approximately 73% of FNE financing until June 2018. This amount includes infrastructure financing, whereas the contracted amounts directed to Integrated Development Regions (RIDEs), which comprise the municipalities of Timon (MA) and Teresina (PI), in addition to Petrolina (PE) and Juazeiro (BA), amounted to R$ 615.0 million (including infrastructure operations).

In order to achieve these results, several external actions were performed, among which we highlight an event held in São Paulo in the beginning of the year, for investors and banks engaged in providing advisory services relating to structuring of infrastructure operations focused on the Northeast region, especially renewable energy projects; and the participation in forums and lectures to present the new interest rates and FNE funds available, in business and opinion-generating spaces such as forums Futuro do Nordeste and BTG Pactual.

Various actions were performed by the State Superintendencies for smaller ventures, among which we highlight in 2018, the ninth edition of Roving FNE, a series of meetings for the publicity, promotion and business service to micro and small enterprises (MPEs) and individual micro-entrepreneurs (MEIs), prioritizing inland municipalities in line with the National Development Policy (PNDR) criteria. The focus of the institution on small ventures led to R$ 3.9 billion contracted, distributed in 285,450 financing transactions, which represents 99.6% of the total number contracted in the first half of the year.

4. ECONOMIC AND FINANCIAL PERFORMANCE

4.1 Results

Profit

In the first half of 2018, operating profit increased 51.1% as compared with the same period of 2017, having reached R$ 436.7 million, in light of R$ 288.9 million presented in the prior year. This occurred mainly due to a decrease in provision for credit risk, including the risk derived from joint liability with FNE. This increase was not larger on account of the following factors that entailed a decrease in revenue: decrease in credit portfolio, change in the criterion for calculating the administration rate earned by BNB for managing FNE; and the decrease in the Central Bank Benchmark Rate (Selic). Net income for the year amounted to R$ 231.8 million, which represents earnings of R$ 2.68 per share.

Operating Efficiency

Banco do Nordeste improved its operating efficiency characterized by management of administrative expenses related to joint management of financial brokerage margin and service revenues. Analysis of this ratio results shows an improvement by 5.7 percentage points, since the percentage reached in 2018 was 70.9% as compared with 76.6% in the first half of 2017.

In the first half of 2018, administrative expenses increased 4.1% as compared with the same period of 2017, which represents an additional volume of R$ 61.7 million. The factors that mostly contributed to this increase were the annual salary adjustments in September 2017 and the increase in expenses with post-employment benefits mostly due to adjustments of medical expenses as part of the healthcare plan. On the other hand, personnel expenses in the period decreased due to implementation of the Voluntary Dismissal Incentive Program in the second half of 2017, which resulted in 234 employees leaving the Bank. Besides the period's inflation, operation of the rural microfinance and urban microcredit programs, expenses with advertising and publicity and expenses with lease agreements and IT services also contributed to this increase.

Service revenues amounted to R$ 1.21 billion in the first half of 2018, as compared with R$ 1.19 billion in the same period of 2017. Despite the increase identified, these revenues decreased R$ 46.6 million due to the amendment to FNE legislation, which changed the criteria for calculating the administration fee that remunerates the Bank for managing FNE funds.

The increase in financial brokerage margin, mostly due to the decrease in credit risk, was also a determining factor for operating efficiency improvement. Total expenses with credit provisions decreased by 17.9% as compared with the first half of 2017.

Total Assets

At the end of the first half of 2018, Banco do Nordeste's total assets amounted to R$ 57.8 billion, which represents an increase of 7.0% as compared with the end of 2017. The Bank's assets also include FNE available funds (R$ 19.4 billion) as well as restricted funds committed to FNE's loan transactions, i.e. relating to loans taken out pending drawdown (R$ 6.5 billion). The growth of BNB asset balances in June 2018, as compared with December 2017, was mainly influenced by the increase in cash and cash equivalents, interbank investments and marketable securities. A major factor for such fact was the increase of R$ 3.4 billion in cash and cash equivalents, and FNE restricted funds.

Loan transactions in BNB's own portfolio, net of provisions for loan losses, amounted to R$ 8.8 billion, a decrease of R$ 278.8 million as compared with the end of 2017. This decrease is substantially explained by the decrease in the loan portfolio using internal funds. Nevertheless, the following increases were identified: R$ 132.2 million in investments with funds from FNE pass-through arrangements and R$ 79.8 million in Crediamigo Program operations. In the first half of 2018, FNE total assets increased 5.6% (R$ 78.7 billion in 2018; R$ 74.5 billion in 2017) basically due to the inflow of R$ 4.1 billion from Brazil's National Treasury. In comparing these figures to the positions as at 06.30.2018 and 12.31.2017, there was an increase of 1.5% in the balance of FNE loan transactions, net of provisions, and of 14.8% in cash and cash equivalents and restricted funds.

Table 3 – Total Assets (R$ million)

Specification	BNB		FNE	
	12.31.2017	06.30.2018	12.31.2017	06.30.2018
Cash and cash equivalents,(*) interbank investments and	39,952.1	43,762.8	16,719.0	19,397.0
Restricted loan operations ...	-	-	5,871.6	6,543.7
Interbank accounts	584.1	684.7	2,394.8	2,462.6
Loan operations	9,099.5	8,820.7	49,505.9	50,268.1
Other loans	4,194.5	4,363.6	9.4	9.6
Other assets	31.9	22.6	0.8	0.6
Permanent assets................	184.8	171.7	-	-
Total...................................	**54,046.9**	**57,826.1**	**74,501.5**	**78,681.6**

(*) This item includes available funds and funds restricted to FNE's loan transactions
Source: Banco do Nordeste - Control and Risk Office

Marketable securities

At 06/30/2017, the marketable securities portfolio balance amounts to R$ 29.9 billion.

Abiding by Bacen Circular No. 3068, of 11.08.2002, Banco do Nordeste prepared a projected cash flow for securities portfolio classification purposes. This cash flow evidences that there are sufficient available funds to fulfill all obligations and credit release policies without the need of selling securities classified as "Securities Held to Maturity". In view of this, the high administration of the Bank declares that represents that the Institution has the financial capacity and the intent of holding the securities in this category until maturity.

Investment fund management

In the 1st half of 2018, net worth of investment funds totaled R$ 6,825.7 million, up 18.6% from the balance in the same period of 2017. At that date, Banco do Nordeste managed 22 investment funds with 70,127 shareholders, a 5.9% hike over the same period of 2017. Revenue from fund management fees totaled R$ 19.4 million in the first half of 2018, up 19.3% from the same period of 2017.

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Northeast Investment Fund (FINOR)

In the first half of 2018, FINOR net worth amounted to R$ 1,639.6 million, an increase of 213.0% as compared with the same period of 2017. Revenue from FINOR portfolio management fees amounted to R$ 17.2 million in the same period, an increase of 219.8% as compared with the same period of 2017.

Cash and cash equivalents – FNE

At the end of the first half of 2018, FNE cash and cash equivalents amounted to **R$ 19.4 billion**, up R$ 2.7 billion as compared with the balance at the end of 2017. The balance of restricted loans increased 11.4%, amounting to **R$ 6.5 billion** at 06.30.2018. The increase in cash and cash equivalents derives from the fact that investments were fewer than new inflows and refunds. In the first half of 2018, new inflows and refunds amounted to R$ 6.3 billion as compared with R$ 5.3 billion in the same period of 2017, which also demonstrates good quality of the portfolio.

Equity and Return on Average Equity

At June 30, 2018, Banco do Nordeste's equity amounted to R$ 3.8 billion. Capital amounted to R$2.8 billion, comprising 86,371,464 paid-in common shares with no par value. Return on average equity in the first half of 2018 was 13.1% p.a.

Equity adequacy ratio

With respect to compliance with the regulations established by the Central Bank of Brazil, relating to the capital structure of financial institutions, known in conjunction as Basel III, Banco do Nordeste is compliant with the minimum capital requirements stipulated, which guarantees the Bank a good margin to continue to expand its business Detailed information on the Bank's situation referring to these requirements, at June 30, 2018, can be seen in Table 4 below:

Table 4 – Minimum Capital Requirements (R$ million)

Specification	06.30.2017	06.30.2018
Base capital (PR)	**5,958.1**	**6,551.0**
. Level I	3,861.4	4,289.3
. Level II	2,096.8	2,261.7
Risk Weighted Assets (RWA)	**38,731.1**	**41,765.1**
RBAN value	**2,995.7**	**2,551.9**
Margin on Required ACP	1,053.3	1,000.3
Basel indexes:		
. Principal Capital Index (Minimum 4.5%)	9.97%	10.27%
. Level I Index (Minimum 6.0%)	9.97%	10.27%
. Basel Index (Minimum requirement of 8.625%) (*)	15.38%	15.69%
. Basel index including RBAN	14.28%	14.78%

(*) Basel index minimum requirement was 9.25% in June/2017.

Source: Banco do Nordeste - Control and Risk Office

4.2 Performance of Loan Transactions

Volume of Contracted Operations

In the first half of 2018, Banco do Nordeste contracted R$ 17.4 billion and a total of 2.4 million loan transactions. These amounts represent an increase of 55.1% in the amount contracted and 3.1% in the number of operations, as compared with the same period of the prior year.

Long-term financing increased 84.8% in the first half of 2018, as compared with the same period of 2017 and comprises investments in rural, industrial manufacturing, agro industrial, infrastructure, trade and service sectors, responsible for 71.7% of the funds contracted, amounting to R$ 12.5 billion represented by 289.2 thousand operations. Short-term loans intended for products Direct Credit to Consumer (CDC), Working Capital, Credit Card, Secured Account, Foreign Exchange, and Discount, in addition to Crediamigo program increased 10.3%, in 2.1 million transactions amounting to R$ 4.9 billion.

Table 5 – Loan Transactions (R$ million)

Type	1st half of 2017		1st half of 2018		Variation
	Number	Amount	Number	Amount	
Long term	296,082	6,748.4	289,157	12,473.3	84.8%
Short term	2,063,693	4,469.6	2,142,893	4,929.2	10.3%
Total	**2,359,775**	**11,218.0**	**2,432,050**	**17,402.5**	**55.1%**

Source: Banco do Nordeste - Control and Risk Office

FNE, which celebrates its 30th anniversary in 2018, was responsible for 98.8% of the Bank’s long-term loans. In the first half of 2018, the Fund amounted to R$ 12.3 billion and increased 93% as compared with the same period of 2017.

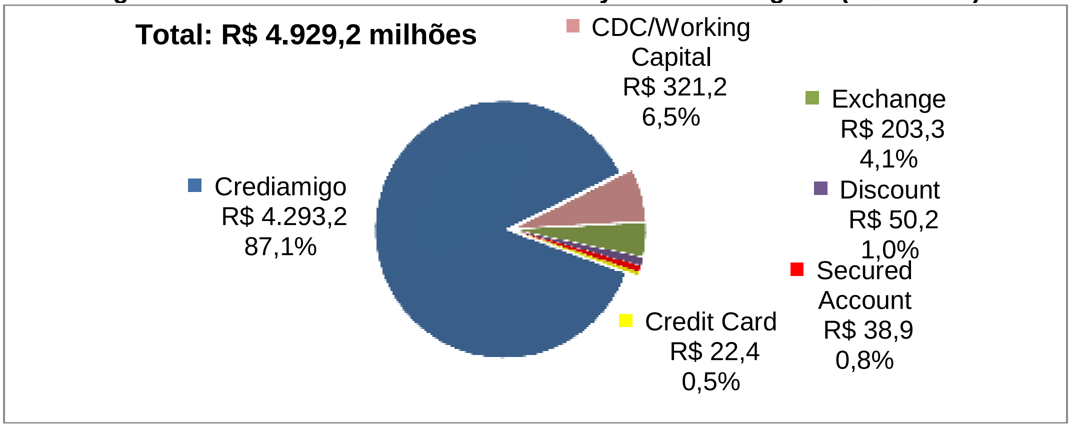
Table 6 – Long-term Financing Transactions (R$ million)

Type	1st half of 2017		1st half of 2018		Variation
	Number	Amount	Number	Amount	
FNE	286,294	6,387.0	286,651	12,327.4	93.0%
Other	9,788	361.4	2,506	145.9	-59.6%
Total	**296,082**	**6,748.4**	**289,157**	**12,473.3**	**84.8%**

Source: Banco do Nordeste - Control and Risk Office

Among the short-term loans (Figure 1), which represented 28.8% of the contracted volume (R$ 4.9 billion), we highlight BNB's urban micro credit program, Crediamigo, responsible for 87.1% of short-term loans contracted and amounting to R$ 4.3 billion, and CDC/Working Capital, which contracted R$ 321.2 million (6.5%). Crediamigo presented a 12.8% increase and CDC/Working Capital increased 40.6% as compared with the first half of 2017.

Figure 1 – Short-term loans in Jun/2018 by Product/Program (R$ million)



Source: Banco do Nordeste - Control and Risk Office

4.3 Performance per Customer Segment

The business model adopted by the Bank sets out that the Bank's clientele should be classified into 10 (ten) segments, using income/billing criteria and type of person (individual, legal entity, institution). The segregation by segment reinforces the Bank's policy to meet specific needs of its customers.

Urban Micro Entrepreneurs – Crediamigo

Consolidating the Bank's leading position in microfinance and expanding its market were the driving assumptions of the 1st half of 2018 for Crediamigo. The amount of R$ 4,293.20 million was contracted, representing a growth of 13% as compared with the same period of 2017.

Rural Micro Entrepreneurs - Agroamigo

Agroamigo serves family farmers through two modalities: Agroamigo Crescer, aimed at the customers of Pronaf Group B and Agroamigo Mais, to serve other Pronaf groups, in operations of up to R$ 15 thousand, except for Groups A and A/C. Approximately 59.9% of customers served by Agroamigo are beneficiaries of the Brazilian monthly family stipend program [Bolsa Família].

In the 1st half of 2018, Banco do Nordeste contracted through Agroamigo 258.6 thousand operations, involving funds amounting to R$ 1,284.5 million, which represents a 22% increase as compared with the amounts of the 1st half of 2017. Out of the total amount of funds, 57.3% was directed to financing in the semiarid region.

The Program obtained an active portfolio of R$ 4.37 billion and over 1.37 million operations. Out of the universe of 1.3 million customers, approximately 90.8% hold a checking account in the Bank.

Micro and Small Companies

Using FNE and Recin funds in this segment, R$ 1,154.9 million were contracted, serving 10,935 micro and small companies in 16,294 loan transactions. The trade sector was the most favored, with loans of R$ 608.4 million, or 56.6% of total FNE funds invested by Banco do Nordeste in this segment. In the Brazilian semiarid region, one of the priority sub-areas under the National Policy on Regional Development (PNDR), 5,830 loans were taken out only with FNE funds, representing 53.3% of total loan transactions.

Small and Mini Farmers

In the first half of 2018, Banco do Nordeste conducted 3,231 credit operations with customers from the Small and Mini Farmers Segment, which serves rural producers (individuals), with annual gross revenue of up to R$ 4.8 million.

FNE funds invested correspond to R$ 617.9 million, which represents 123% of the target set for the period, up 14.84% as compared with the transactions performed in the 1st half of 2017.

Family Farming

The Family Farming Segment comprises the portfolio of family farmers served by Brazil's National Family Farming Strengthening Program (Pronaf), except for the customers included in the Rural Micro entrepreneur Segment (Agroamigo), which counts on an active portfolio amounting to R$ 4.6 billion, corresponding to 427 thousand transactions.

In the first half of 2018, the Bank contracted 11.4 thousand financing transactions in this segment, involving R$ 268.5 million, which represents 107% of the target set for the period.

Out of this total, 74.9% was allocated to financing for the semi-arid region. Comparing the results achieved in 2018 with those in 2017, there was a 1.4% increase in the amount of funds invested in the segment, and the number of transactions increased by 1%.

Agribusiness - Individuals

Banco do Nordeste's actions supporting Agribusiness are noteworthy. The Bank serves rural producers (individuals) with annual gross revenue over R$ 4.8 million, making a major contribution to the segment's growth and consolidation. In the 1st half of 2018, the Bank contracted R$ 459.3 million using FNE funds, distributed among 426 loan transactions with these customers, thus being responsible for a 15% increase in the volume of loans as compared with the same period of the prior year.

Individuals

This segment mainly serves partners or employees in publicly or privately-held companies, self-employed professionals, employees and retired employees of associated companies, and Social Security Institute (INSS) retired professionals.

The customers in this segment are mostly represented by consumers of financial products and services such as financing of goods, student financing or financial investments.

In the first half of 2018, this segment reached R$ 226.8 million in average balance of commercial credit operations. 22.5 thousand operations, totaling R$ 70.8 million, were contracted.

We stress that in June/18, the Bank reached the mark of R$ 1.75 billion in funds raised, up 8% as compared with the same period of 2017.

Business

The Business segment comprises small-medium, medium and large sized companies, i.e. legal entities whose annual revenue ranges from R$ 4.8 million to R$ 400.0 million. At the end of the first half of 2018, concerning customers included in the 'Business and Customer Service' portfolios, the Bank reached a total 9.114 customers, a 9.85% increase as compared with the existing customer base at the end of the first half of 2017.

In this semester, the segment contracted 3,996 operations amounting to R$ 3,887.4 million, a 29.9% increase as compared with the same period of the 2017.

Until June 2018, the Business Segment portfolios presented the following results: contracting of short-term credit and foreign trade in the amount of R$ 325.9 million; specialized credit contracts, including operations with FNE and FNE Infrastructure funds in the amount of R$ 3.48 billion. Worth noting, the increase of 48% in FNE-funded operations, influenced mainly by the decrease in the fund's interest rate.

Corporate

The Corporate segment is comprised of customers whose annual gross revenue exceeds R$ 400.0 million. In the first half of 2018, the 14 Corporate portfolios had 726 customers, up 9.5% as compared with the existing customer base at the end of the first half of 2017.

Until June 2018, the Corporate segment portfolios presented the following results: i) contracted operations by FNE, including infrastructure operations, amounting to R$ 5.0 billion; ii) short-term credit and foreign trade operations amounting to R$ 174.9 million; iii) average balance of financial investments of amounting to R$ 2.9 billion; and iv) FNE credit disbursements amounting to R$ 617.6 million, a 116.7% increase as compared with the first half of 2017.

Noteworthy is the strong participation of the Corporate segment in applying FNE funds, which, at the end of the 1st half of 2018, represented approximately 41% of all contracted operations conducted by the Bank using this source of funds, substantially influenced by infrastructure-related contracts. New contracts in this period amounted to R$ 5,210.3 million, a variation of 660.5% as compared with the 1st half of 2017.

Government

At the end of June 2018, the government portfolio had 2,066 customers, an increase of 125 customers, which represents an expansion of 6.43% in the base as compared with the same period of 2017. Government portfolio assets (services and specialized credit) reached R$ 663.68 million in debt balance and average balance of R$ 813.50 million in financial investments.

4.4 Recovery of Loans

Amounts received in the first half of 2018 in connection with the recovery of loans were over R$ 2.2 billion, with some R$ 410.9 million received in cash. 85,187 FNE-sourced transactions and 6,404 non-FNE-sourced transactions were regularized.

The volume recovered, substantially expanding upon renegotiations, presented a significant increase derived mostly from Law No. 13340/16, which allows rural producers to settle or renegotiate the transactions contracted until 2011. Out of the total amount recovered, over R$ 652.0 million was effectively performed under referred to law.

5. CORPORATE GOVERNANCE

The Bank boarded amended its charter, in compliance with Law No. 13303 of June 30, 2016, its Regulating Decree and other regulations that govern state-owned companies, and with the resolutions of the Central Bank of Brazil.

Among the main changes, one refers to the number of members of the Board of Directors, which now has seven members, after inclusion of an independent member appointed by the Ministry of Finance.

Worth stressing, the creation of the Capital and Risk, and Compensation and Eligibility Committees, aimed at advising the Board of Directors. The Capital and Risk Committee, composed of three members, is responsible for assisting the Board of Directors and providing, at the same time, an integrated and overall perspective of the risks and their impacts. The Compensation and Eligibility Committee is responsible for, besides preparing, reviewing and supervising the compensation policy of Bank management, to assist the appointment of management and supervisory board members, providing opinion on whether the requirements have been met and on the absence of barring conditions for respective election.

Concerning compliance with the provisions of Law No. 13303, of June 30, 2016 (State-Owned Enterprises Law), the Bank prepared and published its Policies for Transactions with Related Parties and Dividend Transactions, available at https://www.bnb.gov.br/web/guest/relacao-com-os-acionistas.

5.1 Audit

BNB Auditing Supervisory Office aims at evaluating the processes of risk management, controls and governance, in order to add value to the organization and reports the effectiveness of the internal control system to senior management.

This office uses the process audit methodology focused on risk and contributes to improvement of the control structures, in an independent and objective manner.

In the first half of 2018, the following audit works in the period analyzed are to be highlighted: Internal Controls; Accounting; Development and Management of Products and Services; Document Management; Organizational Architecture; in addition to IT items such as Managing Problems, Projects and Data.

5.2 Internal controls

BNB Internal control structure is based on compliance and information security policies. In addition, this Structure has other pillars: good corporate governance practices; the integrity of people and ethical values; commitment of its employees to act focused on corporate objectives; and transparency and organizational structure that ensures the segregation of duties and allows the adequate delegation of authority and attributions.

In order to evaluate whether the procedures adopted by the execution units are in conformity with the policies, rules and procedures, the Bank uses compliance indicators, whose target is not below 95%. In comparing 2017 and 2018, we note that there was an increase and the target was exceeded, since BNB obtained 96.61% in the 1st half of 2018 as compared with 94.55% in the same period of 2017.

5.3 Risk management

The Corporate Risk Management Policy of Banco do Nordeste includes, as an essential principle, sustaining a structured risk management system that is integrated to the Bank's management activities. In this regard, the policy provides information that supports the Bank's various decision-making levels in assessing the risks involved and is designed to guide the management of credit, market, liquidity and operational risks that threaten the achievement of business objectives. Therefore, rules based on principles and good corporate governance practices were established, implemented under the guidance of the Bank's senior management and of supervisory bodies.

Other information on our Risk Management and Internal Control policy is available in section 5 of Reference Form 2018 base year 2017, at https://www.bnb.gov.br/documentos-cvm.

6. RELATIONSHIPS

6.1 Customer relationship

Banco do Nordeste prepared and published in its internal regulations its Customer Relationship and Users of Financial Product and Services Policy, in light of CMN Resolution No. 4539/2016, in order to establish a closer relationship with its customers and users and strengthen the Bank's institutional image of credibility, safety and competence.

The Citizen Information and Customer Relations Center provided 1,699,558 services, as follows: 145,666 services by telephone (SAC and CAC); 68,787 by multimedia channels (SIC, email, social networks, consumidor.gov, complaints websites); 41,513 payment slips issued upon customers' request; 1,443,592 active services including those relating to the new services provided for Fies Financing Program and Digital Offices.

Ombudsman

The Ombudsman works as a conflict mediation channel between the public and the Institution, and contributes to improving and correcting deficiencies in processes, products and services, based on the issue of Ombudsman Recommendations directed to the other areas of the Bank, after analyzing all claims received.

According to the Central Bank of Brazil, in the first half of 2018, Banco do Nordeste maintained its position as the financial institution relating to which referred to government entity received the lowest number of complaints, considering banks with over four million customers. The rank is made of claims registered by people and considers commercial, multiple, cooperative and investment banks, foreign bank branches, savings and loans banks, credit financing and investment entities (SCFI) and financing pool administrators.

In the Ombudsman Quality rank created by the Central Bank, whose purpose is to provide the population with qualitative information on the performance of the financial institutions' ombudsmen, BNB Ombudsman Office figured as first place in the first half of 2018.

6.2 Digital solutions

Banco do Nordeste has been investing heavily in the construction and implementation of a set of incremental innovation actions in order to increasingly become a Digital Bank, and therefore provide its customers with better services. We highlight some actions already implemented over the first half of 2018:

- *Digital Registry*: allows the customer to insert and update his registration information using the internet or a mobile, without having to go to a branch;
- *Digital Account*: allows individuals to open a checking account using the internet or a mobile;
- *Giro Digital*: retailers may purchase inventories to expand their sales in an automated manner at the best rates in Brazil;
- *BNB Card*: purchase of goods and inputs at the best rates in Brazil combined with instant access to pre-approved revolving credit valid for five years;
- *BNB Agro Card:* purchase of equipment, machinery and parts, and vehicles at the best rates in Brazil combined with instant access to pre-approved revolving credit valid for five years;
- *App BNB GEO*: allows rural producers to capture and transmit geodesic coordinates of the areas to be financed, thus accelerating projects;
- Loan simulators: by the Bank's internet portal, in the various financing facilities, working capital, credit for urban and rural innovation.

Other actions are under way or under development, which show the concern and continuous effort of Banco do Nordeste to keep itself updated in relation to the most current practices of the bank scenario. Delivery of the Bank's New Technical Support System is forecasted for the second half of 2018, allowing the field technicians to become more agile and mobile. A *New Loan Granting Platform* is being developed and a *New Bank Agents' Platform* will become available in order to increase the capilarity of the service network and enable cost reduction by decreasing the ATMs' and Bank cashiers' operation.

These initiatives are expected to make business relationships with the Bank's customers via the internet easier, more agile and more pleasant, based on mobile devices. BNB is therefore seeking to offer its customers better services and to improve business by means of short and long-term loan facilities, in addition to increasing the sale of its banking services.

The digital solutions available to BNB's customers are described on the internet at: https://www.bnb.gov.br/solucoes-digitais.

7. LEGAL INFORMATION

In relation to Brazilian Securities and Exchange Commission (CVM) Rule No. 381/03, dated January 14, 2003, Banco do Nordeste informs hereby that Ernst & Young Auditores Independentes S/S, engaged as Independent Auditor, did not provide, in the first half of 2018, any services other than independent audit services.

Banco do Nordeste do Brasil S.A.

Balance sheets
Six-month period ended December 2017 and 2016
General Management and Branches in Brazil
(Amounts in R$ thousand)

	Notes	06/30/2018	06/30/2017
Assets			
Current assets		**21,672,134**	20,926,941
Cash and cash equivalents	5	**101,607**	154,448
Interbank investments	6.a	**13,160,630**	10,355,437
Open market investments		**12,948,148**	10,136,676
Interbank deposits		**212,482**	218,761
Marketable securities and derivative financial instruments	7	**1,369,903**	3,805,816
Own portfolio		**789,454**	2,876,787
Linked to repurchase agreements		**-**	929,029
Derivative financial instruments		**580,449**	-
Interbank accounts		**616,113**	518,520
Unsettled payments and receipts		**47,997**	98,106
Linked Credits:			
Central Bank Deposits	8.a	**566,374**	419,101
Correspondents		**1,742**	1,313
Loans		**4,101,781**	4,253,908
Loans	9.a	**4,627,354**	4,847,785
Public sector		**184,476**	247,750
Private sector		**4,442,878**	4,600,035
(Allowance for loan losses)	9.a	**(525,573)**	(593,877)
Other credits		**2,299,466**	1,815,953
Exchange portfolio	10.a	**1,015,405**	389,452
Income receivable	10.b	**21,699**	19,127
Securities trading	10.c	**12**	12
Other	10.d	**1,270,701**	1,680,747
(Allowance for other loan losses)	10.e	**(8,351)**	(273,385)
Other assets		**22,634**	22,859
Other assets		**14,701**	14,785
(Valuation allowance)		**(617)**	(624)
Prepaid expenses		**8,550**	8,698
Long-term receivables		**35,982,325**	29,482,876
Marketable securities and derivative financial instruments	7	**29,130,638**	21,268,755
Own portfolio		**27,750,077**	20,537,326
Linked to repurchase agreements		**941,493**	2,968
Derivative financial instruments		**-**	430,233
Linked to guarantees given		**439,068**	298,228
Interbank accounts		**68,582**	56,586
Linked Credits:			
National Housing System (SFH)	8.a	**68,582**	56,586
Loans		**4,718,930**	5,900,521
Loans	9.a	**4,916,074**	6,401,171
Public sector		**519,767**	1,072,368
Private sector		**4,396,307**	5,328,803
(Allowance for loan losses)	9.a	**(197,144)**	(500,650)
other credits		**2,064,175**	2,257,014
Other	10.d	**2,091,872**	2,285,502
(Allowance for other loan losses)	10.e	**(27,697)**	(28,488)
Permanent assets	12	**171,685**	204,886
Investments		**1,591**	1,912
Other investments		**6,877**	7,215
(Provision for losses)		**(5,286)**	(5,303)
Property and equipment in use		**150,147**	183,071
Property and equipment in use		**169,752**	169,752
Revaluation of property and equipment in use		**107,132**	107,131
Other property and equipment in use		**277,551**	289,236
(Accumulated depreciation)		**(404,288)**	(383,048)
Intangible assets		**19,947**	19,903
Intangible assets		**19,947**	19,903
Total assets		**57,826,144**	50,614,703

	Notes	06/30/2018	06/30/2017
Liabilities and equity			
Current liabilities		**17,034,430**	18,979,256
Deposits	13.b	**6,296,602**	5,882,463
Demand deposits		**238,300**	288,938
Savings deposits		**2,255,666**	2,117,379
Interbank deposits		**1,464,841**	1,479,247
Time deposits		**2,337,795**	1,996,899
Open market funding	13.c	**1,045,419**	989,906
Own portfolio		**931,606**	928,451
Third-party portfolio		**113,813**	61,455
Funds from acceptance and issue of securities	15	**1,333,153**	217,641
Funds from real estate, mortgage, credit and similar notes		**166,787**	209,646
Liabilities for foreign marketable securities		**1,166,366**	7,995
Interbank accounts		**37,619**	45,011
Payables and receivables to be settled		**37,619**	45,011
Interdepartmental accounts..		**21,854**	21,388
Third-party funds in transit		**4,648**	21,271
Internal transfers of funds		**17,206**	117
Borrowings	14.a	**1,048,962**	493,379
Foreign borrowings		**1,048,962**	493,379
Domestic onlending - official institution	14.b	**133,429**	160,759
National Treasury		**193**	186
National Bank for Economic and Social Development (BNDES)		**114,604**	136,221
Finame		**18,632**	24,352
Derivative Financial Instruments	7.c	**84**	-
Derivative Financial Instruments		**84**	-
Foreign onlending	14.d	**167,935**	143,349
Foreign onlending		**167,935**	143,349
Other liabilities		**6,949,373**	11,025,360
Collection of taxes and other contributions	16.a	**83,879**	21,481
Exchange portfolio	16.b	**29,726**	9,277
Social and statutory	16.c	**69,076**	89,754
Tax and social security	16.d	**442,410**	247,456
Securities trading	16.e	**153**	153
Financial and development funds	16.f	**3,952,054**	7,414,405
Other	16.i	**2,372,075**	3,242,834
Long-term payables		**37,019,329**	28,346,925
Deposits	13.b	**5,561,430**	5,082,000
Interbank deposits		**12,780**	60,306
Time deposits		**5,548,650**	5,021,694
Open market funding	13.c	**8,554**	2,928
Own portfolio		**8,554**	2,928
Funds from acceptance and issue of securities	15	**67**	1,012,333
Funds from real estate, mortgage, credit and similar notes		**67**	-
Liabilities for foreign marketable securities		**-**	1,012,333
Domestic onlending - official institution	14.c	**1,119,424**	1,446,551
National Treasury		**275**	261
BNDES		**1,063,531**	1,367,019
Finame		**55,618**	79,271
Foreign onlending	14.d	**491,625**	561,997
Foreign onlending		**491,625**	561,997
Other liabilities		**29,838,229**	20,241,116
Tax and social security		**5,035**	-
Financial and development funds	16.f	**22,907,656**	14,378,737
Subordinated debt eligible to capital	18	**2,282,604**	2,118,431
Debt instruments eligible to capital	16.g	**1,000,000**	1,000,000
Other	16.i	**3,642,934**	2,743,948
Equity	19	**3,772,385**	3,288,522
Capital		**2,844,000**	2,844,000
Domiciled in Brazil		**2,844,000**	2,844,000
Revaluation reserves		**11,592**	12,829
Income reserves		**1,856,561**	1,379,691
Equity adjustments		**(939,768)**	(947,998)
Total liabilities and equity		**57,826,144**	50,614,703

Banco do Nordeste do Brasil S.A.

Income statements
Six-month period ended June 30, 2018 and 2017
General Management and Branches in Brazil
(Amounts in R$ thousand)

	Notes	1nd half/2018	1nd half/2017
Income from financial intermediation		**2,668,839**	2,784,436
Loans	9.a.2	**931,527**	949,780
Gains (losses) on marketable securities transactions	7.b	**1,348,547**	1,764,113
Gain (loss) on derivative financial instruments	7.d	**156,219**	8,952
Foreign exchange gains (losses)	11.b	**220,038**	62,507
Compulsory deposit gains (losses)	8.b	**12,508**	(916)
Expenses from financial intermediation		**(1,960,395)**	(2,157,368)
Open market funding	13.d	**(564,181)**	(626,455)
Borrowings and onlending	14.e	**(1,172,069)**	(1,154,511)
Allowance for loan losses	9.e	**(224,145)**	(376,402)
Gross income from financial intermediation		**708,444**	627,068
Other operating income/expenses	20	**(271,778)**	(338,090)
Income for services provided		**1,180,580**	1,156,523
Income from bank fees		**36,379**	32,763
Personnel expenses:		**(942,990)**	(916,557)
Personnel expenses.		**(813,730)**	(816,452)
Post-employment benefits.		**(129,260)**	(100,105)
Other administrative expenses		**(632,692)**	(597,357)
Tax expenses		**(153,252)**	(147,801)
Other operating income		**947,577**	854,079
Other Operating expenses		**(707,380)**	(719,740)
Operating income (expense)		**436,666**	288,978
Nonoperating income (expense)		**2,223**	(2,393)
Income before income taxes and profit sharing		**438,889**	286,585
Income and social contribution taxes	21	**(193,011)**	30,487
Provision for income tax		**(129,825)**	(18,600)
Provision for social contribution tax		**(107,226)**	(15,027)
Deferred tax asset		**44,040**	64,114
Statutory profit sharing		**(14,060)**	(19,031)
Net income		**231,818**	298,041
Interest on equity	19.d	**(53,537)**	(69,233)
Number of shares (in thousands)		**86,371**	86,371
Basic/diluted earnings per share (in R$)		**2.68**	3.45

Banco do Nordeste do Brasil S.A.

Statement of changes in equity
Six-month period ended June 30, 2018 and 2017
General Management and Branches in Brazil
(Amounts in R$ thousand)

	Paid-in capital	Revaluation reserve	Income reserve				
Events	Capital	Own assets	Legal	Statutory	Equity adjustments	Retained earnings (accumulated losses)	Total
Balances at 12/31/2016.	2,844,000	14,491	237,329	920,622	(653,947)	-	3,362,495
Prior years' adjustments							
Positive	-	-	-	-	-	2,898	2,898
Negative	-	-	-	-	-	(12.035)	(12.035)
Equity adjustments:							
Marketable securities adjustment.	-	-	-	-	30,659	-	30,659
Actuarial gains (losses)	-	-	-	-	(324,710)	-	(324,710)
Other events:							
Revaluation of assets:							
Realization of reserves (net of tax effects)	-	(1,662)	-	-	-	2,069	407
Net income for the six-month period	-	-	-	-	-	298,041	298,041
Allocations:							
Reserves.	-	-	14,902	206,838	-	(221,740)	-
Provision for Dividends/IOE	-	-	-	-	-	(69,233)	(69,233)
Balances at 06/30/2017	**2,844,000**	**12,829**	**252,231**	**1,127,460**	**(947,998)**	**-**	**3,288,522**
Changes in the six-month period	**-**	**(1,662)**	**14,902**	**206,838**	**(294,051)**	**-**	**(73,973)**
Balances at 12/31/2017	**2,844,000**	**11,769**	**271,416**	**1,413,610**	**(998,758)**	**-**	**3,542,037**
Prior-year adjustments:							
Positive	**-**	**-**	**-**	**-**	**-**	**5,768**	**5,768**
Negative	**-**	**-**	**-**	**-**	**-**	**(12,691)**	**(12,691)**
Equity adjustments:							
Marketable securities adjustment	**-**	**-**	**-**	**-**	**(67,881)**	**-**	**(67,881)**
Actuarial gains (losses)	**-**	**-**	**-**	**-**	**126,871**	**-**	**126,871**
Other events:							
Revaluation of assets:							
Realization of reserves (net of tax effects)	**-**	**(177)**	**-**	**-**	**-**	**177**	**-**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**231,818**	**231,818**
Allocations:							
Reserves	**-**	**-**	**11,591**	**159,944**	**-**	**(171,535)**	**-**
Provision for Dividends/IOE	**-**	**-**	**-**	**-**	**-**	**(53,537)**	**(53,537)**
Balances at 06/30/2018	**2,844,000**	**11,592**	**283,007**	**1,573,554**	**(939,768)**	**5,768**	**3,772,385**
Changes in the year.	**-**	**-177**	**11,591**	**159,944**	**58,990**	**(12,691)**	**230,348**

Banco do Nordeste do Brasil S.A.

Cash flow statements
Six-month period ended June 30, 2018 and 2017
General Management and Branches in Brazil
(Amounts in R$ thousand)

	1nd half/2018	1nd half/2017
Cash flows from operating activities		
Net Income for the Period	**231,818**	298,041
Adjustments to Net Income:		
Depreciation and Amortization Expenses	**15,234**	20,215
(Reversal of) Provision for impairment of other assets	**(2)**	11
Allowance for loan losses, net	**218,917**	275,342
Allowance for Losses on Other Receivables, net	**5,228**	101,060
Provision for Financial Guarantees provided, net (FNE Risks).	**405,582**	390,384
Provision for Financial Guarantees provided, net (FDNE Risks)	**2,782**	75
Provision for contingencies, net	**27,709**	16,396
Provision for other contingencies, net	**24,842**	6,808
Actuarial liabilities (Post-employment benefits).	**128,824**	99,452
Provision for Debt Instruments Eligible to Capital	**61,451**	45,018
Monetary Restatement of Judicial Deposits	**17,091**	26,012
Deferred Tax Asset	**44,040**	64,115
(Reversal of) Provision for Losses on Restricted Deposits-SFH	**(47)**	(11,706)
Restatement of Debt Instruments Eligible to Capital	**4,365**	8,522
Adjusted net income	**1,187,834**	1,339,745
Interbank investments	**(75,660)**	(455,586)
Interbank and Interdepartmental accounts	**(46,998)**	(217,544)
Loans	**59,826**	708,635
Other Credits	**(62,925)**	(87,754)
Other assets	**9,294**	9,314
Deposits	**32,759**	331,131
Open Market Funding	**67,525**	23,197
Funds from acceptance and issue of securities	**143,952**	(68,896)
Loans and onlending obligations	**(145,903)**	(265,231)
Derivative financial instruments	**(153,853)**	(26,745)
Other liabilities	**3,131,447**	3,678,408
Reversal of Revaluation Reserve	**-**	407
Income and Social Contribution Taxes Paid	**(198,783)**	(93,348)
Prior-period adjustments	**(6,923)**	(9,137)
Cash provided by/(used in) operating activities	**3,941,592**	4,866,596
Cash flows from investing activities		
Addition To Investments	**-**	(3)
Addition To Investments in property and equipment in use	**(3,229)**	(17,184)
Addition ToInvestments in assets not for own use	**(66)**	(399)
Disposal of investments.	**1,088**	6,655
Disposal (write-off) of property and equipment in use.	**43**	15
Available-for-sale securities	**(3,554,947)**	(4,168,291)
Cash used in investing activities	**(3,557,111)**	(4,179,207)
Cash flows from financing activities		
Payment of dividends as interest on equity	**(93,669)**	(69,021)
Interest Paid on Debt Instruments Eligible to Principal Capital	**(196,838)**	(213,928)
Cash used in financing activities	**(290,507)**	(282,949)
Increase/(decrease) in cash and cash equivalents	**93,974**	404,440
Statement of changes in cash and cash equivalents		
At beginning of period	**12,841,968**	9,429,229
At end of period	**12,935,942**	9,833,669
Increase/(decrease) in cash and cash equivalents	**93,974**	404,440

Banco do Nordeste do Brasil S.A.

Statements of value added
Six-month period ended June 30, 2018 and 2017
General Management and Branches in Brazil
(Amounts in R$ thousand)

	1nd half/2018	%	1nd half/2017	%
Revenues	**3,904,073**		3,729,267	
Financial intermediation	**2,668,839**		2,784,436	
Services rendered and bank fees	**1,216,959**		1,189,286	
Allowance for loan losses	**(224,145)**		(376,402)	
Other income/expenses	**242,420**		131,947	
Expenses from financial intermediation	**(1,736,250)**		(1,780,966)	
Inputs acquired from third parties	**(599,464)**		(557,510)	
Materials, energy and other expenses	**(41,044)**		(45,373)	
Third-party services	**(312,039)**		(271,485)	
Other	**(246,381)**		(240,652)	
Data processing and telecommunications	**(142,875)**		(142,937)	
Advertising, promotions and publications	**(19,036)**		(12,918)	
Transportation	**(15,764)**		(13,608)	
Security	**(30,114)**		(30,075)	
Travel	**(8,295)**		(6,919)	
Other	**(30,297)**		(34,195)	
Gross value added	**1,568,359**		1,390,791	
Retentions	**(15,234)**		(20,215)	
Depreciation, Amortization and Depletion	**(15,234)**		(20,215)	
Net value added produced by the entity	**1,553,125**		1,370,576	
Total value added to be distributed	**1,553,125**		1,370,576	
Distribution of value added	**1,553,125**		1,370,576	
Personnel	**827,639**	**53.3**	805,078	58.7
Work compensation	**560,286**	**36.1**	568,687	41.5
Salaries	**546,226**		549,656	
Profit sharing	**14,060**		19,031	
Benefits	**225,108**	**14.5**	193,925	14.1
Provisions (post-employment benefits)	**129,260**		100,106	
Benefits - Other	**95,848**		93,819	
Unemployment Compensation Fund (FGTS)	**42,245**	**2.7**	42,466	3.1
Taxes, rates and contributions	**475,675**	**30.6**	247,825	18.1
Federal	**458,152**		232,664	
State	**15**		31	
Municipal	**17,508**		15,130	
Third-parties capital remuneration	**17,993**	**1.2**	19,632	1.4
Rent	**17,993**		19,632	
Equity remuneration	**231,818**	**14.9**	298,041	21.7
Interest on Equity (IOE)	**53,537**	**3.4**	69,233	5.1
Government	**27,304**		35,309	
Other	**26,233**		33,924	
Retained profits in the period	**178,281**	**11.5**	**228,808**	**16.7**

NOTES TO FINANCIAL STATEMENTS
Six-month periods ended June 30, 2018 and 2017
Amounts expressed in thousands of reais, unless otherwise stated

Contents - Notes to Financial Statements

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 July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará, 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 Interim Financial Statements

The financial statements were prepared in accordance with the provisions from the Brazilian Corporation Law, as amended by Laws No. 11638 and No. 11941 of 12.28.2007 and 05.27.2009, respectively, 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 the Bank's financial statements as follows:

- CPC 00 (R1) - The Conceptual Framework for Financial Reporting (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 (CMN Resolution No. 640 of 10.07.2010);
- CPC 03 –Cash Flow Statement - (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, Plant and Equipment (CVM Rule No. 583 of 07.31.2009);
- 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 initially 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 any 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. Available funds 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 marketable securities immediately convertible into cash or with original maturity equal to or less than ninety days, 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) **Marketable Securities**
Marketable 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, with unrealized gains and losses 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, 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 marketable securities was established in accordance with consistent and verifiable criteria, which take into consideration the following 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.;

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 marketable 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 marketable 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 sheets. Valuations or devaluations are stated in income or expense 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, canceled 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 receivables with loan features and allowance for loan losses**

Loans, advances on exchange contracts, and other receivables with loan features 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 income 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 assets**
Investments: these are stated at cost, net of allowance for losses.
Property and equipment in use: include depreciation calculated by the straight-line method at the following annual rates: Buildings - 4%; Data Processing Systems and Vehicles - 20%; Tractors and Motorcycles - 25%; and other items - 10%. Real properties in use include the revaluation amount.
Intangible assets comprise disbursements for acquisition of software rights that are currently in the implementation phase, the useful lives of which are estimated within 10 years, from the date of their availability for use, and will be amortized on a straight-line basis. When applicable, intangible assets will be adjusted for impairment losses.

k) **Taxes**
Corporate Income Tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R$240 for the year), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 20% (until 12.31.2018, in compliance with Law No. 13169 of 10.06.2015), after adjustments in corporate profit as defined in tax legislation. Deferred tax assets and liabilities are calculated on temporary differences between accounting and tax bases, arising from allowances for loan losses, provisions for post-employment benefits, mark-to-market of marketable securities, derivative financial instruments, and hedged item.
For accrual, maintenance and write-off of deferred tax assets, the criteria observed are established by CMN Resolution No. 3059 of 12/20/2002, and Bacen Circular No. 3171 of 12/30/2002, the latter establishing the procedures for recognition and accounting record, and are supported by technical studies on capacity for realization. The provisions of the CVM are also applicable, when not conflicting with the CMN and Bacen rules.
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 4.00%, respectively.

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, 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
Deposits and open market funding 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 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 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 claims are made by the Banks's Legal Department, case by case, and are classified according to the likelihood of loss, as probable, possible and remote. Such classification is based on analysis of the following factors: i) reasonableness of the factual and legal arguments of the other party; ii) arguments and legal basis developed by the Bank; iii) history of losses in similar cases; iv) understanding of higher courts and supervisory authorities on the matters in litigation; v) decisions already rendered on each proceeding (decision, award, injunction, interim relief, writ of payment or writ of attachment, etc.); and vi) existence of procedural defects in administrative and legal proceedings.

Contingencies classified as probable losses are accounted for and represented by Civil proceedings (claiming compensation for pain and suffering and property damages, 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 and liabilities 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

Subordinated debts 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, adjusted according to the Law, as established in the Bank's Charter. Interest on equity may be attributed on 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. Actual results could differ from such estimates and assumptions.

s) Earnings (loss) per share

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

NOTE 4 - Segment Reporting

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

(a) Own Portfolio - comprises own portfolio products and services such as: lending and market operations, fund management and provision of other banking services and collaterals; and
(b) FNE - comprises loans within the scope of FNE.

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

For the periods ended 06/30/2018 and 06/30/2017, no revenue from transactions with one single external customer accounted for 10% or more of the Bank's total revenue.

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

Specification	01.01 to 06.30.2018			01.01 to 06.30.2017		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	**2,136,469**	**1,482,170**	**3,618,639**	**1,890,831**	**1,745,291**	**3,636,122**
Income from loans	931,527	-	931,527	949,780	-	949,780
Gains (losses) on marketable securities transactions	524,353	824,194	1,348,547	659,022	1,105,091	1,764,113
Gains (losses) on derivative financial instrument transactions	156,219	-	156,219	8,952	-	8,952
Foreign exchange gains (losses)	220,038	-	220,038	62,507	-	62,507
Compulsory investment gains(losses)	12,508	-	12,508	(916)	-	(916)
Other revenues	291,824	657,976	949,800	211,486	640,200	851,686
Expenses	**(1,146,316)**	**(1,220,858)**	**(2,367,174)**	**(1,076,396)**	**(1,472,859)**	**(2,549,255)**
Expenses on open market funding	(564,181)	-	(564,181)	(626,455)	-	(626,455)
Expenses on borrowings and onlending	(357,990)	(814,079)	(1,172,069)	(73,539)	(1,080,972)	(1,154,511)
Allowance for loan losses (Note 9)	(224,145)	(406,772)	(630,917)	(376,402)	(391,849)	(768,251)
Proagro provision receivable	-	(7)	(7)	-	(38)	(38)
Financial margin	**990,153**	**261,312**	**1,251,465**	**814,435**	**272,432**	**1,086,867**
Service revenues	278,185	902,395	1,180,580	225,146	931,377	1,156,523
Income from fees, charges and commissions	36,379	-	36,379	32,763	-	32,763
Pasep and Cofins	**(28,842)**	**(106,509)**	**(135,351)**	**(13,234)**	**(118,841)**	**(132,075)**
Income after fees and commissions	**1,275,875**	**1,057,198**	**2,333,073**	**1,059,110**	**1,084,968**	**2,144,078**
Administrative expenses			**(1,575,682)**			**(1,513,914)**
Personnel expenses			(942,990)			(916,557)
Depreciation and amortization			(15,234)			(20,215)
Other administrative expenses			(617,458)			(577,142)
Other expenses			**(265,434))**			**(319,277)**
Expenses with provisions, except allowance for loan losses			**(53,068)**			**(24,302)**
Income before taxation and profit sharing			**438,889**			**286,585**
Income and social contribution taxes			(193,011)			30,487
Profit sharing			(14,060)			(19,031)
Net income			**231,818**			**298,041**

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NOTE 5 - Cash and Cash Equivalents

Specification	06.30.2018	06.30.2017
Cash and cash equivalents in local currency	95,149	117,543
Cash and cash equivalents in foreign currency	6,458	36,905
Total cash and cash equivalents	**101,607**	**154,448**
Short-term interbank investments(1)	12,834,335	9,679,221
Total cash and cash equivalents	**12,935,942**	**9,833,669**

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

NOTE 6 - Interbank investments

a) Breakdown

Specification	06.30.2018	06.30.2017
a) Open market investments	**12,948,148**	**10,136,676**
Resale agreements pending settlement - Self-funded position	12,834,335	10,075,221
Resale agreements pending settlement - Financed position	113,813	61,455
b) Interbank deposits investments	**212,482**	**218,761**
Foreign currencies investments	47,838	62,125
interbank deposits investments	164,644	156,636
Total	**13,160,630**	**10,355,437**
Short-term	13,160,630	10,355,437

b) Income from interbank investments

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
a) Income from open market investments (Note 7.b)	**406,951**	**497,525**
Self-funded position	403,555	493,784
Financed position	3,396	3,741
b) Income from interbank deposits investments (Note 7.b)	**4,090**	**6,286**
Total	**411,041**	**503,811**

NOTE 7 - Marketable securities and derivative financial instruments

a) Marketable securities

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

a.1) Marketable Securities and Derivative Financial Instrument portfolio

Securities available for sale	06.30.2018									06.30.2017	
	Market value					Maturity	Cost value	Market/book value	Market adjustment	Market/book value	Market adjustment
	No maturity	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	Over 360 days						
Fixed income securities	**13,975**	**56,366**	**91,699**	**609,289**	**28,474,065**		**29,904,480**	**29,245,394**	**(659,086)**	**24,136,868**	**(600,363)**
Financial Treasury Bills (LFT)	-	-	-	-	27,119,516	2020 to 2024	27,117,507	27,119,516	2,009	20,680,580	10,024
National Treasury Notes (NTN)	-	-	-	-	1,277,255	2050	1,284,459	1,277,255	(7,204)	1,571,916	49,369
Financial bills	-	56,366	91,673	609,175	-	2018 to 2019	764,526	757,214	(7,312)	1,776,881	(47,835)
Debentures	13,975	-	-	-	73,586	2019 to 2041	698,397	87,561	(610,836)	103,106	(577,754)
Federal government securities - FCVS	-	-	-	-	3,617	2027	4,350	3,617	(733)	4,054	(821)
Federal government securities - other	-	-	-	-	-	1993	34,960	-	(34,960)	-	(33,233)
Agrarian Debt Securities (TDAs)	-	-	26	114	91	2018 to 2022	281	231	(50)	331	(113)
Investment fund shares	**404**	**-**	**-**	**-**	**-**		**2,009**	**404**	**(1,605)**	**358**	**(1,595)**
Social Development Funds (FDS)	-	-	-	-	-	No maturity	1,605	-	(1,605)	-	(1,595)
Investment Guarantee Fund (FGI)	377	-	-	-	-	No maturity	377	377	-	339	-
Operation Guarantee Fund (FGO)	27	-	-	-	-	No maturity	27	**27**	-	19	-
Variable income securities	**17,721**	**-**	**-**	**-**	**-**		**22,247**	**17,721**	**(4,526)**	**17,666**	**4,641**
Other tax incentives (FINOR)	187	-	-	-	-	No maturity	109	187	78	118	9
Shares issued by publicly-held companies	17,534	-	-	-	-	No maturity	22,138	17,534	(4,604)	17,548	4,632
Security deposits [(1)]	**-**	**-**	**-**	**-**	**439,068**		**439,400**	**439,068**	**(332)**	**298,228**	**(91)**
Financial Treasury Bills (LFT)	-	-	-	-	426,749	2020 to 2023	426,256	426,749	493	280,118	654
Federal government securities - other	-	-	-	-	-	1993	885	-	(885)	-	(841)
Debentures	-	-	-	-	12,319	2019	12,259	12,319	60	18,110	96
Total of category	**32,100**	**56,366**	**91,699**	**609,289**	**28,913,133**		**30,368,136**	**29,702,587**	**(665,549)**	**24,453,120**	**(597,408)**
Tax credit (Note 21.c)									273,461		273,893
Provision for deferred taxes and contributions (Note 21.d)									(5,070)		(28,698)
Total market value adjustment									**(397,158)**		**(352,213)**

(1) Breakdown: Guarantees on stock exchange transactions R$262,482 (R$244,380 at 06.30.2017); guarantees on clearing house association transactions R$2,986 (R$2,780 at 06.30.2017); guarantees on legal proceedings R$146,569 (R$25,901 at 06.30.2017); and other guarantees R$27,030 (R$25,167 at 06.30.2017).

Account “Federal Government Securities - Other” under items Fixed Income Securities and Security Deposits records cash investments in government securities denominated by the National Treasury as NUCL910801, maturing on 08.31.1993, but not yet redeemed by the National Treasury. These securities recorded a full devaluation due to their maturity, without, however, falling under the concept of permanent loss, as provided by Bacen Circular Letter No. 3068 of 11.08.2001.
In view of the classification of assets under “Available-for-sale securities”, the amount of (R$665,549) ((R$597,408) at 06.30.2017) are recorded in the Bank’s Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to (R$397,158) ((R$352,213) at 06.30.2017).

Securities held to maturity	**06.30.2018**							**06.30.2017**	
	Cost value				**Maturity**	**Cost/book value**	**Market value[1]**	**Cost/book value**	**Market value[1]**
	From 0 to 30 days	**From 31 to 180 days**	**From 181 to 360 days**	**Over 360 days**					
Fixed income securities	**-**	**-**	**-**	**217,505**		**217,505**	**140,709**	**191,218**	**130,537**
National Treasury Notes (NTN) - P	-	-	-	171,792	2030	171,792	94,996	161,750	101,070
Investment Fund Shares - Criatec	-	-	-	8,799	2019	8,799	8,799	11,047	11,046
Investment Fund Shares - Criatec II	-	-	-	12,926	2023	12,926	12,926	7,990	7,990
Investment Fund Shares - Criatec III	-	-	-	1,369	2025	1,369	1,369	234	234
FIP Brasil Agronegócios	-	-	-	13,404	2020	13,404	13,404	10,167	10,167
Nordeste III FIP	-	-	-	9,215	2022	9,215	9,215	30	30
Total of category	**-**	**-**	**-**	**217,505**		**217,505**	**140,709**	**191,218**	**130,537**

[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 Letter No. 3068 of 11/08/2001.

a.2) In the 1st half of 2018, there were no reclassifications of marketable securities into the categories above, and no held-to-maturity securities were sold.

a.3) 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 marketable securities

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Open market investments (Note 6.b)	406,951	497,525
interbank deposits investments (Note 6.b)	4,090	6,286
Fixed income securities	937,326	1,259,770
Variable income securities	180	532
Total	**1,348,547**	**1,764,113**

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 06.30.2018, the Bank had swap transactions registered with B3 S.A. and the notional value of these transactions is recorded in memorandum accounts (notional value) while the related book value is recorded under the captions ‘Differential payable’ and ‘Differential receivable’, as shown below:

Breakdown at 06.30.2018									06.30.2017
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net	Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative		
Long position									
Foreign currency (dollar)	578,615	580,449	84	579,902	-	547	84	463	19,990
Short position									
Fixed rate	-	-	-	-	-				-
Total	**578,615**	**580,449**	**84**	**579,902**	**-**	**547**	**84**	**463**	**19,990**
Tax credit (Note 21.c)								34	-
Provision for deferred taxes and contributions (Note 21.d)								219	7,996

Specification	06.30.2018		06.30.2017	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Within 3 months	-	-	-	-
3 to 12 months	580,449	84	-	-
1 to 3 years	-	-	430,233	-
3 to 5 years	-	-	-	-
Total	**580,449**	**84**	**430,233**	**-**

c.1) Derivative financial instruments classified as market risk hedge *(*Hedge Accounting)

Specification	06.30.2018					06.30.2017
Hedging instruments	Curve value		Market value		Market value adjustment	Market value adjustment
	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI		
Swap - Foreign currency - Long position	1,164,753	584,851	1,165,216	584,851	463	19,990
Hedged item	**Curve value(1)**		**Market value(1)**		**Market value adjustment**	**Market value adjustment**
Eurobonds - Senior Unsecured Notes	1,164,753		1,165,221		468	19,873
Tax credit (Note 21.c)					187	7,948

(1) Net of tax effects at source on the transaction interest in the amount of R$1,145 (R$999 in 06.30.2017).

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	01.01 to 06.30.2018	01.01 to 06.30.2017
Swap	156,219	8,952
Total	**156,219**	**8,952**

NOTE 8 - Linked Credits

a) Linked Credits

Specification	06.30.2018			06.30.2017		
	Gross amount	Provision	Net value	Gross amount	Provision	Net value
Mandatory payments	467,062	-	467,062	298,875	-	298,875
Compulsory reserves - Cash funds	99,312	-	99,312	120,226	-	120,226
National Housing Finance System (SFH)	76,811	(8,229)	68,582	72,803	(16,217)	56,586
Total	**643,185**	**(8,229)**	**634,956**	**491,904**	**(16,217)**	**475,687**
Short-term	566,374	-	566,374	419,101	-	419,101
Long-term	76,811	(8,229)	68,582	72,803	(16,217)	56,586

b) Compulsory investment gain/loss

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Income from linked credits - Central Bank of Brazil	10,565	8,535
Income from linked credits - SFH	1,990	2,222
Income from linked credits - Rural Credit	-	33
Appreciation (Depreciation) of linked credits	(47)	(11,706)
Total	**12,508**	**(916)**

NOTE 9 - Loan portfolio and allowance for loan losses

a) Loan portfolio and allowance for loan losses

Specification	06.30.2018		06.30.2017	
	Gross amount	Allowance	Gross amount	Allowance
Loans	**9,543,428**	**(722,717)**	**11,248,956**	**(1,094,527)**
Short-term	4,627,354	(525,573)	4,847,785	(593,877)
Long term	4,916,074	(197,144)	6,401,171	(500,650)
Other accounts with loan features	**902,668**	**(8,351)**	**706,413**	**(273,385)**
Shot-term (Note 10.e)	902,492	(8,351)	703,961	(273,385)
Long term	176	-	2,452	-
Total	**10,446,096**	**(731,068)**	**11,955,369**	**(1,367,912)**

a.1) Breakdown of loan portfolio

Specification	06.30.2018	06.30.2017
Advances to depositors	1,464	470
Loans	4,406,023	4,773,251
Discounted credit notes	17,689	43,213
Financing	1,710,245	2,174,530
Financing in foreign currency	53,946	39,288
Agribusiness financing	6,364	14,141
Rural financing	1,365,718	1,651,293
Refinancing of loans with the Federal Government	-	560,692
Real estate financing (1)	-	243
Infrastructure and development financing	1,981,979	1,991,835
Loans subtotal	**9,543,428**	**11,248,956**
Income receivable from advances granted	32,990	9,679
Debtors for purchase of assets	496	1,873
Notes and credits receivable (Note 10)	46,655	330,042
Advances on Exchange Contracts (ACC)(2) (Note 11.a)	822,527	364,819
Other accounts with loan features subtotal	**902,668**	**706,413**
Total	**10,446,096**	**11,955,369**

(1) Refer to transactions contracted before the discontinuance of real estate financing activities.
(2) Accounts classified as “Other payables/ foreign exchange portfolio”.

a.2) Income from loans

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Loans and discounted notes	421,463	498,918
Financing	315,195	312,527
Agribusiness financing	704	4,622
Rural financing	138,845	92,553
Recovery of loans written off as losses	55,320	41,157
Other amounts	-	3
Total	**931,527**	**949,780**

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 06.30.2018	Total at 06.30.2017
Rural	4,027	928	1,363	16,952	11,501	1,294,450	1,329,221	1,610,734
Manufacturing	60,777	63,621	193,126	487,655	161,032	1,504,648	2,470,859	2,335,710
Government	11,135	11,135	36,441	33,404	92,114	519,357	703,586	1,320,100
Other services	96,574	100,821	74,008	244,372	221,134	1,167,063	1,903,972	2,059,573
Trade	715,757	651,268	504,955	861,700	291,430	182,967	3,208,077	3,481,940
Financial brokers	50	39	38	114	188	382	811	548
Housing	77	31	22	36	52	22	240	528
Individuals	25,973	11,208	7,677	13,322	12,207	12,747	83,134	93,155
Total at 06.30.2018	**914,370**	**839,051**	**817,630**	**1,657,555**	**789,658**	**4,681,636**	**9,699,900**	
Total at 06.30.2017	**936,204**	**741,047**	**694,555**	**1,354,346**	**1,056,734**	**6,119,402**		**10,902,288**

(1) Include loans overdue up to 14 days.

b.2) Past-due loans

Falling due Installments								
Type of Customer/Activity	**01 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total at 06.30.2018**	**Total at 06.30.2017**
Rural	197	17	75	249	154	2,097	2,789	5,262
Manufacturing	3,926	3,827	3,942	11,295	21,376	87,383	131,749	105,788
Government	19	19	18	56	112	410	634	208,094
Other services	7,212	5,036	4,819	15,618	23,200	77,742	133,627	196,380
Trade	16,190	12,308	9,441	20,088	29,944	65,958	153,929	22
Individuals	237	264	258	524	856	1,818	3,957	4,218
Total at 06.30.2018	**27,781**	**21,471**	**18,553**	**47,830**	**75,642**	**235,408**	**426,685**	
Total at 06.30.2017	**28,862**	**26,583**	**22,912**	**57,763**	**98,271**	**285,373**		**519,764**

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**	**Above 360 days[2]**	**Total at 06.30.2018**	**Total at 06.30.2017**
Rural	1	58	17	45	750	1,299	37,901	40,071	48,111
Manufacturing	1,223	8,970	23,512	3,322	10,671	10,010	1,094	58,802	30,988
Government	-	24	-	-	-	-	-	24	-
Other services	4,582	5,365	9,864	3,894	66,518	16,506	497	107,226	298,088
Trade	6,438	13,725	16,115	12,672	28,918	25,665	646	104,179	141,631
Financial brokers	-	-	-	-	-	-	-	-	42
Housing	-	-	-	-	-	7	-	7	231
Individuals	59	845	769	1,016	2,513	3,987	13	9,202	14,226
Total at 06.30.2018	**12,303**	**28,987**	**50,277**	**20,949**	**109,370**	**57,474**	**40,151[1]**	**319,511**	
Total at 06.30.2017	**24,913**	**22,388**	**67,011**	**119,748**	**173,892**	**124,850**	**515**		**533,317**

(1) These include amounts referring to loans taken out based on CMN Resolution No. 2471 of 02/26/1998.
(2) Classified as Current assets in the Balance Sheet.

c) Breakdown by risk level

Risk level	06.30.2018				06.30.2017			
	Current loan [1]	Past-due loan	Total portfolio	Allowance[2]	Current loan[1]	Past-due loan	Total portfolio	Allowance
AA	3,581,911	-	3,581,911	-	4,894,666	-	4,894,666	-
A	4,525,625	-	4,525,625	(22,628)	3,827,174	-	3,827,174	(19,136)
B	933,250	40,142	973,392	(9,734)	1,007,214	41,789	1,049,003	(10,490)
C	323,544	76,123	399,667	(11,990)	72,108	69,082	141,190	(4,235)
D	146,344	38,411	184,755	(18,476)	385,299	121,391	506,690	(50,669)
E	21,965	45,692	67,657	(20,297)	46,037	68,169	114,206	(34,262)
F	15,097	66,662	81,759	(40,879)	198,894	54,146	253,040	(126,520)
G	47,141	33,744	80,885	(56,620)	92,721	63,279	156,000	(109,200)
H	105,023	445,422	550,445	(550,445)	378,175	635,225	1,013,400	(1,013,400)
Total	**9,699,900**	**746,196**	**10,446,096**	**(731,069)**	**10,902,288**	**1,053,081**	**11,955,369**	**(1,367,912)**

(1) Include loans overdue up to 14 days.
(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) Changes in the allowance for the period

Specification	06.30.2018	06.30.2017
Opening balance of Allowance for losses on loan portfolio	950,848	1,431,088
(+) Allowance recognized/(reversed) for the period	223,686	376,742
(-) Loans written off as loss for the period	(443,465)	(439,918)
(=) Net Allowance for losses on loan portfolio	**731,069**	**1,367,912**
Opening balance of Allowance for losses on other receivables without loan features	27,238	28,824
(+) Allowance recognized for the period	609	586
(-) Reversal of allowance for the period	(151)	(922)
(=) Net allowance for losses on other receivables without loan features (Note 10.e)	**27,696**	**28,488**
(=) Balance of allowance for loan losses	**758,765**	**1,396,400**

e) Breakdown of the allowance expense balance

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
(+) Expenses with allowance for loan losses	218,917	275,346
(+) Expenses with allowance for other loan losses	4,769	101,396
(=) Balance of expenses with allowance for losses with loan features	**223,686**	**376,742**
(+) Allowance for losses on other receivables without loan features	609	-
(-) Reversals of allowances for other receivables without loan features	(150)	(889)
(=) Balance of expenses on allowance for loan losses (Note 4)	**224,145**	**376,402**

f) Financial guarantees provided

Specification	06.30.2018		06.30.2017	
	Balance	Provision	Balance	Provision
In connection with the International Commodity Trade	-	-	3,151	-
Other bank guarantees	450	-	450	-
Public sector	**21,779,951**	**3,196,136**	**20,824,126**	**3,271,346**
FDNE (Notes 16.i and 22.f.2)	129,252	3,417	123,218	679
FNE (Notes 16.i and 22.f.2)	21,650,162	3,192,712	20,699,908	3,270,661
Proagro (Notes 16.i and 22.f.2)	537	7	1,000	6

g) Loan concentration

Specification	06.30.2018		06.30.2017	
	Balance	% of portfolio	Balance	% of portfolio
10 major debtors	2,177,523	20.85	2,685,862	22.47
50 major debtors	4,266,027	40.84	4,837,495	40.46
100 major debtors	4,886,110	46.77	5,509,140	46.08

f) In the 1st half of 2018, receivables that had been written off as loss were recovered in the amount of R$55,320 (R$41,156 at 06.30.2017) and renegotiations amounted to R$141,580 (R$384,167 at 06.30.2017).

NOTE 10 - Other Credits

Specification	06.30.2018	06.30.2017
a) Foreign Exchange Portfolio (Note 11.a)	**1,015,405**	**389,452**
b) Income receivable	**21,699**	**19,127**
c) Trading and intermediation of securities	**12**	**12**
d) Sundry	**3,362,573**	**3,966,249**
Tax Credits on Allowance for Loan Losses (Note 21.c)	1,337,400	1,534,505
Tax credits on Actuarial Provisions (Note 21.c)	661,396	646,253
Tax Credits on Marketable Securities, Derivative Financial Instruments and hedged item (Notes 7.a., 2, 7.c and 21.c)	273,682	281,841
Debtors for escrow deposits	384,738	718,323
Taxes and contributions to be offset	179,095	62,328
Tax incentive options	26,748	26,748
Notes and credits receivable (Note 9.a.1)	46,655	330,042
Advances and early salary payment	36,402	36,685
Payments to be refunded	14,277	13,463
Amounts receivable - bonus/rebates	299,509	191,910
Other amounts	102,671	124,151
e) Allowance for losses on other receivables	**(36,048)**	**(301,873)**
Receivables with loan features (Note 9.a)	(8,351)	(273,385)
Receivables without loan features (Note 9.d)	(27,697)	(28,488)
Total	**4,363,641**	**4,072,967**
Short-term	2,299,466	1,815,953
Long-term	2,064,175	2,257,014

NOTE 11 - Foreign exchange portfolio

a) Breakdown

Specification	06.30.2018	06.30.2017
Assets - Other Credits (Note 10)	**1,015,405**	**389,452**
Exchange purchase to settle	964,183	371,159
Rights on foreign exchange sales	21,866	8,816
Advances received in local currency	(3,634)	(201)
Income receivable from advances granted	32,990	9,678
Current assets (Note 10)	**1,015,405**	**389,452**
Liabilities - Other obligations (Note 16.b)	**29,726**	**9,277**
Foreign exchange purchase obligations	830,365	365,271
Exchange sold to be settle	21,887	8,824
(Advances on exchange contracts - ACC) (Note 9.a.1)	(822,527)	(364,819)
Other amounts	1	1
Current liabilities (Note 16.b)	**29,726**	**9,277**

b) Foreign exchange gains (losses)

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Foreign exchange gains	220,483	62,912
Foreign exchange losses	(445)	(405)
Total	**220,038**	**62,507**

NOTE 12 - Permanent assets

a) Investments

Specification	12.31.2017	01.01.2018 to 06.30.2018			06.30.2018	
	Book balance	Changes		Book balance	Cost value	Book balance
		Additions	Write-offs			
Shares and units of interest	331	-	-	331	331	331
Artworks and valuables	1,260	-	-	1,260	1,260	1,260
Total	**1,591**	-	-	**1,591**	**1,591**	**1,591**

b) Property and equipment

Specification	12.31.2017	01.01.2018 to 06.30.2018				06.30.2018		
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Book balance
		Additions	Write-offs	Depreciation				
Buildings	72,802	-	-	(2,839)	69,963	259,309	(189,346)	69,963
Data processing system	33,077	1,118	(879)	(7,991)	25,325	148,044	(122,719)	25,325
Furniture and equipment in use	27,048	2,025	(157)	(2,544)	26,372	77,224	(50,852)	26,372
Land	17,576	-	-	-	17,576	17,576	-	17,576
Facilities	4,417	-	(3)	(524)	3,890	19,095	(15,205)	3,890
Communication system	45	6	(1)	(6)	44	271	(227)	44
Security system	6,635	80	(48)	(628)	6,039	18,584	(12,545)	6,039
Transportation system	1,640	-	-	(702)	938	14,332	(13,394)	938
Total	**163,240**	**3,229**	**(1,088)**	**(15,234)**	**150,147**	**554,435**	**(404,288)**	**150,147**

c) Intangible assets

Specification	31,12,2017	01.01.2018 to 06.30.2018				06.30.2018	
	Book balance	Changes			Book balance	Cost value	Book balance
		Additions	Write-offs	Amortization			
Spending on intangible assets under development	19,947	-	-	-	19,947	19,947	19,947
Total	**19,947**	**-**	**-**	**-**	**19,947**	**19,947**	**19,947**

At 06.30.2018 and 06.30.2017, no impairment losses were recorded on permanent assets.

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	5 to 15 years	Over 15 years	Total at 06.30.2018	Total at 06.30.2017
Demand deposits	**238,300**	**-**	**-**	**-**	**-**	**-**	**238,300**	**288,938**
Savings deposits	**2,255,666**	**-**	**-**	**-**	**-**	**-**	**2,255,666**	**2,117,379**
Interbank deposits	**526,389**	**938,452**	**12,780**	**-**	**-**	**-**	**1,477,621**	**1,539,553**
Time deposits	**643,685**	**1,694,163**	**3,859,160**	**675,852**	**996,038**	**17,547**	**7,886,445**	**7,018,593**
Time deposits	98,496	1,662,840	2,216,743	576,388	873,708	17,547	5,445,722	5,695,337
Interest-yielding judicial deposits	537,503	-	-	-	-	-	537,503	557,307
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	-	-	1,591,221	67,637	67,637	-	1,726,495	546,427
FAT - Available funds	2,723	7,937	10,762	6,690	4,726	-	32,838	30,470
FAT - Invested funds	4,963	12,992	40,434	25,137	17,753	-	101,279	188,737
Other	-	10,394	-	-	32,214	-	42,608	315
Funds from acceptance and issue of securities	**38,325**	**1,294,895**	**-**	**-**	**-**	**-**	**1,333,220**	**1,229,974**
Eurobonds - Senior Unsecured Notes	-	1,166,366	-	-	-	-	1,166,366	1,020,328
Agribusiness Credit Bills (LCA)	38,325	128,529	-	-	-	-	166,854	209,646
Debt instruments eligible to capital	**-**	**-**	**-**	**-**	**-**	**1,000,000**	**1,000,000**	**1,000,000**
Subordinated debts	-	-	**-**	**-**	**-**	**2,282,604**	**2,282,604**	**2,118,431**
Total at 06.30.2018	**3,702,365**	**3,927,510**	**3,871,940**	**675,852**	**996,038**	**3,300,151**	**16,473,856**	
Total at 06.30.2017								**15,312,868**

b) Deposits

Specification	06.30.2018	06.30.2017
Demand deposits	**238,300**	**288,938**
Government deposits	11,703	15,997
Linked deposits	67,465	117,998
Legal entities	120,403	110,592
Individuals	37,811	44,070
Other amounts	918	281
Savings deposits	**2,255,666**	**2,117,379**
Free savings deposits - Individuals	1,526,279	1,425,898
Free savings deposits - Legal entities	728,662	690,772
From related parties and Financial System Institutions	725	709
Interbank deposits	**1,477,621**	**1,539,553**
Time deposits	**7,886,445**	**7,018,593**
Time deposits	5,445,722	5,695,337
Interest-yielding judicial deposits	537,503	557,307
Other time deposits	**1,903,220**	**765,949**
Interest-yielding special deposits/FAT (Notes 27 and 29)	**134,117**	**219,207**
Available funds (Note 27)	**32,838**	**30,470**
Proger Urbano	391	1,226
Protrabalho	2,014	6,575
Infrastructure	22,624	19,605
PNMPO	7,809	3,064
Funds invested (Note 27)	**101,279**	**188,737**
Proger Urbano	10,169	11,486
Protrabalho	24,218	52,552
Infrastructure	3,260	41,961
PNMPO	63,632	82,738
Finor/cash and cash equivalents and reinvestments (Law No. 8167/91)	**1,726,495**	**546,427**
Other amounts	**42,608**	**315**
Total	**11,858,032**	**10,964,463**
Short-term	6,296,602	5,882,463
Long-term	5,561,430	5,082,000

c) Open market funding

Specification	06.30.2018	06.30.2017
Own portfolio	**940,160**	**931,379**
Financial Treasury Bills (LFT)	940,160	931,379
Third-party portfolio	**113,813**	**61,455**
National Treasury Notes (NTN)	113,813	61,455
Total	**1,053,973**	**992,834**
Short-term	1,045,419	989,906
Long-term	8,554	2,928

d) Expenses with open market funding

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Funding expenses	**(532,795)**	**(572,559)**
Time deposits	(165,714)	(314,391)
Savings deposits	(39,933)	(51,895)
Judicial deposits	(17,091)	(26,012)
Interbank deposits	(20,768)	(23,380)
Special deposits	(55,255)	(37,337)
Funds from acceptance and issue of securities	(228,161)	(113,242)
Other deposits	(5,873)	(6,302)
Expenses with open market funding	**(31,386)**	**(53,896)**
Third-party portfolio	(3,396)	(3,741)
Own portfolio	(27,990)	(50,155)
Total	**(564,181)**	**(626,455)**

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 06.30.2018	Total at 06.30.2017
Foreign borrowings	328,620	720,342	-	-	-	-	1,048,962	493,379
Domestic onlending	32,720	100,709	311,460	324,501	437,687	45,776	1,252,853	1,607,310
Foreign onlending	30,059	137,876	196,211	201,624	93,790	-	659,560	705,346
Total at 06.30.2018	**391,399**	**958,927**	**507,671**	**526,125**	**531,477**	**45,776**	**2,961,375**	
Total at 06.30.2017								**2,806,035**

b) Domestic Onlending - official institutions

Specification	Annual restatement rate (%)	06.30.2018	06.30.2017
National Treasury	IGP-DI + 2.00	**468**	**447**
BNDES		**1,178,135**	**1,503,240**
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	Fixed rate 1.50 to 11.10/TJLP + 0.00 to 4.00/IPCA + 9.41/Exc. var. + 2.00 to 4.00	805,146	1,111,406
Credit Facility for investment in agriculture		372,989	391,834
Machinery and Equipment Financing (Finame)		**74,250**	**103,623**
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	Fixed rate 1.50 to 7.00/TJLP + 0.00 to 4.00/Exc. var. + 2.00 to 4.00	53,368	81,833
Agricultural Program		20,882	21,790
Total (Note 29.a.1)		**1,252,853**	**1,607,310**
Short-term		133,429	160,759
Long-term		1,119,424	1,446,551

c) Foreign onlending

Specification	Annual restatement rate (%)	06.30.2018	06.30.2017
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.40	167,763	239,947
BID-Prodetur II	USD + 3.25	485,434	458,973
BID - Other programs	USD + 3.25	6,363	6,426
Total		**659,560**	**705,346**
Short-term		167,935	143,349
Long-term		491,625	561,997

d) Expenses on borrowings and onlending

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Expenses on onlending	**(206,046)**	**(115,301)**
Domestic onlending - Official institutions in Brazil	**(67,365)**	**(56,872)**
National Treasury	(19)	-
BNDES	(65,247)	(55,374)
Machinery and Equipment Financing (Finame)	(2,099)	(1,498)
Foreign onlending expenses	**(138,681)**	**(58,429)**
Expenses on onlending with foreign banks	**(208,931)**	**(48,346)**
Expenses on financial and development funds	**(757,092)**	**(990,864)**
Total	**(1,172,069)**	**(1,154,511)**

NOTE 15 - Funds from acceptance and issue of securities

a) Liabilities for foreign marketable securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 06.30.2018(2)	Market value at 06.30.2018(2)	Market value 06.30.2017(2)
Eurobonds – Senior Unsecured Notes (1)	05.03.2012	05.03.2019	4,375	300,000	1,165,898	1,166,366	1,020,328
Total					**1,165,898**	**1,166,366**	**1,020,328**
Short-term						1,166,366	7,995
Long-term						-	1,012,333

(1) The notes are not subject to interim repayments and principal is settled on the transaction maturity date. Interest on notes is payable every six months.
(2) Considering tax effects.

According to Note 7.c.1, swap transactions conducted to hedge dollar-denominated liabilities against market fluctuations, arising from foreign funding, were classified as hedging accounting, and therefore the liabilities balances are adjusted to market value.

b) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (%)	Nominal value	06.30.2018	06.30.2017
Agribusiness Credit Bills (LCA)(1)	81.21% CDI	162,138	166,854	209,646
Short-term			166,787	209,646
Long-term			67	-

(1) Note with average maturity term of 170 days.

NOTE 16 - Other liabilities

Specification	06.30.2018	06.30.2017
a) Collection and transfer of taxes and levies	**83,879**	**21,481**
Funds from PROAGRO	996	1,236
Federal taxes received	80,448	15,248
IOF payable	779	1,332
Other taxes and levies	1,656	3,665
b) Foreign exchange portfolio (Note 11.a)	**29,726**	**9,277**
c) Social and statutory	**69,076**	**89,754**
Dividends and bonuses payable	53,705	69,537
Profit sharing	15,371	20,217
d) Tax and social security	**447,445**	**247,456**
Provision for deferred taxes and contributions	**132,129**	**142,609**
Marketable securities and derivative financial instruments (Note 21.d)	5,289	36,694
Revaluation of buildings and land **(**Note 21.d)	-	1,012
From credits recovered and hedged items (Note 21.d)	126,840	104,903
Provision for income and social contribution taxes (Note 21.a.2)	**234,863**	**25,687**
Income tax	127,957	13,589
Social contribution tax	106,906	12,098
Taxes and contributions payable	**80,453**	**79,160**
e)Trading and intermediation of securities	**153**	**153**
f) Financial and development funds	**26,859,710**	**21,793,142**
FNE (Note 29.a.1)	25,950,367	20,858,342
Other amounts	909,343	934,800
g) Debt instruments eligible to capital (Notes 17 and 29.a.1)	**1,000,000**	**1,000,000**
h) Subordinated debts eligible for capital (Notes 18 and 29.a.1)	**2,282,604**	**2,118,431**
i) Sundry	**6,015,009**	**5,986,782**
Provision for contingencies	**374,446**	**384,047**
Labor claims (Note 22.f.1.ii)	190,700	174,279
Civil proceedings (Note 22.f.1.iii)	133,530	124,681
Other proceedings (Note 22.f.1.iv)	34,574	15,498
Tax proceedings (Note 22.f.1.i)	15,642	69,589
Provision for Financial Guarantees Provided (Note 22.f.2)	**3,196,136**	**3,271,346**
FNE (Note 9.f)	**3,192,712**	**3,270,661**
Onlending	1,414	1,184
Full risk - BNB	67,974	148,029
Shared risk	3,123,324	3,121,448
FDNE (Note 9.f)	3,417	679
Proagro	7	6
Actuarial Liabilities	**1,752,464**	**1,623,324**
Retirement and DB pension plan (Notes 25.f and 29.a.2)	423,954	379,762
Health care plan (Notes 25.f and 29.a.2)	1,192,791	1,120,145
Life insurance - Post-employment benefit (Notes 25.f and 29.a.2)	135,719	123,417
Accrued payments	**381,307**	**336,725**
Personnel expenses	225,737	229,250
Other amounts	94,119	62,783
Interest and charges on debt instruments eligible to capital	61,451	44,692
Other amounts	**310,656**	**371,340**
Total	**36,787,602**	**31,266,476**
Short-term	6,949,373	11,025,360
Long-term	29,838,229	20,241,116

NOTE 17 - Debt Instruments Eligible to Principal Capital (IECP)

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

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

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

Specification	Amount issued	Remuneration	Funding date	06.30.2018	06.30.2017
Debt instruments eligible to capital (Notes 16.g and 29.a.1)	1,000,000	Profitability on Equity	01.19.2016	1,000,000	1,000,000
Long-term				1,000,000	1,000,000

NOTE 18 - Subordinated debts

Specification	06.30.2018	06.30.2017
Fundo Constitucional de Financiamento do Nordeste (FNE)(1)	2,282,604	2,118,431
Funds available	1,675,728	1,621,165
Funds applied	606,876	497,266
Total (Notes 16.h and 29.a.1)	**2,282,604**	**2,118,431**

(1) These comprise two funding operations with FNE in the original amounts of R$600,000 and R$400,000 of 07.20.2009 and 03.01.2010, respectively.

NOTE 19 - Equity

a) Capital

The Bank's capital in the amount of R$2,844,000 (R$2,844,000 at 06.30.2017) is represented by 86,371,464 common book-entry paid-in shares, with no par value, held as follows:

Specification	06.30.2018		06.30.2017	
Shareholders	**Number of shares**	**% of Capital**	**Number of shares**	**% of Capital**
Federal Government	44,049,447	51.00	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,205,568	34.97	30,208,518	34.98
BB FGO Investment Fund Shares	6,217,900	7.20	6,221,650	7.20
National Development Fund (FND)	3,846,968	4.45	3,846,968	4.45
Other	2,051,581	2.38	2,044,881	2.37
Total	**86,371,464**	**100.00**	**86,371,464**	**100.00**

b) Revaluation reserve

The amount of R$11,592 (R$12,829 at 06.30.2017) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its actual 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$177 (R$2,069 at 06.30.2017) was transferred to Retained Earnings (Accumulated Losses) and comprised the profit distribution base.

c) Dividends/interest on equity (IOE)

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

The Executive Board proposes to the Board of Directors the prepayment of dividends as interest on equity in the amount of R$53,537 (R$69,233 at 06.30.2017), of which R$53,372 (R$69,020 at 06.30.2017) are attributed to prepaid dividends for the year, corresponding to 25% on adjusted net income for the six-month period.

Interest on equity were accounted for under "Expenses", however, for the purposes of disclosure of the financial statements, it was reclassified to "Retained earnings (accumulated losses)". Total interest on equity for the six-month period reduced tax expenses amounting to R$23,770 (R$30,324 at 06.30.2017).

d) Statement of calculation of interest on equity

Specification	06.30.2018	06.30.2017
1. Net income for the six-month period	**231,818**	**298,041**
2. Legal reserve set up	(11,591)	(14,902)
3. Debt adjustments to Retained Earnings (Accumulated Losses)	(12,691)	(12,035)
4. Revaluation reserves transferred to retained earnings (accumulated losses)	177	2,069
5. Credit adjustments to Retained Earnings (Accumulated Losses)	5,768	2,898
6. Dividend/IOE calculation basis	**213,481**	**276,071**
7. Dividends as interest on equity proposed in the six-month period	53,537	69,233
8. Withholding Income Tax on IOE	(165)	(213)
9. Interest on equity attributable to dividends (item 7- tem 8)	53,372	69,020
10. Gross IOE: 25.08% (item 7 on item 6) (25.08% at 06.30.2017)	**53,537**	**69,233**
IOE of R$0.6198445865 per share (at 06.30.2017: IOE of R$0.801575959 per share)	53,537	69,233
11. Net IOE: 25.00% (item 9 on item 6) (25.00% at 06.30.2017)	**53,372**	**69,020**

e) Legal reserve

The legal reserve corresponds to 5% on net income calculated in the six-month period and amounts to R$11,591 (R$14,902 at 06.30.2017).

f) Statutory reserve

The Statutory Reserve in the amount of R$159,944 (R$206,838 at 06.30.2017) represents the remaining balance of net income calculated in the six-month period, after establishment of the Legal Reserve and payment of IOE/dividends.

g) Equity adjustment

Specification	06.30.2018	06.30.2017
Marketable securities available for sale	(67,881)	30,659
Actuarial Gains and Losses (Post-employment Benefits)	126,871	(324,710)
Equity adjustment [1]	**58,990**	**(294,051)**

[1] Net of tax effects

NOTE 20 - Other operating income (expenses)

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
a) Service revenue	**1,180,580**	**1,156,523**
Investment fund management	19,420	16,276
Fund and program management	923,151	943,331
Services rendered	238,009	196,916
b) Income from bank fees	**36,379**	**32,763**
c) Personnel expenses	**(942,990)**	**(916,557)**
Salaries	(538,466)	(542,681)
Social charges	(197,367)	(195,493)
Retirement and pension plan - DB and VC I Capef Plans	(50,766)	(49,352)
Health care plan - Camed Natural Plan	(72,993)	(45,947)
Life insurance - Post-employment benefit	(5,501)	(4,807)
Benefits, training sessions, fees and compensation of interns	(77,897)	(78,277)
d) Other administrative expenses	**(632,692)**	**(597,357)**
Data processing	(129,912)	(125,786)
Advertising and publicity	(14,449)	(8,749)
Third-party services	(280,143)	(238,493)
Rentals, material and public utilities	(35,381)	(40,336)
Travel	(8,295)	(6,919)
Communications	(12,963)	(17,151)
Depreciation and amortization	(15,234)	(20,215)
Asset maintenance and upkeep	(23,656)	(24,669)
Surveillance, security and transportation	(45,878)	(43,683)
Promotions, public relations and publications	(4,587)	(4,169)
Financial system services	(14,941)	(19,339)
Specialized technical services	(16,956)	(13,653)
Insurance	(910)	(1,038)
Court, notary and attorney fees	(20,756)	(22,082)
Worker' union dues and Associations	(863)	(1,252)
Condominium fees, catering, kitchen and meals	(2,978)	(3,088)
FUNDECI (Science and Technology Development Fund)	-	(3,000)
Other amounts	(4,790)	(3,735)
e) Tax expenses (Note 21.d)	**(153,252)**	**(147,801)**
COFINS and PIS/PASEP	(135,352)	(132,111)
ISS and IPTU/Improvement tax	(16,581)	(14,260)
Other amounts	(1,319)	(1,430)
f) Other operating income	**947,577**	**854,079**
Del credere commission on fund management	660,907	643,687
Exchange losses on borrowings	69,563	69,204
Exchange losses on funding expenses	43,680	47,940
Exchange loss on reclassification of Development Financial Fund obligation expenses	2,187	2,631
Reversal of operating provisions for risks on FNE transactions	1,197	412
Recovery of charges and expenses	2,889	2,716
Reversal of operating provisions	5,656	7,325
Interest and commissions	839	2,204
Monetary restatement	789	47
Mark-to-market adjustment	-	3,604
FNE - Recovery of amounts settled by the Bank	152,042	48,945
Other amounts	7,828	25,364
g) Other operating expenses	**(707,380)**	**(719,740)**
Exchange losses on exchange area	(1,667)	(1,201)
Exchange losses on loans granted	(67,967)	(74,611)
Negative monetary restatement of loans	(16)	(30,219)
Discounts granted in renegotiations	(21,640)	(15,565)
Loan charges	(2,172)	(9,714)
Tax contingencies	(2,313)	(4,687)
Risks on FNE transactions	(406,772)	(391,849)
Risks on FDNE transactions	(2,782)	(75)
Labor claims	(25,913)	(12,190)
Civil proceedings	(23,023)	(3,280)
Other proceedings	(1,820)	(4,145)
Debt instruments eligible to capital	(61,451)	(45,233)
FNE remuneration - available funds - article 9-A of Law No. 7827	(50,162)	(79,946)
FNE remuneration - applied funds - article 9-A, Law No. 7827	(26,975)	(25,611)
Other amounts	(12,707)	(21,414)
Total	**(271,778)**	**(338,090)**

NOTE 21 - Taxes and contributions

a) Income and social contribution taxes

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

a.1) Specification of the provision for income and social contribution tax expense	Income tax		Social contribution tax	
	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
Income (loss) before income taxes and profit sharing	438,889	286,585	438,889	286,585
Statutory profit sharing	(14,060)	(19,031)	(14,060)	(19,031)
Interest on Equity (IOE)	(53,537)	(69,233)	(53,537)	(69,233)
Income before taxes, less statutory profit sharing and interest on equity	371,292	198,321	371,292	198,321
Permanent additions/exclusions	176,314	(14,446)	175,351	(14,402)
Temporary additions/exclusions	(12,113)	(123,428)	(12,113)	(123,428)
Taxable income	535,493	60,447	534,530	60,491
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(133,861)	(15,099)	(106,906)	(12,098)
Deductions (tax incentives)	5,904	1,511	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	80	(785)	64	(628)
Provision for taxes on LPA adjustments	(127,877)	(14,373)	(106,842)	(12,726)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(1,948)	(4,227)	(384)	(2,301)
Provision for income and social contribution taxes	(129,825)	(18,600)	(107,226)	(15,027)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	39,534	52,780	4,506	11,334
Total IRPJ/CSLL	(90,291)	34,180	(102,720)	(3,693)
Effective rate (%)	24.32	(17.23)	27.67	(1.86)
a.2) Specification of the provision for IRPJ and CSLL	**Income tax**		**Social contribution tax**	
	06.30.2018	**06.30.2017**	**06.30.2018**	**06.30.2017**
Provision for income and social contribution taxes	127,877	14,374	106,842	12,726
Provision for taxes on revaluation reserve realized	80	(785)	64	(628)
Provision for income and social contribution taxes (Note 16.d)	127,957	13,589	106,906	12,098
Taxes and contributions recoverable on prepayments, including withholding taxes	(95,246)	(27,041)	(60,074)	(23,206)
Taxes payable (recoverable) for the period	32,711	(13,452)	46,832	(11,108)

b) Reconciliation of IR and CSLL charges

Specification	06.30.2018	06.30.2017
Income before taxes and profit sharing	**438,889**	**286,585**
Total charge of 45% - IRPJ (25%) and CSLL (20%)	**(197,500)**	**(128,963)**
Statement of tax levy:		
Income and social contribution taxes for the period	**(193,011)**	**30,487**
Increase/decrease in income and social contribution taxes arising from:	**(4,489)**	**(159,450)**
Profit sharing/IOE	(30,419)	(39,719)
Actuarial gains and losses	83,916	(146,120)
Other income/FNE/Del Credere/Ops Onlending - Article 9- A of Law No. 7827	(7,605)	(7,117)
Temporary differences - Other provisions (labor, civil, tax and other proceedings)	20,335	(8,821)
Temporary differences on actuarial provisions	(107,959)	15,539
Temporary differences - transactions with reimbursement longer than 10 years	20,635	(3,516)
Recovery (Provisional Executive Order (MP) No.517)) - revenues renegotiated but not received	(1,778)	(613)
Difference from the CSLL rate (from 20% to 15%)	21,603	30,413
Other (tax incentives, permanent additions/exclusions)	(3,217)	504
Total reconciled tax levy	**(197,500)**	**(128,963)**

c) Tax credits on temporary differences

Income and social contribution tax credits arising from temporary differences of allowances for loan losses and provisions for post-employment benefits are recorded in conformity with the following major standards: CMN Resolution No. 3059 of 12.20.2002, Bacen Circular Letter No. 3171 of 12.30.2002 and CVM Ruling No. 371 of 06.27.2002; and are based on technical studies conducted every six months on recognition of Deferred Tax Assets and Liabilities.

In accordance with Bacen Circular Letters No. 3068 of 11.08.2001 and No. 3082 of 01.30.2002, tax credits on market value adjustment of marketable securities were accrued, regarding securities classified as Available-for-Sale, and on Derivative Financial Instruments.

In connection with recognition of tax credits on Provisions for Contingent Liabilities (Labor, Civil, Tax), as recommended in article 1, item II, of CMN Resolution No. 3059 of 12.20.2002, they must be expected to be realized within a maximum period of ten (10) years. Given the absence of a horizon for the outcome of matters related to the legal proceedings that are provisioned, the Bank prudently does not recognize Deferred Tax Asset on these provisions.

Specification	06.30.2018		06.30.2017		06.30.2018	06.30.2017
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Provisions (ALL)						
Opening balance	802,220	526,293	939,423	655,350	1,328,513	1,594,773
Recognition	202,085	165,717	543,417	449,650	367,802	993,067
Realization/reversal	(186,041)	(172,874)	(568,279)	(485,056)	(358,915)	(1,053,335)
Closing balance (Note 10.d)	818,264	519,136	914,561	619,944	1,337,400	1,534,505
b) Actuarial provisions						
Opening balance	297,265	183,822	328,578	209,065	481,087	537,643
Recognition	26,480	17,145	82,497	51,091	43,625	133,588
Realization/reversal	-	(3,688)	(13,877)	(11,101)	(3,688)	(24,978)
Closing balance (Note 10.d)	323,745	197,279	397,198	249,055	521,024	646,253
c) Derivative financial instruments						
Opening balance	-	-	-	-	-	-
Recognition	3,140	1,884	-	-	5,024	-
Realization/reversal	(3,119)	(1,871)	-	-	(4,990)	-
Closing balance (Note 7.c)	21	13	-	-	34	-
d) Hedged item						
Opening balance	3,128	1,876	2,632	1,579	5,004	4,211
Recognition	4,140	2,484	4,335	2,601	6,624	6,936
Realization/reversal	(7,151)	(4,290)	(1,999)	(1,200)	(11,441)	(3,199)
Closing balance (Note 7.c.1)	117	70	4,968	2,980	187	7,948
Effect on equity						
e) Marketable Securities						
Opening balance	164,744	105,550	174,065	110,746	270,294	284,811
Recognition	48,382	28,614	64,703	44,072	76,996	108,775
Realization/reversal	(43,573)	(30,256)	(71,624)	(48,069)	(73,829)	(119,693)
Closing balance (Note 7.a.1)	169,553	103,908	167,144	106,749	273,461	273,893
f) Actuarial valuation adjustments						
Opening balance	123,730	76,250	-	-	199,980	-
Recognition	-	-	-	-	-	-
Realization/reversal	(36,508)	(23,100)	-	-	(59,608)	-
Closing balance (Note 10.d)	87,222	53,150	-	-	140,372	-

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

Specification	Income tax		Social contribution tax	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Total temporary differences	6,259,701	6,549,464	6,259,701	6,549,464
2. Tax credits on temporary differences	1,564,925	1,637,366	1,220,177	1,309,893
3. Tax credits recognized in assets on Provisions	1,229,231	1,311,759	769,565	868,999
4. Tax credits recognized in assets due to mark-to-market of marketable securities, derivative financial instruments and hedged item	169,691	172,112	103,991	109,729
5. Total tax credits recognized in assets (item 3 + item 4) [1]	1,398,922	1,483,871	873,556	978,728
6. Tax credits not recognized in assets (item 2 - item 5) [2]	166,003	153,495	346,621	331,165

[1] Tax credits are recognized in assets under “Other Credits - other”.

[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.

Estimated realization of tax credits on temporary differences of Allowance for Loan Losses at 06.30.2018 is as follows:

Period	Goal for over - SELIC rate - average (%)	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2018	6.62	140,848	136,406	112,679	109,125	253,527	245,531
2019	8.08	290,825	260,596	174,495	156,358	465,320	416,954
2020	8.25	84,216	69,711	50,530	41,827	134,746	111,538
2021	8.12	58,666	44,915	35,200	26,949	93,866	71,864
2022	8.12	80,104	56,722	48,062	34,033	128,166	90,755
2023	8.12	92,934	60,864	55,760	36,519	148,694	97,383
2024	8.12	19,569	11,854	11,742	7,112	31,311	18,966
2025	8.12	17,895	10,026	10,737	6,015	28,632	16,041
2026	8.12	15,734	8,153	9,441	4,892	25,175	13,045
2027	8.12	12,017	5,759	7,210	3,456	19,227	9,215
2027 onwards	8.12	5,456	3,492	3,280	2,100	8,736	5,592
Total		**818,264**	**668,498**	**519,136**	**428,386**	**1,337,400**	**1,096,884**

Estimated realization of tax credits on temporary differences of Actuarial Provisions at 06.30.2018 is as follows:

Period	Goal for over -SELIC rate - average (%)	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2018	6.62	19,245	18,637	15,396	14,910	34,641	33,547
2019	8.08	37,425	33,535	22,455	20,121	59,880	53,656
2020	8.25	38,452	31,829	23,071	19,097	61,523	50,926
2021	8.12	39,363	30,136	23,618	18,082	62,981	48,218
2022	8.12	40,250	28,501	24,150	17,101	64,400	45,602
2023	8.12	41,173	26,965	24,704	16,179	65,877	43,144
2024	8.12	42,136	25,523	25,282	15,314	67,418	40,837
2025	8.12	43,003	24,092	25,802	14,455	68,805	38,547
2026	8.12	43,919	22,757	26,351	13,654	70,270	36,411
2027	8.12	44,570	21,361	26,742	12,816	71,312	34,177
2027 onwards	8.12	21,431	13,723	12,858	8,234	34,289	21,957
Total		**410,967**	**277,059**	**250,429**	**169,963**	**661,396**	**447,022**

Any tax credit on market value adjustments of marketable securities, derivative financial instruments and Hedged item, determined at present value, pursuant to Bacen Circular Letters No. 3068 of 11.08.2001 and No. 3082 of 01.30.2002, will be realized according to the maturities of the securities:

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2018	31,967	31,967	21,355	21,355	53,322	53,322
2019	1,610	1,610	966	966	2,576	2,576
2020	127	127	76	76	203	203
2021	481	481	289	289	770	770
2022	507	507	304	304	811	811
2023	507	507	304	304	811	811
2024	881	881	529	529	1,410	1,410
2027 onwards	133,611	133,612	80,168	80,168	213,780	213,780
Total	**169,691**	**169,692**	**103,991**	**103,991**	**273,683**	**273,683**

Total estimated realization of tax credits at 06.30.2018 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value [(1)]	Book value [(2)]	Present value	Book value	Present value
2018	192,060	187,010	149,430	145,390	341,490	332,400
2019	329,860	295,741	197,916	177,445	527,776	473,186
2020	122,795	101,667	73,677	61,000	196,472	162,667
2021	98,510	75,532	59,107	45,320	157,617	120,852
2022	120,861	85,730	72,516	51,438	193,377	137,168
2023	134,614	88,336	80,768	53,002	215,382	141,338
2024	62,586	38,258	37,553	22,955	100,139	61,213
2025	60,898	34,118	36,539	20,470	97,437	54,588
2026	59,653	30,910	35,792	18,546	95,445	49,456
2027	56,587	27,120	33,952	16,272	90,539	43,392
2027 onwards	160,498	150,827	96,306	90,502	256,804	241,329
Total	**1,398,922**	**1,115,249**	**873,556**	**702,340**	**2,272,478**	**1,817,589**

[(1)] For present value calculation purposes, we considered the goal for average Over - Selic rates projected by Bacen at 06.30.2018.
[(2)] Considering the change in rate to 20% up to 12.31.2018 and to 15% from 01.01.2019 onwards.

d) Provision for deferred taxes and contributions

Specification	06.30.2018		06.30.2017		06.30.2018	06.30.2017
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Derivative financial instruments						
Opening balance	3,155	1,893	2,661	1,597	5,048	4,258
Recognition	4,131	2,478	4,337	2,602	6,609	6,939
Realization/reversal	(7,149)	(4,289)	(2,001)	(1,200)	(11,438)	(3,201)
Closing balance (Notes 7.c and 16.d)	137	82	4,997	2,999	219	7,996
b) Revaluation reserve						
Opening balance	80	64	1,281	1,025	144	2,306
Recognition	-	-	25	20	-	45
Realization/reversal	(80)	(64)	(744)	(595)	(144)	(1,339)
Closing balance (Note 16.d)	-	-	562	450	-	1,012
c) From recovered credits[(1)]						
Opening balance	73,219	46,460	61,352	40,761	119,679	102,113
Recognition	4,966	2,282	2,311	1,499	7,248	3,810
Realization/reversal	-	(87)	(421)	(599)	(87)	(1,020)
Closing balance (Note 16.d)	78,185	48,655	63,242	41,661	126,840	104,903
d) Hedged item						
Opening balance	-	-	-	-	-	-
Recognition	3,142	1,885	-	-	5,027	-
Realization/reversal	(3,142)	(1,885)	-	-	(5,027)	-
Closing balance (Note 16.d)	-	-	-	-	-	-
Effect on equity						
e) Marketable Securities						
Opening balance	24,848	15,139	12,311	8,359	39,987	20,670
Recognition	78,471	47,510	158,312	95,045	125,981	253,357
Realization/reversal	(100,153)	(60,745)	(152,831)	(92,498)	(160,898)	(245,329)
Closing balance (Notes 7.a.1 and 16.d)	3,166	1,904	17,792	10,906	5,070	28,698

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

The provisions on market value adjustments to marketable securities and derivative financial instruments determined at present value will be written off according to the following schedule:

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2018	19	19	16	16	35	35
2019	160	160	96	96	256	256
2022	339	339	203	203	542	542
2023	2,785	2,785	1,671	1,671	4,456	4,456
Total	**3,303**	**3,303**	**1,986**	**1,986**	**5,289**	**5,289**

The provisions on taxes recovered, according to Law No. 9430 article 12 of 27.12.1996, determined at present value, will be written off according to the following schedule:

Period	Goal for over -SELIC rate - average [1]	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2018	6.62	8,725	8,450	6,980	6,760	15,705	15,210
2019	8.08	13,210	11,837	7,926	7,102	21,136	18,939
2020	8.25	11,666	9,657	7,000	5,794	18,666	15,451
2021	8.12	8,343	6,387	5,006	3,832	13,349	10,219
2022	8.12	7,766	5,499	4,659	3,299	12,425	8,798
2023	8.12	6,915	4,529	4,149	2,717	11,064	7,246
2024	8.12	5,897	3,572	3,538	2,143	9,435	5,715
2025	8.12	5,541	3,104	3,325	1,863	8,866	4,967
2026	8.12	2,150	1,114	1,290	668	3,440	1,782
2027	8.12	1,725	827	1,035	496	2,760	1,323
2027 onwards	6.62	6,247	4,001	3,747	2,400	9,994	6,401
Total		**78,185**	**58,977**	**48,655**	**37,074**	**126,840**	**96,051**

[1] For present value calculation purposes, we considered the goal for average Over - Selic rates projected by BACEN 06.30.2018.

Total amounts of provisions for tax liabilities, expected to be written off, at 06.30.2018 are as follows:

Total tax liabilities in thousands of reais						
Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value [1]	Book value [2]	Present value	Book value	Present value
2018	8,744	8,469	6,996	6,776	15,740	15,245
2019	13,370	11,997	8,022	7,198	21,392	19,195
2020	11,666	9,657	7,000	5,794	18,666	15,451
2021	8,343	6,387	5,006	3,832	13,349	10,219
2022	8,105	5,838	4,862	3,502	12,967	9,340
2023	9,700	7,314	5,820	4,388	15,520	11,702
2024	5,897	3,572	3,538	2,143	9,435	5,715
2025	5,541	3,104	3,325	1,863	8,866	4,967
2026	2,150	1,114	1,290	668	3,440	1,782
2027	1,725	827	1,035	496	2,760	1,323
2027 onwards	6,247	4,001	3,747	2,400	9,994	6,401
Total	**81,488**	**62,280**	**50,641**	**39,060**	**132,129**	**101,340**

[1] For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 06.30.2018.
[2] Considering the change in rate to 20% up to 12.31.2018 and to 15% from 01.01.2019 onwards.

e) Tax expenses

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
COFINS and PIS/PASEP	(135,352)	(132,111)
ISS and IPTU/Improvement tax	(16,581)	(14,260)
Other amounts	(1,319)	(1,430)
Total (Note 20.e)	**(153,252)**	**(147,801)**

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

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

Specification	06.30.2018		06.30.2017	
	Base value	Provision	Base value	Provision
a) Provision for contingencies				
a.1) Tax proceedings (Note 22 f.1.i)	**2,944,471**	**15,642**	**3,344,920**	**69,589**
i) Legal obligation	2,086	2,086	920	920
ii) Other liabilities - other	2,942,385	13,556	3,344,000	68,669
Probable	13,556	13,556	68,669	68,669
Possible	2,773,968	-	3,142,549	-
Remote [(1)]	154,861	-	132,782	-
a.2) Labor claims	**457,429**	**190,700**	**467,873**	**174,279**
Probable (Note 22 f.1.ii)	190,700	190,700	174,279	174,279
Possible	149,219	-	153,706	-
Remote	117,510	-	139,888	-
b.3) Civil proceedings	**6,468,138**	**133,530**	**6,135,420**	**124,681**
Probable (Note 22 f.1.iii)	133,530	133,530	124,681	124,681
Possible	1,192,606	-	1,154,822	-
Remote[(2)]	5,142,002	-	4,855,917	-
a.4) Other contingencies (Note 22 f.2.iv)				
i) Securitized transactions [(3)]	**6,737**	**6,737**	**11,496**	**11,496**
ii) Other proceedings	**885,753**	**27,837**	**753,084**	**4,002**
Probable	27,837	27,837	4,002	4,002
Possible	14,851	-	1,795	-
Remote	843,065	-	747,287	-

(1) Contingent liabilities relating to tax proceedings assessed as remote loss are concentrated in one (1) proceeding, whose contingent liability balance amounts to R$119,732 at 06.30.2018 (R$111,334 at 06.30.2017).

(2) Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in 4 (four) proceedings, with balance of R$2,907,567at 06.30.2018 (R$2,836,665 at 06.30.2017, relating to five proceedings). These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of legal fees: R$1,852,705 (R$1,615,992 at 06.30+.2017); ii) consequential damages and loss of profits for not providing technical assistance - R$437,235 (R$379,985 at 06.30.2017); iii) payment of fine due to undue inclusion in the bad payer system - R$400,265 (R$349,020 at 06.30.2017); and iv) compensation for pain and suffering and loss of profits - R$219,070 (R$191,080 at 06.30.2017).

(3) This refers to the credit risk on securitized transactions based on Law. No. 9138 of 11.29.1995 that is recorded in memorandum accounts.

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 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 Proceedings

Five tax proceedings challenging the tax deficiency notice. At 06.30.2018, estimated financial losses amount to R$2,541,227 (R$2,975,295 at 06.30.2017).

Civil proceedings

Civil proceeding challenging loss of profits and payment of administration fees. At 06.30.2018, estimated losses amount to R$264,292 (R$230,524 at 06.30.2017).

Civil proceeding challenging reassessment (solutio indebiti). At 06.30.2018, estimated losses amount to R$73,751 (R$64,310 at 06.30.2017).

Civil proceeding claiming compensation. At 06.30.2018, estimated losses amount to R$131,059 (R$95,351 at 06.30.2017).

Civil proceeding claiming compensation for pain and suffering and fees. At 06.30.2018, estimated losses amount to R$79,584 (R$44,906 at 06.30.2017).

Civil proceeding filed in 2014 related to post-employment benefits. At 06.30.2018, the estimated possible loss amounts to R$56,869 (R$51,439 at 06.30.2017).

e) Legal and appeal deposits made to guarantee legal and administrative proceedings, recognized for probable possible and/or remote contingent liabilities, are set out as under:

Specification	06.30.2018	06.30.2017
Labor claims	84,543	483,643
Tax proceedings	134,163	130,218
Civil proceedings	77,380	73,944
Total	**296,086**	**687,805**

Changes in provisions

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

Specification	06.30.2018					06.30.2017				
	Opening balance	Recognition	Reversal	Write-off	Closing balance	Opening balance	Recognition	Reversal	Write-off	Closing balance
i) Tax proceedings (Note 16.i)	13,328	2,397	(83)	-	15,642	64,902	5,008	(321)	-	69,589
ii) Labor claims (Note 16.i)	169,253	33,980	(8,584)	(3,949)	190,700	172,866	19,330	(7,580)	(10,337)	174,279
iii) Civil proceedings (Note 16.i)	116,349	33,967	(10,944)	(5,842)	133,530	166,126	57,861	(55,194)	(44,112)	124,681
iv) Other proceedings (Note 16.i)	26,425	1,747	(335)	-	27,837	899	3,124	(21)	-	4,002

f.2) Provisions for financial guarantees provided

Specification	06.30.2018				06.30.2017			
	Opening balance	Recognition	Reversal/ use/write-off	Closing balance	Opening balance	Recognition	Reversal/use/write-off	Closing balance
i) FNE (Nota 16.i)	3,083,952	959,818	(851,058)	3,192,712	3,229,308	1,047,987	(1,006,634)	3,270,661
ii) FDNE (Nota 16.i)	636	2,781	-	3,417	604	590	(515)	679
iii) Proagro (Note 16.i)	-	7	-	7	1,088	9	(1,091)	6

NOTE 23 - Employee and officer compensation (in Brazilian reais)

a) Monthly employee compensation

Gross compensation (1)	06.30.2018	06.30.2017
Maximum	40,743.64	39,548.87
Minimum	1,643.01	1,570.32
Average	10,681.09	10,427.58

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

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

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
Gross compensation (1)	**Executive Board**		**Board of Directors**		**Supervisory Board**	
Highest individual compensation (2)	652,035.13	446,262.79	39,231.67	25,400.22	37,934.87	31,115.26
Lowest individual compensation (3)	319,552.16	284,788.76	30,062.62	25,400.22	30,004.63	25,400.22
Average individual compensation(4)	598,139.91	524,258.92	31,228.83	25,108.42	30,208.79	26,549.96
Number of members (5)	6.33	6.83	6.17	6.50	5.50	4.83

(1) Amounts approved at the 64th Annual General Meeting held on 03.24.2017.
(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 during the entire period.
(4) This corresponds to the total compensation for the period paid by each board divided by the number of officers/directors.
(5) The number of officers/directors corresponds to the annual average number of officers/directors of each board calculated on a monthly basis.

At 06.30.2018, the Bank had 6,989 employees (7,187 at 06.30.2017), a headcount decrease of 2.78%.

NOTE 24 - Profit sharing

The provision for employees' profit sharing for the six-month period corresponds to R$13,384 (R$17,308 at 06.30.2017), equivalent to 5.77% of net income for the six-month period (5.81% at 06.30.2017) and 25.00% (25.00% at 06.30.2017) on dividends paid as interest on equity. The profit sharing expense at 06.30.2018 amounts to R$14,060 (R$19,131 at 06.30.2017), of which R$13,384 is allocated to employees and R$676 to officers.
Profit sharing amounts paid to employees and officers amounted to R$30,259 (R$23,945 at 06.30.2017) and R$862 (R$739 at 06.30.2017), respectively.

NOTE 25 - Post-employment benefits

Pursuant to CMN Resolution No. 4424, which approved CPC 33 (R1) - Employee Benefits, the post-employment benefit information is presented below. Actuarial valuations are conducted by a qualified independent actuary, based on information provided by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF), Caixa de Assistência dos Funcionários do Banco do Nordeste (CAMED) and the Bank.

a) General description of the benefit plan characteristics

a.1) Pension plan of Banco do Nordeste do Brasil's employees

The Bank sponsors two complementary pension plans named Defined Benefit (DB) and Variable Contribution (CV I) managed by CAPEF, a closed-ended private pension plan entity that provides supplementary retirement benefits based on the contribution period, age and disability to the plan participants, as well as supplementary pension and savings plans to their dependents.
In general terms, to the current participants, the Defined Benefit (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. In addition, a rate equivalent to 21.25% is discounted out of the benefit as a special contribution, resulting on average in 78.75% of the average contribution salary.
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. In addition, the plan provides coverage for unplanned benefits, such as disability and death in activity, and these benefits are classified by the Bank as defined benefit.
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. The Actuarial Solvency Fund consists of amounts received from participants on a monthly basis, from the application of the actuarial solvency rate on the amount of contributions of active participants; balance of the sponsor's account related to active participant that has opted for redemption and for the amount obtained by the recovery of complementary capital for disability in case of return of the vested participant due to pension for disability, having returned to the 'able' condition, provided the referred to complementary capital for disability has arisen from the insurer. The Mutual Fund for Risk Benefits is established from the application of a risk rate (of death or disability) on the monthly contributions received from active participants.
According to the entity's statute, the following statutory board 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. It is composed of representatives of the Bank, active participants and participants' and vested beneficiaries' representatives.
The Executive Board is responsible for executing the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, charter, benefit plan regulations, covenants and adhesion terms.
The Supervisory Board is the internal control board and shall mainly monitor and oversee CAPEF activities.

a.1.1) Actuarial method in the scope of the Plans administered by CAPEF

Classified as defined benefit, the DB plan adopts the fully funded financial system in the actuarial calculation of math reserves related to all benefits offered to its participants and beneficiaries. VC I plan combines the characteristics of the defined contribution plan and the defined benefit plan. This plan adopts the fully funded financial system in the actuarial calculation of math reserves for planned benefits and the shared risk coverage regime for the other benefits offered to its participants and beneficiaries.

a.2.1) Health care plan

The Bank is the sponsor of a health care plan managed by CAMED, named Natural Plan, whose primary purpose is to provide health care to its associate participants and dependents, through granting of subsidies to cover or reimburse expenses incurred in connection with health promotion, protection and recovery.

The Natural Plan is adapted to Law No. 9656 of 06.03.1998, which regulates the Brazilian health care plans. CAMED is registered with the National Regulatory Agency for Private Health Insurance and Plans (ANS), the regulatory Agency of this sector, under registration No. 38.569-7.

CAMED is subject to set up financial guarantees established by ANS to comply with the requirements of the adjusted Minimum Required Capital (MRC) for operations, Solvency Margin and set up of Technical Reserves in order to ensure payment to service providers, by binding of collateral assets as established by regulation.

CAMED statutory boards are: Social Board, Decision-Making Board, Executive Board and Supervisory Board.

The CAMED’s Decision-Making Board is a board for monitoring and top-tier administrative decision, composed of representatives of the Bank and of the Social Board. The Executive Board is responsible for executing the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation and in CAMED’s charter.

The Supervisory Board is the supervisory board of CAMED’s management acts and shall essentially monitor and direct the company’s activities.

a.2.2) Contributions

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-participation paid by each associate participant for services utilized and matched contributions from the Bank.

In 2016, CAMED started to refund the contributions prepaid by the Bank as follows: a) lump-sum payment of: R$22,504; and b) the remaining balance in monthly installments of R$443.

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 by age groups. The employees contribute with 50% of this premium amount and the Bank with the remaining 50%, in the form of the Collective Bargaining Agreement (2016/2018). Retirees are responsible for full payment of the premium.

a.3.1) Past due obligations and contributions due

At 06.30.2018, the Bank has no past due obligations or contributions due referring to the pension plans, DB and VC I, health care plan, Natural plan, and the group life insurance, neither informal practices that originate constructive obligations that may be included in the measurement of the defined benefit obligation.

a.3.2) Contribution Ratio (Participants/Sponsor)

At 06.30.2018, 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 06.30.2017).

a.4) Risk exposure

The Defined Benefit, Variable Contribution I, Natural and Group Life Insurance plans are mainly exposed to the following risks:

Plan	Type of risk	Risk description
DB/ VC I/ Natural	Actuarial Risk	The actuarial risk is related to the plan's failure to honor the payment of benefits, due to the adoption of inappropriate actuarial tables and assumptions, or even mismatch between assets and liabilities. In the case of health care plans, this risk associated with the activity of provision of services through accredited chain and/or reimbursement of supplementary health events. This risk is related both to the adequacy of the technical bases used in pricing and to the adequacy of the provision level. Any mismatches in these two variables may have an impact on the health provider's loss ratio.
DB/ VC I/ Natural	Liquidity risk	Liquidity risk is the possibility of mismatches between tradable assets and liabilities, which may affect the ability to have funds available for payment of benefits and other plan obligations.
DB/ VC I/ Natural	Operational/legal risk	The operational risk is associated with losses resulting from the plan operation and may be subdivided into four categories: people risk (unpreparedness, negligence or fraud); process risk (inefficient organization, flow of information and of weak processes, ill-defined responsibilities, etc.); legal risk (arising from processes and routines that flout the legal system); and risk of technology (data processing subject to errors and equipment failures).
DB/VC I/Natural/Group Life Insurance	Market risk	The market risk is related to changes in interest rates and asset prices that impact the economic and financial performance of the benefit plan.
DB and VC I	Credit risk	The credit risk arises when counterparties do not wish or are not able to fulfill their contractual obligations. Its effect is measured by the cost of cash flow replacement in the event of default by the counterparty. The rating downgrade by specialized agencies may also increase the credit risk, given that investors' confidence is affected, which may cause reduction in the market value of organizations.
DB/VC I/Natural/Group Life Insurance	Longevity risk	The present value of the plan liabilities is calculated based on the best mortality estimate of the plan participants. An increase in the life expectancy of plan participants will increase the plan liabilities.
Natural	Administrative expense risk	Risk generated by the possibility of administrative expenses being higher than those estimated in the assessment, increasing actuarial liabilities.
DB/Natural	Risk of retirement postponement	The present value of the plan liabilities is calculated considering the possibility of retirement postponement, and in the event such postponement does not become effective, the amount of liabilities is likely to increase.
VC I	Risk of disability or death and coverage of complementary capital	Risk of participant becoming disable or in case of death without a reserve sufficient to pay for the benefits.

a.5) Number of participants of the post-employment benefit plan

Specification	Actives	Vested participants	Total
DB Plan	1,497	4,928	6,425
VC I Plan	5,160	229	5,389
Natural Plan	6,543	5,023	11,566
Group life insurance	4,948	3,544	8,492

a.6) Strategies for Crosschecking Assets and Liabilities

CAPEF counts on specific areas for investment management in addition to management advisory services that strengthen the monitoring of investment risks. Investments are monitored on a daily basis in order to check issues focused on classification, returns on assets and follow-up of the evolution of the plan's actuarial goal. The Investment Committee holds monthly meetings for discussion of the risks involved in operations, impacts on plan, classification matters and analysis of the economic scenario, and also quarterly risk reports are prepared, with simulation of the monthly and annual profitability, crosschecking of returns on assets against the actuarial goal over time, the plan's liquidity projected in the long-term, Markovitz efficient frontier for variable income funds, follow-up of assets of corporate bonds, comments on investments of the various investment portfolios, and VaR of fixed and variable income segments. The Asset Liability Management (ALM) study is conducted every year and aims 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. The result of this study allows 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. The criteria for investments consider fund allocation limits in accordance with the regulation established by ANS. The credit risk associated with these investments is reduced by the restriction of its operations with top-tier financial institution according to the market and concentration of investments in fixed income government securities and corporate bonds with short-term maturity. The credit risk associated with the possibility of not receiving monthly amounts and charges is mitigated by the possibility of collection in payroll and authorization to debit in current account, as well as by the legal possibility of interrupting the service to beneficiaries of the health care plans after a certain period of default. Risk management monitors the changes in exposure scenarios to which CAMED is subject.

b) **Actuarial Obligation Analysis**

At 06.30.2018, the plans administered by CAPEF and CAMED as well as the Group Life Insurance are recorded in the Bank's financial statements, as follows:

b.1) Private pension plans

i. DB Plan: the present value of the actuarial obligation amounting to R$4,103,802 (R$4,036,741 at 06.30.2017) is partially based on plan assets amounting to R$3,679,848 (R$3,656,979 at 06.30.2017), resulting in a present value of the uncovered actuarial obligations of R$423,954 (R$379,762 at 06.30.2017). The obligation referring to vested participants amounts to R$3,426,664 (R$3,251,620 at 06.30.2017) and that referring to active participants amounts to R$677,138 (R$785,121 at 06.30.2017);

ii. 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$14,000 (R$13,691 at 06.30.2017) is lower than the fair value of plan assets amounting to R$46,531 (R$34,365 at 06.30.2017), resulting in a surplus of R$32,531 (R$20,674 at 06.30.2017), which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

b.2) Health care plan: the present value of the actuarial obligation amounting to R$1,312,221 (R$1,241,671 at 06.30.2017) is partially based on plan assets amounting to R$119,430 (R$121,526 at 06.30.2017), resulting in a present value of the uncovered actuarial obligations of R$1,192,791 (R$1,120,145 at 06.30.2017). The obligation referring to vested participants amounts to R$1,003,654 (R$945,703 at 06.30.2017) and that referring to active participants amounts to R$308,567 (R$295,968 at 06.30.2017).

b.3) Group life insurance: the present value of the uncovered actuarial obligations amounts to R$135,719 (R$123,417 at 06.30.2017), and there are no assets for this plan.

c) Reconciliation of opening and closing balances of the obligation present value

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Present value of actuarial obligation at the beginning of the period	(4,161,598)	(3,870,805)	(21,807)	(12,024)
2. Interest expense	(195,495)	(198,683)	(1,017)	(637)
3. Current service cost	(4,281)	(4,237)	(232)	(94)
4. Benefits paid by the plan	215,948	204,724	235	272
5. Vested participant contributions (retirees and pensioners)	(37,468)	(38,309)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(211)	(107)
7. Administrative expenses paid by the plan	-	-	-	-
8. Remeasurements of actuarial gains (losses)	**79,092**	**(129,431)**	**9,032**	**(1,101)**
8.1. From experience adjustments	(101,721)	(14,559)	8,548	(911)
8.2. From changes in financial assumptions	180,813	(114,872)	484	(190)
9. Present value of actuarial obligation at the end of the period	**(4,103,802)**	**(4,036,741)**	**(14,000)**	**(13,691)**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Present value of actuarial obligation at the beginning of the period	(1,470,786)	(923,372)	(134,567)	(116,899)
2. Interest expense	(69,884)	(47,701)	(6,380)	(6,099)
3. Current service cost	(9,231)	(4,169)	(607)	(536)
4. Benefits paid by the plan[1]	41,040	39,898	5,210	5,639
5. Vested participant contributions (retirees and pensioners)	(9,532)	(9,169)	(1,585)	(1,528)
6. Administrative expenses paid by the plan	6,590	5,644	-	-
7. Remeasurements of actuarial gains (losses)	**199,582**	**(302,802)**	**2,210**	**(3,994)**
7.1. From experience adjustments	42,636	(284,949)	(10,490)	(991)
7.2. From changes in demographic assumptions	-	-	-	-
7.3. From changes in financial assumptions	156,946	(17,853)	12,700	(3,003)
8. Present value of actuarial obligation at the end of the period	**(1,312,221)**	**(1,241,671)**	**(135,719)**	**(123,417)**

(1) Camed: Natural Plan - net of co-participations paid by associate participants.

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Fair value of plan assets at the beginning of the period	3,750,382	3,507,687	44,629	29,300
2. Interest income	177,607	181,391	2,205	1,658
3. Employer's contributions [1]	37,598	35,522	665	745
4. Active participants contributions	119	218	668	747
5. Vested participants contributions	37,468	38,309	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	211	106
7. Administrative expenses paid by the plan	-	-	-	-
8. Benefits paid by the plan	(215,948)	(204,724)	(235)	(272)
9. Gains/(losses) on assets [2]	(107,378)	98,576	(1,612)	2,081
10. Fair value of plan assets at the end of the period	**3,679,848**	**3,656,979**	**46,531**	**34,365**

(1) Capef - DB Plan: contributions related to active and vested participants;

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

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Fair value of plan assets at the beginning of the period	116,548	115,822	-	-
2. Interest income	5,772	5,566	-	-
3. Employer's contributions [(1)]	23,675	24,430	2,143	2,286
4. Return of Sponsor's contributions	(2,660)	(2,589)	-	-
5. Active participants contributions	329	334	1,482	1,825
6. Vested participants contributions	9,532	9,169	1,585	1,528
7. Administrative expenses paid by the plan	(6,590)	(5,644)	-	-
8. Benefits paid by the plan[(2)]	(41,040)	(39,898)	(5,210)	(5,639)
9. Gains/(losses) on assets [(3)]	13,864	14,336	-	-
10. Fair value of plan assets at the end of the period	**119,430**	**121,526**	-	-

[(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.

e) Reconciliation between opening and closing balances of the Effect of asset ceiling

Specification	Capef	
	VC I Plan	
	06.30.2018	06.30.2017
1. Asset ceiling effect at the beginning of the period	(22,822)	(17,275)
2. Interest on asset ceiling effect	(1,188)	(1,021)
3. Remeasurement of asset ceiling effect	(8,521)	(2,378)
4. Asset ceiling effect at the end of the period	**(32,531)**	**(20,674)**

f) Reconciliation of the present value of the obligation and of the plan assets value with assets and liabilities recognized in the balance sheet

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Present value of actuarial obligation at the end of the period	(4,103,802)	(4,036,741)	(14,000)	(13,691)
2. Fair value of plan assets at the end of the period	3,679,848	3,656,979	46,531	34,365
3. Surplus (deficit) of the plan (item 1 - item 2)	(423,954)	(379,762)	32,531	20,674
4. Asset ceiling effect at the end of the period	-	-	(32,531)	(20,674)
5. Liability recognized in the balance sheet at the end of the period (Note 16.j)	**(423,954)**	**(379,762)**	**-**	**-**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. Present value of actuarial obligation at the end of the period	(1,312,221)	(1,241,671)	(135,719)	(123,417)
2. Fair value of plan assets at the end of the period	119,430	121,526	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(1,192,791)	(1,120,145)	(135,719)	(123,417)
4. Liability recognized in the balance sheet at the end of the period (Note 16.j)	**(1,192,791)**	**(1,120,145)**	**(135,719)**	**(123,417)**

g) Amounts recognized in P&L for the year

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
1. Current service cost, net	**(4,162)**	**(4,019)**	**436**	**653**
1.1. Service cost	(4,281)	(4,237)	(232)	(94)
1.2. Active participants' contributions	119	218	668	747
2. Net interest	**(17,888)**	**(17,292)**	**-**	**-**
2.1. Interest expense	(195,495)	(198,683)	(1,017)	(637)
2.2. Interest income	177,607	181,391	2,205	1,658
2.3. Interest on asset ceiling effect	-	-	(1,188)	(1,021)
3. g) Amounts recognized in P&L for the year (item 1 + item 2)	**(22,050)**	**(21,311)**	**436(1)**	**653(1)**

(1) This amount was recorded under "Reversal of operating provisions".

Specification	Camed Natural Plan		Life insurance	
	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
1. Current service cost, net	**(8,902)**	**(3,835)**	**875**	**1,289**
1.1. Service cost	(9,231)	(4,169)	(607)	(536)
1.2. Active participants' contributions	329	334	1,482	1,825
2. Net interest	**(64,112)**	**(42,135)**	**(6,380)**	**(6,099)**
2.1. Interest expense	(69,884)	(47,701)	(6,380)	(6,099)
2.2. Interest income	5,772	5,566	-	-
3. Amounts recognized in P&L for the year (item 1 + item 2) (1)	**(73,014)**	**(45,970)**	**(5,505)**	**(4,810)**

(1) Including employees' contribution granted to be refunded to the Bank - Natural Plan: 01.01. to 06.30.2018: R$21; 01.01 to 06.30.2017: R$23; and Life Insurance: 01.01.to 06.30.2018: R$4; 01.01 to 06.30.2017: R$3.

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

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
1. Contributions (DC portion) (1)	(25,638)	(25,076)

(1) Including transferred employees' contribution: 01.01 to 06.30.2018 R$127; and 01.01 to 06.30.2017 R$124; and contribution projection: 01.01 to 06.30.2018: R$42.

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

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
1. Administrative expenses	(3,247)	(3,089)

h) Amounts for the period recognized in equity

Actuarial gains arising from financial assumptions at 06.30.2018 refer to increases in discount rates compared to 12.31.2017, from 5.38% (12.31.2017) to 5.85% (06.30.2018) for Defined Benefit plan; from 5.43% (12.31.2017) to 5.98% (06.30.2018) for the VC I plan; from 5.38% (12.31.2017) to 5.98% (06.30.2018) for Natural plan; and from 5.42% (12.31.2017) to 5.98% (06.30.2018) for Group Life Insurance.

The gains on experience adjustments of the Natural plan derive from the reduction in the administrative expense rate and medical inflation rate net of aging factor. The losses on experience adjustments of the DB Plan derive from increase in the number of vested participants, as well as from the increase in the average benefit amount. Loss on Group Life Insurance is explained by the increase in the amount of payouts.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
1. Gains/(losses) on assets [1]	(107,378)	98,576	(1,612)	2,081
2. Actuarial gains (losses) on obligation	**79,092**	**(129,431)**	**9,032**	**(1,101)**
2.1. Experience adjustments	(101,721)	(14,559)	8,548	(911)
2.2. Changes in financial assumptions	180,813	(114,872)	484	(190)
3. Asset ceiling effect	-	-	(8,521)	(2,378)
4. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3) [2]	**(28,286)**	**(30,855)**	**(1,101)**	**(1,398)**

(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 06.30.2018: R$257; and of the VC I plan: 01.01 to 06.30.2018: R$61.

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 06.30.2018	01.01 to 06.30.2017	01.01 to 06.30.2018	01.01 to 06.30.2017
1.Gains/(losses) on assets [1]	13,864	14,336	**-**	**-**
2.Actuarial gains (losses) on obligation	**199,582**	**(302,802)**	**2,210**	**(3,994)**
2.1. Experience adjustments	42,636	(284,949)	(10,490)	(991)
2.2. Changes in financial assumptions	156,946	(17,853)	12,700	(3,003)
3. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3) [2]	**213,446**	**(288,466)**	**2,210**	**(3,994)**

(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 06.30.2018: R$15; and of the Group Life Insurance: 01.01 to 06.30.2017: R$2.

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. (Liabilities)/assets recognized at the beginning of the period	(411,216)	(363,118)	-	-
2. Employer contributions	37,598	35,522	665	745
3. Amounts recognized in P&L	(22,050)	(21,311)	436	653
4. Amounts recognized in equity for the period	(28,286)	(30,855)	(1,101)	(1,398)
5. (Liabilities)/assets recognized at the end of the period (Note 16.i)	**(423,954)**	**(379,762)**	**-**	**-**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
1. (Liabilities)/assets recognized at the beginning of the period	(1,354,238)	(807,550)	(134,567)	(116,899)
2. Employer contributions	23,675	24,430	2,143	2,286
3. Return of Sponsor's contributions	(2,660)	(2,589)	-	-
4. Amounts recognized in P&L	(73,014)	(45,970)	(5,505)	(4,810)
5. Amounts recognized in equity	213,446	(288,466)	2,210	(3,994)
6. (Liabilities)/assets recognized at the end of the period (Note 16.i)	**(1,192,791)**	**(1,120,145)**	**(135,719)**	**(123,417)**

j) 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 Deliberative Council 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 +5.25% p.a.
For policy formulation, the criteria and objectives for investing the plan's funds, cost funds and benefits are analyzed, considering: a) the expected rate of return; b) capital preservation; c) diversification; d) risk tolerance; e) stability; f) liquidity; and g) benefit adjustment rule. Based on these criteria, investment mechanisms are defined as well as the best strategy to diversify portfolios: fixed income, variable income, structured investments, foreign investments, real estate and operations with participants.
For allocation of funds and limits per segment of application, the guidelines of CMN Resolution No. 3792 dated 09.24.2009 and its 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 Deliberative Council of Camed. For investments associated with financial guarantees with the Brazilian Agency for Supplementary Health (ANS), the limits and conditions set forth by this agency are observed.

Specification	Capef				Camed	
	DB Plan (%)		VC I Plan (%)		Natural Plan (%)	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017	06.30.2018	06.30.2017
Fixed income	89.41	89.69	85.97	93.66	94.94	78.57
Variable income	0.62	0.19	4.70	-	4.36	20.72
Real estate investments	7.05	7.35	-	-	0.70	0.71
Structured investments	0.48	0.25	3.78	1.22	-	-
Loans and financing to participants	2.44	2.02	5.55	5.12	-	-
Other	0.00	0.02	-	-	-	-
Amounts included in the fair value of plan assets						
In financial instruments at the Bank	0.29	0.19	-	-	94.94	78.57
In properties/other assets used by the Bank	0.91	0.96	-	-	0.70	0.71

k) Assumption used

k.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, of adequacy of hypotheses, prepared by specialized advisory firms engaged by that entity. Except for the hypothesis of the retirement postponement time in relation to each active participant of the DB plan, which was estimated at 50% in relation to the effective retirement postponement time verified for the set of current active participants, who were already eligible to the programmed retirement benefit on the actuarial valuation date. For the Natural plan, the demographic assumptions of the DB plan are used, while for the Group Life Insurance the demographic assumptions used are those of the VC I plan, considering the population characteristics.

Specification	DB (Capef) and Natural (Camed) Plans	
	06.30.2018	06.30.2017
Mortality tables		
Actives/Retirees	RP2000 M&F 2018 Proj - downrated by 10%	RP2000 - downrated by 15%(1)
Disabled people	RP2000 Disable F	Winklevoss
Disability entry table	Álvaro Vindas	Álvaro Vindas - (A10)

(1) Mortality table segregated by gender, being 70% for male and 30% for female.

Specification	VC I Plan (Capef)	
	06.30.2018	06.30.2017
Mortality tables		
Actives/Retirees	RP 2000 2018 Proj. Segmented by gender (Downrated by 20%)	RP 2000 2014 2014 Proj. Unissex (70%M) (D20)
Disabled people	IAPC experience (downrated by 50%)	IAPC experience (downrated by 50%)
Disability entry table	Muller experience (downrated by 85%)	Álvaro Vindas (downrated by 50%)

Specification	Life insurance	
	06.30.2018	06.30.2017
Mortality tables		
Actives/Retirees	RP 2000 2014 Proj. Segmented by gender (Downrated by 20%)	RP 2000 2014 Proj. Unissex (70%M) (D20)
Disabled people	IAPC experience (downrated by 50%)	IAPC experience (downrated by 50%)
Disability entry table	Muller experience (downrated by 85%)	Álvaro Vindas (downrated by 50%)

k.2) Financial assumptions

Specification	Capef (% p.a.)			
	DB Plan		VC I Plan	
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
Statutory discount rate for the actuarial liability	10.03	10.00	10.15	10.02
Effective discount rate for the actuarial obligation	5.85	5.63	5.98	5.65
Average annual inflation rate	3.94	4.14	3.94	4.14
Nominal rate of salary increase(1) (2)	4.98	5.18	-	-
Nominal rate of benefit increases	3.94	4.14	3.94	4.14

(1) DB Plan: the actual rate of salary increase of 1% is applied until the member reaches the expected date for retirement (360 contributions).

(2) VC I Plan: the actual salary increase projection of each participant follows the rules of the Bank's positions and salary plan and in case of an increase in the additional amount due to position in a commission (AFC).

Specification	Camed (% p.a.)		Life insurance	
	Natural Plan			
	06.30.2018	06.30.2017	06.30.2018	06.30.2017
Statutory discount rate for the actuarial liability	10.15	10.00	10.15	10.02
Effective discount rate for the actuarial obligation	5.98	5.63	5.98	5.65
Average annual inflation rate	3.94	4.14	3.94	4.14
Nominal rate of salary increase(1)	4.98	5.18	4.98	5.18
Nominal rate of benefit average increases(1)	2.11 (2)	2.72 (2)	4.98	5.18
Rate of increase in health care costs due to aging (aging factor)	3.66	3.05	Not applicable	Not applicable
Rates of increase in health costs (HCCTR)	2.11 (2)	2.72 (2)	Not applicable	Not applicable

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

(2) At 06.30.2018, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last nine (9) years. The rate found was 2.11%, above the aging factor and price overall inflation of 3.94% p.a. and decreases gradually in six (6) years from 2018, remaining at 1% p.a. from the 7th (seventh) year.

k.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.

k.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.

k.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 CPC 33 (R1) approved by CMN Resolution No. 4424. At 06.30.2018, the following “duration” of the plans was determined: For Capef DB plan: 9.24 years (12.69 years at 06.30.2017); for CAPEF VC I plan: 26.49 years (20.25 years at 06.30.2017); for Natural plan: 21.82 years (12.69 years at 06.30.2017); and for Life Insurance: 18.42 years (18.33 years at 06.30.2017).

l) Sensitivity analysis of main assumptions

The sensitivity analysis considers the increase or decrease by 1% in the salary growth rate for DB and Natural plans, and increase or decrease by 0.25% in interest rates for DB, VC I, Natural and Life Insurance plans. This calculation was made based on the PUC method, estimating the present value of obligation at 06.30.2018:

Capef - DB Plan	**Current parameters**	**Interest rate**	
	06.30.2018	**+ 0.25%**	**-0.25%**
Present value of actuarial obligation	(4,103,802)	(4,021,356)	(4,190,548)
Fair value of assets	3,679,848	3,679,848	3,679,848
Technical surplus (deficit)	**(423,954)**	**(341,508)**	**(510,700)**
Variations:			
Increase/decrease in actuarial obligation (%)		(2.0%)	2.1%
Increase/decrease in technical surplus (deficit) - %		(19.4%)	20.5%

Capef - VC I Plan	**Current parameters**	**Interest rate**	
	06.30.2018	**+0.25%**	**-0.25%**
Present value of actuarial obligation	(14,000)	(13,736)	(14,199)
Fair value of assets	46,531	46,531	46,531
Technical surplus (deficit) (1)	**32,531**	**32,795**	**32,332**
Variations:			
Increase/decrease in actuarial obligation (%)		(1.9%)	1.4%
Increase/decrease in technical surplus (deficit) - %		0.8%	(0.6%)

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

Camed - Natural Plan	**Current parameters**	**Interest rate**	
	06.30.2018	**+ 0.25%**	**- 0.25%**
Present value of actuarial obligation	(1,312,221)	(1,278,394)	(1,368,212)
Fair value of assets	119,430	119,430	119,430
Technical surplus (deficit)	(1,192,791)	(1,158,964)	(1,248,782)
Variations:			
Increase/decrease in actuarial obligation (%)		(2.6%)	4.3%
Increase/decrease in technical surplus (deficit) - %		(2.8%)	4.7%

Life insurance	**Current parameters**	**Interest rate**	
	06.30.2018	**+ 0.25%**	**-0.25%**
Present value of actuarial obligation	(135,719)	(130,687)	(141,079)
Technical surplus (deficit)	(135,719)	(130,687)	(141,079)
Variations:			
Increase/decrease in actuarial obligation (%)		(3.7%)	3.9%
Increase/decrease in technical surplus (deficit) - %		(3.7%)	3.9%

m) Impact on future cash flows

m.1) Expected contributions for the 2nd half of 2018

Specification	Capef		Camed	Life insurance
	DB Plan [(1)]	VC I Plan [(2)]	Natural Plan	
1. Employer contributions	46,230	765	36,610	1,904
2. Employees' contributions	93	763	-	1,280
3. Contributions from vested participants	46,137	-	14,349 [(3)]	1,691

(1) Except for contributions intended for administrative costing: 01.01 to 06.30.2018: Employer: R$4,020 and Employees/Vested participants: R$4,020;

(2) Except for contributions intended for part of the DC plan: 01.01 to 06.30.2018: Employer: R$29,467 and Employees: R$29,469;

(3) Except for co-participations.

m.2) Expected payments of benefits

Specification	Capef[(1)]		Camed [(1)(2)]	Life insurance[(1)]
	DB Plan	VC I Plan	Natural Plan	
Within 1 year	376,265	7,884	82,949	15,394
From 1 to 2 years	351,052	9,949	87,396	13,089
From 2 to 3 years	326,866	16,336	91,890	13,622
From 3 to 4 years	303,565	21,165	96,701	14,209
Over 4 years	1,370,534	45,136	6,888,532	45,930
Total	**2,728,282**	**100,470**	**7,247,468**	**102,244**

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

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

n) Estimated expenses for the 2nd half of 2018

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(4,187)	531	(9,231)	673
2. Net interest	(17,888)	-	(64,111)	(6,380)
3. Total unrecognized (expenses)/revenues	**(22,075)**	**531**	**(73,342)**	**(5,707)**

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

a) The total assets of FNE, amounting to R$78,681,595 (R$71,118,490 at 06.30.2017) are recorded in the Bank's memorandum accounts "Net assets of managed public funds".

b) Cash and cash equivalents and funds committed to loan transactions, which represent cash and cash equivalents of FNE in the amount of R$25,940,720 (R$20,849,478 at 06.30.2017), recorded under "Other obligations/Financial and development funds" bear interest at the extra-market rate. In the period, the interest expense on cash and cash equivalents totaled R$736,942 (R$975,415 at 06.30.2017).

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-Costing), 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 loan transactions, 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 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	Provision at 06.30.2018[2]	Provision at 06.30.2017
AA	12,066,029	-	-
A	13,496,038	33,891	31,568
B	6,582,529	33,238	36,759
C	2,867,310	43,707	31,663
D	868,170	43,354	75,849
E	783,514	118,234	92,168
F	695,450	174,004	180,002
G	483,730	169,774	246,100
H	5,137,646	2,576,510[1]	2,576,552[1]
Total	**42,980,416**	**3,192,712**	**3,270,661**

[1] At 06.30.2018, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R$31,467 (R$39,788 at 06.30.2017).

[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) The Bank’s del credere commission on transactions entered into by 11.30.1998 is nil. For transactions entered into after this date, 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$656,779 (R$639,788 at 06.30.2017).

e) In the period, the administration fee was R$704,541 (R$751,099 at 06.30.2017), calculated at 3% 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 Net Assets 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 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);

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 27 - Workers’ Assistance Fund (*Fundo de Amparo ao Trabalhador - FAT*)

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

Specification	Tade	06.30.2018	06.30.2017
Proger-Urbano - Investment	017/2006	789	1,681
FAT - Infrastructure	018/2006	132,870	161,144
Protrabalho - Investment	004/2007	108,599	169,463
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	72,598	89,550
Total		**314,856**	**421,838**

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R$134,117 (R$219,207 at 06.30.2017), 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$32,837 (R$30,470 at 06.30.2017).

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 FAT Special Deposit Allocation Statement (TADE)), plus cash and cash equivalents that fall under the following conditions, in terms of remaining in the Bank's cash:

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

Specification	Tade[(1)]	Return of FAT funds			06.30.2018		
		Form [(2)]	RA	SELIC remuneration	TMS [(3)] available	TJLP or TLP applied[(4)]	Total
Proger - Urbano - Investment	17/2006	RA	2,924	72	390	10,169	10,559
FAT - Infrastructure	18/2006	RA	38,599	1,240	22,624	3,260	25,884
Protrabalho-Investment	04/2007	RA	35,879	738	2,014	24,218	26,232
PNMPO	01/2010	RA	19,447	465	7,810	63,632	71,442
Total (Notes 13.b and 29.a.1)			**96,849**	**2,515**	**32,838**	**101,279**	**134,117**

Specification	Tade [(1)]	Return of FAT funds			06.30.2017		
		Form [(2)]	RA	SELIC remuneration	TMS [(3)] available	TJLP Applied [(4)]	Total
Proger - Urbano - Investment	17/2006	RA	5,511	225	1,225	11,486	12,711
FAT - Infrastructure [(5)]	18/2006	RA	48,340	2,675	19,606	41,961	61,567
Protrabalho-Investment	04/2007	RA	15,725	117	6,575	52,552	59,127
PNMPO	01/2010	RA	23,256	582	3,064	82,738	85,802
Total (Notes 13.b and 29.a.1)			**92,832**	**3,599**	**30,470**	**188,737**	**219,207**

(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 - Infrastructure, RA is 1% on the balance and deductible reimbursements refer to the last 4 months.

NOTE 28 - Risk management and Basel Index

a) Risk and capital management

The Bank's corporate governance instruments include a regularly reviewed internal control structure so that the operational, credit, market and liquidity risks 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 corporate risk management policy sets forth guidelines and standards that integrate the Bank's activities, for management of credit, liquidity, market and operational risks. The Corporate Risk Management Committee analyzes and forwards for approval by the Executive Board 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 credit, operational, market and liquidity risks 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 (RE) 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, clicking the link "Sobre o Banco".

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 2018 to 2020, which was also approved by the Board of Directors, on 12.04.2017. 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, clicking the link “Sobre o Banco”.

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; devaluation and reduction of expected remunerations and gains on financial instruments deriving from deterioration of the creditworthiness of counterparty, intervening party or mitigating instrument; restructuring of financial instruments or costs of recovering exposures characterized as troubled assets.

Specification	**Exposure**	
	06.30.2018	**06.30.2017**
Loans, co-obligations and guarantees given	**33,766,444**	**32,198,462**
Public sector	**1,207,700**	**1,377,784**
Private sector	**32,558,744**	**30,820,678**
Trade	3,728,873	3,910,336
Foreign trade	902,477	408,382
Housing	-	242
Manufacturing	7,396,029	8,738,028
Infrastructure	5,753,220	3,114,938
Urban micro-financing	3,039,502	2,717,271
Individuals	136,600	124,687
Rural	7,228,598	7,125,896
Other services	4,373,445	4,680,898
Market transactions	**45,277,371**	**36,837,204**
Federal Government securities	**43,002,383**	**33,828,546**
Repurchase agreements	14,944,946	12,062,125
Other	28,057,437	21,766,421
Interbank deposits	**164,644**	**156,636**
Other marketable securities	**857,325**	**1,751,222**
Other transactions	**1,253,019**	**1,100,800**
Other assets	**5,293,663**	**5,126,928**
Total	**84,337,478**	**74,162,594**

The Bank uses the constant information flow to identify, measure, assess, 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 collegiate. 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, Executive Board or Board of Directors.

All loans 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$3,526,882 (R$4,733,017 at 06.30.2017). These transactions are backed by collaterals totaling R$5,512,552 (R$6,025,135 at 06.30.2017).

c) Liquidity risk

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

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

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

Specification		06.30.2018 (%)	06.30.2017 (%)
Liquidity ratio	At reporting date	1,129.98	718.29
	Average for the last 12 months	856.85	568.50
	Maximum for the last 12 months	1,460.41	726.50
	Minimum for the last 12 months	609.03	444.62

d) Market risk

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

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

(a) VaR (value at risk) of asset and liability transactions in trading and banking portfolios, by risk factor;

(b) Capital requirement map, for coverage of market and liquidity risks;

(c) foreign exchange exposure report;

(d) sensitivity analysis;

(e) stress testing;

(f) backtesting; and

(g) reports on monitoring of limits established for portions exposed to market risk.

The preparation of daily, monthly, quarterly and annual managerial reports for management and supervisory and control bodies 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
• Trading portfolio: 1% of Referential Equity • Banking portfolio: 5% of Referential Equity	If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the area responsible for the financial operations.

Sensitivity analysis

As set forth in CVM Rule 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	11,901,085	11,887,300	(13,785)	11,873,738	(27,347)
Banking portfolio						
Dollar coupon	Reduction in coupon	(94,935)	(98,285)	(3,350)	(101,889)	(6,954)
Euro coupon	Increase in coupon	(3,232)	(3,236)	(4)	(3,239)	(7)
IGP coupon	Increase in coupon	94,283	86,657	(7,626)	79,828	(14,455)
IPCA coupon	Reduction in coupon	(612,910)	(694,291)	(81,381)	(733,187)	(120,277)
TJLP coupon	Increase in coupon	380,661	379,055	(1,606)	377,471	(3,190)
TR coupon	Increase in coupon	(2,172,063)	(2,197,334)	(25,271)	(2,216,160)	(44,097)
Fixed interest rate	Increase in interest rate	2,720,127	2,663,670	(56,457)	2,620,064	(100,063)

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 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.

The sensitivity analysis was also conducted for swap transactions and their related hedged items as follows:

Nature of transaction	Type of risk	Financial instrument	Scenario 1 (Probable)	Scenario 2 (variation of 25%)	Scenario 3 (variation of 50%)
Hedging derivatives	Increase in referential rate - B3 S.A. DI vs. DOLLAR	Dollar Swap vs. DI	1,167,719	1,175,883	1,184,164
		Liabilities in FC	(1,180,912)	(1,189,150)	(1,197,504)
		Net exposure	(13,193)	(13,267)	(13,340)

Market value losses were considered in the net exposure of scenarios 2 and 3 and, as regards scenario 1, arising from a possible stressed increase in exchange coupon in foreign-currency-denominated transactions.

The method used in the sensitivity analysis of hedging transactions consisted in the measurement of changes in net exposure marked to market between the dollar-indexed foreign exchange payable and the dollar-denominated foreign exchange receivable of swap transactions. The net exposure was calculated for three scenarios, allowing their comparison. Scenario 1 uses market rates, representing the current situation for risk exposure factors, based on the rates disclosed by B3. Scenarios 2 and 3 are obtained by applying shocks to the foreign exchange coupon used in Scenario 1, as described below:

Scenario 1 - 100% of the DI vs. Dollar swap rate is applied.

Scenario 2 - 125% of the DI vs. Dollar swap rate is applied.

Scenario 3 - 150% of the DI vs. Dollar swap rate is applied.

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 Agency.

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 currency exposure sold, in the amount of R$61,384 (R$103,992 at 06.30.2017 - short position), as follows:

Specification	06.30.2018	06.30.2017	Specification	06.30.2018	06.30.2017
Cash and cash equivalents	6,458	36,905	Deposits	-	-
Interbank investments	47,838	62,125	Interdepartmental accounts	4,648	21,271
Loans	641,003	679,338	Borrowings and onlending - domestic	71,593	72,661
Other Credits	1,051,119	420,126	Borrowings and onlending - foreign	1,825,926	1,725,674
			Other Liabilities	1,070,851	502,205
Total assets in foreign currencies, excluding derivatives	**1,746,418**	**1,198,494**	**Total liabilities in foreign currencies**	**2,973,018**	**2,321,811**
Swap transactions	1,165,216	1,019,325			
Total long position in foreign currencies	**2,911,634**	**2,217,819**	**Total short position in foreign currencies**	**2,973,018**	**2,321,811**

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

g) Operating limits - Basel Accord

At 06.30.2018, the Bank had a wide Basel rate (including capital to cover RBAN) of 14.78% (14.28% at 06.30.2017) and Tier I rates and Principal Capital were both at 10.27% (9.97% at 06.30.2017). RE computed was R$6,550,991 (R$5,958,135 at 06.30.2017), Tier I and Principal Capital had the same amount of R$4,289,280 (R$3,861,357 at 06.30.2017), while risk weighted assets (RWA amount) totaled R$41,766,401 (R$38,731,141 at 06.30.2017).

i. Minimum Required Capital - MRC (Basel III)

Specification	06.30.2018	06.30.2017
Referential Equity (RE)	**6,550,991**	**5,958,135**
. Tier I	**4,289,280**	**3,861,357**
. Principal Capital	4,289,280	3,861,357
. Tier II	**2,261,711**	**2,096,778**
Risk-Weighted Assets (RWA)	**41,766,401**	**38,731,141**
. RWACPAD	32,157,644	30,167,509
. RWACAM	244,225	444,809
. RWAJUR	157,866	101,103
. RWACOM	5,217	5,621
. RWAOPAD	9,201,449	8,012,099
RBAN amount	**2,551,947**	**2,995,685**
Margin on RE (RE - [RWA * 8.625%])1	**2,948,639**	**2,375,505**
Margin on RE considering RBAN {RE - ([RWA + RBAN]* 8.625%)}(1)	**2,728,534**	**2,098,404**
Margin on Tier I REC (Tier I RE - RWA * 6%)	**1,783,296**	**1,537,489**
Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)	**2,409,792**	**2,118,456**
Additional Required Capital (RWA * 1.875%)(2)	**783,120**	**484,139**
Margin on Additional Required Capital (whichever is lower of margins - additional required principal capital)	**1,000,176**	**1,053,350**
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	10,27%	9.97%
. Tier I index (minimum requirement of 6.0%)	10.27%	9.97%
. Basel index (minimum requirement of 8.625%)(1)	15.68%	15.38%
. Basel index including RBAN	14.78%	14.28%

(1) In June/2017 it was 9.25%.
(2) In June/2017 it was 1.25%.

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 RE (Basel III)

Specification	06.30.2018	06.30.2017
Referential Equity (RE)	**6,550,991**	**5,958,135**
Tier I Referential Equity	**4,289,280**	**3,861,357**
Principal Capital	**4,289,280**	**3,861,357**
Capital	2,844,000	2,844,000
Income reserves	1,856,561	1,379,691
Capital and revaluation reserve	11,592	12,829
Unrealized gains or losses - equity valuation and marketable securities	(939,768)	(947,998)
Debt instruments eligible to Principal Capital	1,000,000	1,000,000
Prudential Adjustments	(483,105)	(427,165)
Prudential adjustment - intangible assets	(19,947)	(9,525)
Prudential adjustment - Tax credits from temporary differences	(460,137)	(401,451)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(3,021)	(16,189)
Tier II Referential Equity	**2,261,711**	**2,096,778**
Instruments eligible to Tier II	2,282,604	2,118,431
Investment in other entities deducted of Tier II	(20,893)	(21,653)

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 article 23, shall remain eligible up to their amortization.

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.

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	06.30.2018	06.30.2017
Tier I RE	4,289,280	3,861,357
Total exposure	82,752,497	72,295,672
Leverage Ratio (%)	5.18	5.34

iv. Fixed asset to equity ratio

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

Specification	06.30.2018	06.30.2017
Referential Equity - fixed asset to equity limit	6,550,991	5,958,135
Fixed asset to equity limit (50% of adjusted RE)	3,275,496	2,979,068
Situation	151,738	195,361
Margin	3,123,758	2,783,707
Fixed asset to equity ratio	2.32%	3.28%

NOTE 29 - Related Parties

a) Transactions with related parties

The Bank's policy on transactions with related parties was approved by the Board of Directors on 02.28.2018 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 six-month period, the Bank carried out banking transactions with related parties, such as current account deposits (non-interest bearing), interbanks investments and loans.

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

Specification	06.30.2018	06.30.2017
Assets		
Loans - refinancing with the Federal Government (Note 9.a.1)	-	560,592
Total	**-**	**560,692**

Specification	06.30.2018	06.30.2017
Liabilities		
Time deposits - FAT (Note 13.b. and Note 27)	**134,117**	**219,207**
Domestic onlending - Official institutions (Note 14.c.)	**1,252,853**	**1,607,310**
National Treasury	468	447
BNDES	1,178,135	1,503,240
Machinery and Equipment Financing (Finame)	74,250	103,623
Other obligations	**30,054,343**	**24,826,382**
FNE (Note 16.f)	25,950,367	20,858,342
FDNE	714,846	744,334
Merchant Marine Fund (FMM)	106,526	105,275
Debt instruments eligible to capital (Note 16.g and Note 17)	1,000,000	1,000,000
Subordinated debts eligible to capital (Note 16.h and Note 18)	2,282,604	2,118,431
Total	**31,441,313**	**26,652,899**

a.2) Significant transactions with entities related to the Bank's employees, namely, Capef and Camed, are broken down as follows:

Specification	06.30.2018	06.30.2017
Liabilities		
Post-employment benefits - Capef DB Plan (Notes 16.i and 25.i)	423,954	379,762
Post-employment benefits - Camed Natural Plan (Notes 16.i and 25.i)	1,192,791	1,120,145
Post-employment benefits - Life insurance (Notes 16.i and 25.i)	135,719	123,417
Total	**1,752,464**	**1,623,324**

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

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Loans - refinancing with the Federal Government	-	32,373
Time deposits - FAT	(55,255)	(37,337)
National Treasury	(18)	-
BNDES	(65,247)	(55,374)
Machinery and Equipment Financing (Finame)	(2,099)	(1,498)
FMM	(11,875)	(5,287)
FNE	165,031	(44,038)
FDNE	12,547	14,469
Debt instruments eligible to capital	(61,451)	(45,234)
Subordinated debts eligible to capital	(77,137)	(79,946)
Post-employment benefits - Capef DB Plan	(25,298)	(24,400)
Post-employment benefits - VC I Plan	(25,033)	(24,299)
Post-employment benefits - Camed Natural Plan	(72,993)	(45,947)
Post-employment benefits - life insurance	(5,501)	(4,807)

b) Management compensation

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

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Fees	**2,337**	**1,927**
Executive Board	2,015	1,655
Board of Directors	170	152
Supervisory Board	152	120
Other	**806**	**1,101**
Variable compensation (RVA) (1)	**862**	**739**
Total short-term benefits	**4,005**	**3,767**
Post-employment benefits	**139**	**105**
Total	**4,144**	**3,872**

(1) 50% of RVA 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 30 - Statement of comprehensive income

Specification	01.01 to 06.30.2018	01.01 to 06.30.2017
Net income	**231,818**	**298,041**
Other comprehensive income	**59,167**	**(292,390)**
Equity adjustment to available-for-sale securities	(105,968)	49,604
Tax effect on Equity adjustment to available-for-sale securities	38,087	(18,946)
Revaluation reserve realized	322	2,955
Tax effect on revaluation reserve realized	(145)	(1,293)
Actuarial gains (losses)	186,480	(324,710)
Tax effect on Actuarial Gains or Losses	(59,609)	-
Comprehensive income	**290,985**	**5,651**

NOTE 31 - 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 a meeting held on August 10, 2018.

Fortaleza (Ceará State), August 10, 2018.

The Executive Board

Note: See accompanying notes.

São Paulo Corporate Towers
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A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Independent auditor's report on financial statements

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 June 30, 2018 and the related statements of income, of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at June 30, 2018, its financial performance and its cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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, a description of how our audit addressed the matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including those relating 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 in 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.

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1. Contingencies

As described in Note 22, the Bank is party to various administrative and legal proceedings involving matters of labor, tax and civil nature arising from the ordinary course of its business. We considered this 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.

Audit approach

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 likelihood 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 22, are acceptable in the context of the financial statements taken as a whole.

2. Post-employment benefits

The Bank has significant liabilities related to post-employment benefit plans that, as described in Note 25, 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.

Audit approach

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 registry 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 25, are acceptable in the context of the financial statements taken as a whole.

3. Recoverability of tax credits

The Bank records deferred tax asset on temporary differences in determining income and social contribution taxes, mainly arising from expenses related to the allowance for loan losses (credit losses); post-employment benefits; expenses related to other provisions for contingencies; and market value adjustments of marketable securities, swap and EUROBONUS transactions.

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 21.

Audit approach

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

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

4. Marketable securities and derivative financial instruments

As described in Note 7, the fair value calculation of private risk fixed income securities considered to be of low liquidity, classified as available-for-sale, such as the Financial Bills (LF) and Debentures currently in the portfolio, is based on the Bank's own pricing model, which takes into consideration the spread of the issuer's credit risk, determined in accordance with the Bank's policies, and of the estimated cash flows. We considered the fair value determination of financial assets not quoted in the market as one of the key audit matters, due to the relevance of the amounts and the underlying subjectivity in the assessments based on the Bank's own models.

Audit approach

Our audit procedures included, among others, the assessment of the Bank's pricing methodology, the adequacy of the significant assumptions used and the mathematical accuracy in the application of models. We also reviewed the Bank's economic and financial assessment upon classifying the risk of issuers, expected cash flows, discount rates used in the pricing of securities and the sufficiency of the disclosures in the notes to the financial statements.

Based on the results of the audit procedures performed on the fair value calculation of marketable securities and derivative financial instruments, which is consistent with Management's assessment, we consider that the pricing criteria and assumptions adopted by Management, as well as the respective disclosures in Note 7, are acceptable in the context of the financial statements taken as a whole.

5. 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.

Audit approach

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.

6. 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.

Audit approach

Our audit procedures included, among others, 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 Statements of Value Added (SVA) for the period ended June 30, 2018, prepared under the responsibility of Bank Management, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, and as supplementary information for the purposes of accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil, were submitted to the same audit procedures performed in accordance with the audit of the Bank's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement CPC 09 and is consistent with the overall 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, and include Management, Audit Committee and Supervisory Board of the Bank.

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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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 period 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, August 10, 2018.

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

Eduardo Wellichen
Accountant CRC- 1SP184050/O-6

REPORT OF SUPERVISORY BOARD

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 six-month period ended June 30, 2018, which were approved, on the date hereof, by the Board of Directors.

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

Fortaleza (CE), August 10, 2018

Supervisory Board

SUMMARY OF THE AUDIT COMMITTEE REPORT

1 - Introduction

The Audit Committee is a statutory collegiate of advisory to the Board of Directors regulated by Law No. 13303/2016, Decree No. 8945/2016 and Brazil's National Monetary Council (CMN) Resolution No. 3198/2004. The internal regulations and email of the Bank's Audit Committee are available at www.bnb.gov.br, in the Institutional – Sobre o Banco - Relação com os Acionistas".

The Audit Committee is in charge of assessing the quality and completeness of the financial statements, the independence and quality of the work provided by the external auditors and by Internal Audit, as well as the quality and effectiveness of risk management and internal control systems.

The directors and officers of Banco do Nordeste do Brasil are responsible for preparing and ensuring completeness of the financial statements, managing risk, maintaining effective internal control systems and ensuring compliance of the activities with the legislation and regulations.

In accordance with applicable rules, the external auditor is in charge of assessing the quality and adequacy of the internal control system and issue an opinion, supported by the procedures and standards established by the rules that govern the auditor's work, on the financial statements.

The internal auditor is responsible for independently monitoring, assessing and checking the quality of the Bank's risk management and internal control system, as well as ensuring compliance with the applicable legal requirements.

2 – Activities

In accordance with its duties and responsibilities, the Committee held monthly meetings with the Board of Directors and Supervisory Board, in addition to various regular meetings with the Executive Board and key executives and directors of the Bank's main areas. On these occasions, key matters for each area were addressed, including matters relating to internal control, accounting aspects, credit portfolio, provisions, risk management, actuarial result, transactions with related parties, ethics, internal auditors' and outside inspection agencies' recommendations. When applicable, recommendations for improvement were made. Periodical meetings with the internal and external auditors were also held. In such meetings, the respective planning and outcome of the main works performed, among others, were discussed.

Based on the activities developed within the sphere of its duties and responsibilities, the Audit Committee concluded that:

a) The internal control system of Banco do Nordeste do Brasil is in general able to identify adverse factors and appropriate for the size and complexity of the Bank's businesses. Various measures approved and implemented have already produced effects in the period, whereas other measures demand additional time and permanent monitoring in order for the proposed results to be achieved;

   Bank management has been involved in the review of the model used for meeting the demands involving Information Technology, taking into consideration potential impacts on the Bank's operations and P&L and the requirement to timely comply with the recommendations;

The scope and performance of the second sphere of defense should be assessed, as regards internal control actions, with a view to effectively coordinating, at corporate level, the monitoring of the internal control system as a whole, including improvement measures already identified internally and by control and inspection authorities.

The “inventory of processes – identification of critical processes – identification of risks – establishment of control points” cycle should also be improved.

The creation of an effective culture of controls and integrity has improved, with advancements in the policy of consequences;

b) Internal Audit performs its duties independently, objectively, effectively and with quality. Its performance has improved and additional measures have been implemented, mainly relating to optimization and standardization of processes, methodologies and systems that will certainly contribute to better work quality and strengthened internal controls. Compliance with the rules derived from the new legal and regulatory requirements, among which we highlight CMN Resolution No. 4588/2017, Law No. 13303/2016 and Decree No. 8945/2016, are within the scope of the Internal Audit team.

c) No significant fact that could adversely affect the activities, objectivity and independence of Ernst & Young Auditores Independentes S/S were identified;

d) The financial statements were prepared in accordance with applicable corporate legislation and the rules issued by Brazil’s National Monetary Council (CMN), the Central Bank of Brasil (BACEN) and the Brazilian Securities and Exchange Commission (CVM), and reflect, in all material respects, the Bank’s equity and financial position.

Fortaleza (Ceará State), August 10, 2018.

Audit Committee

Financial Statements

Fundo Constitucional de Financiamento do Nordeste - FNE

June 30, 2018
with Independent Auditor’s Report

Fundo Constitucional de Financiamento do Nordeste - FNE
(Law No. 7827 of 09/27/1989)

Balance sheets
Six-month period ended June 30, 2018 and 2017
(Amounts in R$ thousand)

	Notes	06/30/2018	06/30/2017
Assets			
Current assets		**38,171,545**	32,411,927
Cash and cash equivalents	(Note 4,b,1)	**19,397,016**	14,451,298
Funds committed with loans		**6,543,703**	6,398,180
Amounts receivable - CEF - equalization of bonus for timely payment - Profrota		**285**	316
Restricted credits		**83**	313
Rural Credit – Proagro receivable		**83**	313
Onlending debtors		**62,543**	52,799
Onlending Debtors - Other institutions		**62,543**	52,799
Loans	(Note 4,b,2 and Note 6)	**12,158,130**	11,500,153
Financing		**6,150,691**	5,042,925
Export financing		**101,296**	128,596
Infrastructure and development financing		**268,522**	363,153
Agribusiness financing		**220,981**	226,694
Rural Financing		**5,993,562**	6,427,331
(Allowance for loan losses)		**(576,922)**	(688,546)
Other credits	(Note 4,b,4)	**9,647**	8,864
Rights on Assets Received in Loan Transactions		**9,647**	8,864
Other assets	(Note 4,b,5)	**138**	4
Proagro securities		**4**	4
Agrarian Debt Securities (TDAs)		**134**	-
Long-term receivables		**40,510,085**	38,706,592
Restricted credits		**454**	686
Rural Credit - Proagro receivable		**454**	686
Onlending debtors		**2,399,191**	2,263,922
Onlending Debtors - Banco do Nordeste - Law No, 7827 - article 9-A	(Note 7)	**2,282,605**	2,118,430
Onlending Debtors - Other institutions		**116,586**	145,492
Loans	(Note 4,b,2 and Note 6)	**38,109,982**	36,441,218
Financing		**18,010,108**	18,930,840
Infrastructure and development financing		**400**	698
Agribusiness financing		**4,834,449**	3,593,103
Rural Financing		**651,404**	782,517
Other assets	(Note 4,b,5)	**14,613,621**	13,134,060
Agrarian Debt Securities (TDAs)		**458**	766
(Provision for devaluation of securities)		**557**	897
Total assets		**78,681,630**	71,118,519

	Notes	06/30/2018	06/30/2017
Liabilities and equity			
Current liabilities		**35**	29
Other liabilities		**35**	29
Accrued liabilities payable		**35**	29
Equity	(Note 4,c)	**78,681,595**	71,118,490
Transfers from government			
In the year		**4,074,698**	3,755,497
In prior years		**75,483,627**	68,524,309
Income (losses) from prior years		**(982,236)**	(1,095,846)
Income (loss) for the year		**105,506**	(65,470)
Total liabilities and equity		**78,681,630**	71,118,519

Fundo Constitucional de Financiamento do Nordeste - FNE
(Law No. 7827, of 09/27/1989)

Income statements
Six-month period ended June 30, 2018 and 2017
(Amounts in R$ thousand)

	1nd half/2018	1nd half/2017
Revenues		
From loans	**733,181**	382,971
From remuneration of cash and cash equivalents	**736,942**	975,415
From reversal of operating provisions	**112**	229
Expenses		
From management	**(704,541)**	(751,099)
From Pronaf-Remuneration of the financial agent/performance premium	**(197,431)**	(180,278)
Allowance for loan losses and devaluation of securities	**(462,702)**	(492,645)
From Audit	**(55)**	(63)
Income (loss) for the six-month period/year	**105,506**	(65,470)

Fundo Constitucional de Financiamento do Nordeste - FNE

Statements of changes in equity
Six-month period ended June 30, 2018 and 2017
(Amounts in R$ thousand)

Events	Tranfers from federal government	Retained earnings (accumulated losses)	Total
Balances at 12/31/2016	68,524,308	(1,095,760)	67,428,548
Transfers from Federal Government in the year	3,755,497	-	3,755,497
Prior Years' Adjustments	-	(85)	(85)
Income for the year	-	(65,470)	(65,470)
Balances at 06/30/2017	72,729,805	(1,161,315)	71,118,490
Changes in the six-month period	3,755,497	(65,555)	3,689,942
Balances at 12/31/2017	75,483,626	(982,125)	74,501,501
Transfers from Federal Government in the year	**4,074,698**	**-**	**4,074,98**
Prior Years' Adjustments	**-**	**(111)**	**(111)**
Income for the year	**-**	**105,506**	**105,506**
Balances at 06/30/2018	**79,558,324**	**(876,730)**	**78,681,594**
Changes in the six-month period	**4,074,698**	**105,395**	**4,180,093**

Fundo Constitucional de Financiamento do Nordeste - FNE

Cash flow statements
Six-month period ended June 30, 2018 and 2017
(Amounts in R$ thousand)

	1nd half/18	1nd half/17
Cash flows from operating activities		
Income for the period	**105,506**	(65,470)
Non-cash expenses (revenues):	**462,702**	492,645
Allowance for loan losses and devaluation of securities	**13**	99
Reversal of allowance for loan losses	**(112)**	(229)
Accrued liabilities payable	**(3)**	(2)
Adjusted income for the period	**568,106**	427,043)
Restricted Credits	**266**	5,637
Onlending debtors	**(67,808)**	(100,565)
Loans	**(1,224,783)**	96,405
Amounts receivable - CEF - equalization of Bonuses for timely payment Profrota	**(229)**	(219)
Other Credits	**(248)**	352
Other assets	**252**	116
Prior Years' Adjustments	**(111)**	(85)
Cash used in operating activities	**(724,555)**	428,684
Cash flows from financing activities	**4,074,698**	3,755,497
Transfers from Federal Government	**4,074,698**	3,755,497
Cash provided by financing activities	**4,074,698**	3,755,497
Increase in cash and cash equivalents	**3,350,143**	4,184,181
Statement of changes in cash and cash equivalents		
At beginning of period	**22,590,576**	16,665,297
At end of period	**25,940,719**	20,849,478
Increase in cash and cash equivalents	**3,350,143**	4,184,181

NOTES TO FINANCIAL STATEMENTS
Six-month periods ended June 30, 2018 and 2017
Amounts expressed in thousands of reais, unless otherwise stated

Contents - Notes to 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, the FNE may invest funds in the scope of the Student Funding Program established by article15-D of that Law, intended for funding non-tuition-free higher education students, with positive evaluation in the processes conducted by the Ministry of Education, according to its own regulation, and that will also addresses the income bracket covered by this type of Fies.

NOTE 2 - Basis of Preparation and Presentation of Financial Statements

The Financial Statements were prepared in accordance with the provisions of the Brazilian Corporation 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 allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting loan, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil (Banco Central do Brazil - Bacen), observing the guidelines established by *Ministério da Integração Nacional* (Ministry of National Integration), reporting on the results achieved, performing other activities related to the use of funds and recovery of loans, 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) Recognition of income and expenses

a.1) Income and expenses are recorded on an accrual basis. FNE’s income consists of financial charges on loans and the interest paid by Banco do Nordeste on FNE’s temporarily not applied cash.

a.2) CMN Resolution No. 4542 of 12.21.2016 amended financial charges for non-rural financing with FNE funds in the period from January 1 to March 31, 2017, which started to range from 8.10% to 15.90% p.a. On these financial charges, a 15% bonus for timely payment will be granted, provided the debt is paid by the due date. These financial charges and bonus for timely payment, according to the aforementioned Resolution, neither apply to borrowers based on article 8-A of Law No. 10177 of 2001 nor to rural financing addressed by CMN Resolution No. 4503 of 06.30.2016.

CMN Resolution No. 4561 of 03.31.2017 defined financial charges for non-rural financing with FNE funds in the period from 04.01.2017 to 12.31.2017, which started to range from 7.65% to 15.23% p.a., in accordance with the purpose of the loan and the size of the borrower. On these financial charges, a 15% bonus for timely payment will be granted, provided the debt is paid by the due date. These financial charges and bonus for timely payment neither apply to borrowers based on article 8-A of Law No. 10177 of 2001 nor to rural financing addressed by CMN Resolution No. 4503 of 06.30.2016.

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 to 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. 4503 of 06.30.2016 amended the financial charges on rural financing granted with funds from FNE in the period from July 1, 2016 to June 30, 2017, which started to range from 7.65% to 12.35% p.a. for rural producers and their cooperatives, according to the financing purpose and annual gross revenue of the producer or cooperative.

CMN Resolution No. 4578 of 06.07.2017 established financial charges for rural financing granted with funds from FNE in the period from 07.01.2017 to 06.30.2018 at rates ranging from 6.65% to 11.35% p.a., in accordance with the purpose of the loan and the size of the borrower.

On these financial charges, a 15% bonus for timely payment will be granted, provided the debt is paid by the due date. These financial charges and bonus for timely payment neither apply to borrowers based on article 8-A of Law No. 10177 of 2001 and articles 9 and 9-A of Law No. 12844 of 07.19.2013 nor to family farmers classified under the National Family Farming Strengthening Program (*Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf*), pursuant to the legislation and the Program regulation.

CMN Resolution No. 4673 of 06.26.2018, 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) FII-Implicit Update Factor 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.

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.

The bonus expense is recognized as the borrower pays the related charges.

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, Chapter 10.

a.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) zero for operations contracted up to 11.30.1998, and the charges agreed to with borrowers remain unchanged (Provisional Executive Order (MP) No. 2196 of 06.28.2001);

III) 6% p.a. for transactions resulting from onlending to Banco do Nordeste, in its name and at its own risk, to grant loans (MP No. 2196 of 06.28.2001);

IV) 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 06.28.2000.

V) percentage negotiated with the financial institutions that operate onlending from FNE, observing the limit established by legislation, according to Administrative Ruling No. 616 of 05.16.2003 (current Administrative Ruling No. 147 of 04.05.2018), of the Ministry of National Integration;

VI) 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

VIII) 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 11775 of 09.17.2008.

a.4) FNE's expenses refer to administration fee payable to the Bank as the Fund manager, to financial charges 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, to financial charges payable to the Bank on disbursement under Pronaf A/Microcredit, B, Semiarid, Forest and other Pronafs with shared risk, to 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, to 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 to 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 7827 of 12.09.1989 (introduced by Law No. 13682 of 06.19.2018), applied to the Net Assets 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 04.05.2018 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% (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% (one and eight tenths percent) per year in 2022; and
VI) 1.5% (one and five tenths percent) per year as from January 1, 2023.

The Bank 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 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. The timely-payment factor will be regulated by a joint act of the Ministry of Finance and Ministry of National Integration, disclosed by the Ministry of Finance.

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 Constitution. An Act of the President of the Republic shall regulate the calculation and appropriation system of administration fee.

BNB's remuneration on Pronaf financing, remuneration on disbursement and performance bonus on reimbursements comply with percentages and criteria defined by legislation and by the Program Regulation.

b) Current and noncurrent assets

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

b.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 90 subsequent days and any mismatches between the amounts to be released after such 90 days and the estimated inflow to the Fund during such period. The Fund's cash and cash equivalents held by Banco do Nordeste are paid based on extra-market rate, disclosed by Bacen.

Specification	**06.30.2018**	**06.30.2017**
Cash and cash equivalents	19,397,016	14,451,298
Funds committed to loans	6,543,703	6,398,180
Total cash and cash equivalents	**25,940,719**	**20,849,478**

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

b.3) Law No. 13340 of 09.28.2016, with amendments introduced by Law No. 13606 of 01.09.2018, 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, 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.

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

b.5) The proceeds from Agrarian Debt Bonds for repayment of loans granted using FNE funds and those received to cover credits granted under Proagro are recorder under account "Other receivables and 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.

c) Equity

The Net Assets of FNE is originated as follows:

- 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;
- returns and operating results; and

Result of the remuneration of resources of the Fund not applied, paid by the

- Bank..

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 09.27.1989 and subsequent amendments.

e) Functional Currency

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

NOTE 5 - 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 balance sheets are published semiannually and submitted to the National Congress for inspection and control.

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

(a) Breakdown of loan portfolio

a.1) Total portfolio

Financing	**06.30.2018**			**06.30.2017**		
	Normal	**Past due**	**Balance**	**Normal**	**Past due**	**Balance**
Financing	23,356,765	804,034	24,160,799	23,268,245	705,520	23,973,765
Export financing	87,799	13,897	101,696	123,034	6,260	129,294
Infrastructure and development financing	5,102,914	57	5,102,971	3,956,255	-	3,956,255
Agribusiness financing	802,358	70,027	872,385	932,988	76,224	1,009,212
Rural financing	19,777,207	829,976	20,607,183	18,543,155	1,018,236	19,561,391
Subtotal	**49,127,043**	**1,717,991**	**50,845,034**	**46,823,677**	**1,806,240**	**48,629,917**
Onlending to BNB	2,282,604	-	2,282,604	2,118,431	-	2,118,431
Onlending to other institutions	140,034	39,095	179,129	198,291	-	198,291
Total portfolio	**51,549,681**	**1,757,086**	**53,306,767**	**49,140,399**	**1,806,240**	**50,946,639**
Allowance	(69,238)	(507,684)	(576,922)	(168,421)	(520,125)	(688,546)
Total, net (1)	**51,480,443**	**1,249,402**	**52,729,845**	**48,971,978**	**1,286,115**	**50,258,093**

a.2) Full risk portfolio for BNB

Financing	**06.30.2018**			**06.30.2017**		
	Normal	**Past due**	**Balance**	**Normal**	**Past due**	**Balance**
Financing	-	-	-	6,347	2,058	8,405
Agribusiness financing	1,765	-	1,765	1,652	-	1,652
Rural financing	173,897	9,582	183,479	263,860	14,692	278,552
Subtotal	**175,662**	**9,582**	**185,244**	**271,859**	**16,750**	**288,609**
Onlending to BNB	2,282,604	-	2,282,604	2,118,431	-	2,118,431
Onlending to other institutions	134,643	-	134,643	145,178	-	145,178
Total portfolio	**2,592,909**	**9,582**	**2,602,491**	**2,535,468**	**16,750**	**2,552,218**
Total, net(1)	**2,592,909**	**9,582**	**2,602,491**	**2,535,468**	**16,750**	**2,552,218**

a.3) Shared risk portfolio

Financing	06.30.2018			06.30.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	23,254,115	796,634	24,050,749	23,150,262	696,248	23,846,510
Export financing	87,799	13,897	101,696	123,034	6,260	129,294
Infrastructure and development financing	5,102,914	57	5,102,971	3,956,255	-	3,956,255
Agribusiness financing	735,256	66,185	801,441	864,351	71,066	935,417
Rural financing	12,160,808	442,887	12,603,695	11,105,775	558,989	11,664,764
Subtotal	**41,340,892**	**1,319,660**	**42,660,552**	**39,199,677**	**1,332,563**	**40,532,240**
Total portfolio	**41,340,892**	**1,319,660**	**42,660,552**	**39,199,677**	**1,332,563**	**40,532,240**
Allowance	(31,462)	(293,006)	(324,468)	(48,021)	(303,546)	(351,567)
Total, net[1]	**41,309,430**	**1,026,654**	**42,336,084**	**39,151,656**	**1,029,017**	**40,180,673**

a.4) Full risk portfolio for FNE

Financing	06.30.2018			06.30.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	102,650	7,400	110,050	111,636	7,214	118,850
Agribusiness financing	65,337	3,842	69,179	66,985	5,157	72,142
Rural financing	7,442,502	377,507	7,820,009	7,173,520	444,555	7,618,075
Subtotal	**7,610,489**	**388,749**	**7,999,238**	**7,352,141**	**456,926**	**7,809,067**
Onlending to other institutions	5,391	39,095	44,486	53,113	-	53,113
Total portfolio	**7,615,880**	**427,844**	**8,043,827**	**7,405,254**	**456,926**	**7,862,180**
Allowance	(37,776)	(214,678)	(252,454)	(120,400)	(216,579)	(336,979)
Total, net[1]	**7,578,104**	**213,166**	**7,791,270**	**7,284,854**	**240,347**	**7,525,201**

[1] The “Normal” status took into consideration allowances arising from renegotiations/acquisitions and the allowance set up on loan transactions 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	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 06.30.2018	Total at 06.30.2017
Rural	497,708	503,097	456,724	1,359,249	1,944,803	13,226,507	17,988,088	16,393,529
Manufacturing	148,191	131,693	136,556	444,215	911,261	10,451,926	12,223,842	12,238,665
Government	4,819	980	5,380	16,140	32,280	286,633	346,232	264,541
Other services	87,606	88,815	90,345	273,914	562,989	6,755,751	7,859,420	7,623,665
Trade	159,431	162,416	171,898	532,266	1,015,219	3,288,300	5,329,530	4,580,084
TOTAL	**897,755**	**887,001**	**860,903**	**2,625,784**	**4,466,552**	**34,009,117**	**43,747,112**	**41,100,484**

[1] Include loans overdue up to 14 days.

b.2) Falling due installments

Type of Customer/Activity	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 06.30.2018	Total at 06.30.2017
Rural	33,536	40,095	46,135	197,692	283,636	2,029,762	2,630,856	3,230,484
Manufacturing	25,543	24,536	24,628	74,359	144,380	1,056,211	1,349,657	1,265,574
Other services	17,774	16,087	16,005	46,929	86,950	593,950	777,695	696,798
Trade	23,744	23,340	22,709	68,872	125,538	420,922	685,125	593,175
TOTAL	**100,597**	**104,058**	**109,477**	**387,852**	**640,504**	**4,100,845**	**5,443,333**	**5,786,031**

b.3) Past due installments

Type of Customer/Activity	1 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	Total at 06.30.2018	Total at 06.30.2017
Rural	7,457	51,501	70,401	66,104	219,150	450,360	898	865,871	1,058,020
Manufacturing	12,215	13,898	28,723	29,632	96,650	159,611	180	340,909	293,372
Other services	5,590	12,322	20,086	19,622	57,214	97,761	5	212,600	184,712
Trade	10,616	12,543	23,894	22,423	58,590	107,137	6	235,209	207,299
TOTAL	**35,878**	**90,264**	**143,104**	**137,781**	**431,604**	**814,869**	**1,089**	**1,654,589**	**1,743,403**

c) Pursuant to the legislation that regulates Constitutional Financing Funds, the Pronaf and article 8 of Law No. 13001 of 06.20.2014, the risk of transactions with FNE's funds is as follows:

c.1) Transactions contracted until 11.30.1998:

- the risk is fully attributed to FNE; and
- in onlending to other institutions authorized to operate by Bacen, the risk is fully assumed by FNE. Under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the operator institution;

c.2) Transactions contracted beginning 12.01.1998:

- in financing under Programa da Terra, the risk lies with FNE;
- in transactions under Pronaf, Groups A, A/Microcredit, B and A/C, and Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- in onlending to Banco do Nordeste whose funds are used in BNB's own lending operations, the risk is fully assumed by Banco do Nordeste;
- in onlending to other institutions authorized to operate by Bacen, contracted after Administrative Ruling No. 616 of 05.26.2003 becomes effective, the risk lies totally with BNB. Under referred to Administrative Ruling and under a specific clause of the onlending agreements, the risk on financing granted to final borrowers 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 the Bank, or shared, when the rescheduled transaction involves this type of risk; and
- in other transactions, the risk is 50% for FNE and 50% for BNB, 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 the Fund. Changes in the allowance for loan losses for the six-month period are as follows:

Specification	**06.30.2018**	**06.30.2017**
Opening balance of the Allowance for loan losses	**551,003**	**712,903**
. Full FNE risk	217,646	307,956
. Shared risk	333,357	404,947
(+) Net allowance recognized for the six-month period	**462,603**	**492,514**
Allowance for loan losses - expenses	**462,603**	**492,514**
. Full FNE risk	176,732	199,239
. Allowance for past due payment/ renegotiations	180,655	207,515
. Allowance adjustments due to discounts	(3,923)	(8,276)
. Shared risk	285,871	293,275
. Allowance for past due payment/ renegotiations	290,047	298,433
. Adjustments of provision for operations indicating irregularities	(4,176)	(5,158)
(-) Loans written off as loss for the six-month period	**436,684**	**516,871**
. Full FNE risk	141,924	170,215
. Shared risk	294,760	346,656
(=) Closing balance of Allowance for loan losses	**576,922**	**688,546**
. Full FNE risk	252,454	336,980
. Shared risk	324,468	351,566

e) At 06.30.2018, the amount of R$27,693 (R$34,936 at 06.30.2017) is recorded as Allowance for Loan Losses, related to an extraordinary allowance to cover the Fund's risk on loans granted with evidence of irregularities, which are subject to inquiry by the Bank's Internal Audit Area. In such case, transaction balances were considered, according to the risk attributed to FNE, by complementing those that already recorded provision for past payments under Interministerial Administrative Ruling No. 11 of 12.28.2005.

f) "Income from loans" is recorded in the income statement at the net amount as follows:

Specification	**06.30.2018**	**06.30.2017**
Income from loans [1]	2,003,456	1,822,298
Del credere commission of Banco do Nordeste	(656,779)	(639,788)
Del credere commission of Other Institutions	(1,555)	(1,699)
Expenses on negative monetary restatement	(950)	(26,947)
Expenses on renegotiations discounts granted [1]	(87,594)	(249,383)
Expenses on rebates/bonuses for timely payment - contracted by Banco do Nordeste	(502,038)	(500,820)
Expenses on rebates/bonuses for timely payment-onlending - Law No. 7827, article 9-A	(4,553)	(4,282)
Expenses on rebates/bonuses for timely payment-onlending to other institutions	(778)	(867)
Expenses on other BNB transactions - rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013, respectively	(11,421)	(9,395)
Expenses with FNE operations honored by the Bank - rebate Laws No. 12249 and No. 12844, of 06.11.2010 and 07.19.2013, respectively	(4,607)	(6,145)
Adjustment of amounts arising from disposal of assets	-	(1)
Total	**733,181**	**382,971**

[1] Includes effects of renegotiations of loans, based on Law No. 13340 of 09.28.2016 (Note 4.b.3).

The amount of bonus for timely payment granted by FNE in the first half of 2018 reached R$507,369, corresponding to 25.3% of income from loans deducted from *del credere* commission of the Bank. In the first half of 2017, this expense reached R$505,969, equivalent to 27.8% of income earned.
The ratio of bonus for timely payment/income from loans 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 loans, the operations resulting from onlending to the institutions based on Administrative Ruling No. 147 of 04.05.2018, and BNB's onlending operations based on article 9-A of Law No. 7827 of 09.12.1989, as follows:

Specification	**06.30.2018**	**06.30.2017**
Timely payment bonus - FNE loans	502,031	500,804
Timely payment bonus - Other Institutions	778	867
Timely payment bonus - BNB's Onlending Operations - article 9 of Law No. 7827	4,553	4,282
Timely payment bonus - Renegotiated transactions - Law No. 11775	7	16
Total	**507,369**	**505,969**

g) Recognition of losses and return of BNB'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 Fund, the Bank 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 BNB's share of risk are returned to FNE on the second business day after losses are recognized by the Fund, 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 j.1 above.

g.3) In the period, BNB returned to FNE the amount of R$296,816 (R$350,085 in the first half of 2017), related to BNB's share of risk in transactions that were written off as loss as well as in those settled under Resolution No. 30 of 04.29.2010 of the Deliberative Council of Sudene (Condel), as follows:

Specification	06.30.2018	06.30.2017
Interministerial Administrative Ruling No. 11 of 12.28.2005 - shared risk	294,761	346,657
Interministerial Administrative Ruling No. 11 of 12.28.2005 - Bank full risk	2,055	3,428
Total	**296,816**	**350,085**

NOTE 7 – Onlending to BNB under article 9-A of Law No. 7827 of 09.27.1989

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

Specification	06.30.2018	06.30.2017
Available resources	1,675,728	1,621,165
Applied resources	606,877	497,265
Total	**2,282,605**	**2,188,430**

The line "Funds available" records amounts temporarily not applied by the BNB in loans, and remunerated at extra-market interest rate disclosed by Bacen.
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.
In the period, yielding from funds temporarily not applied, based on the extra-market rate, reached R$50,162 (R$79,946 in the first half of 2017), while yielding from funds applied, based on the costs agreed with the borrowers, totaled R$26,975 (R$25,611 in the first half of 2017), as follows:

Specification	06.30.2018	06.30.2017
Available resource Yielding	50,162	79,946
Applied resources Yielding	26,975	25,611
Total	**77,137**	**105,557**

The decrease in yielding from resource temporarily not applied derives from the reduction in the extra-market rate between the two periods.

NOTE 8 - Equity

(a) In the six-month period, transfers from the Federal Government amounted to R$4,074,698 (R$3,755,497 in the first half of 2017);
(b) In the six-month period, the net negative adjustment of R$111 (R$85 in the first half of 2017) refers to recalculations of charges on loans.

NOTE 9 - Registration with the Federal Government Integrated Financial Management System (Siafi)

In compliance with Interministerial Administrative Ruling No. 11 of 12.28.2005, the financial information related to FNE is available on Siafi, considering the Fund's specific characteristics.

NOTE 10 - Approval of financial statements

The Financial Statements were approved by the Bank's Board of Directors at a meeting held on August 10, 2018.

Fortaleza (Ceará State), August 10, 2018.

The Executive Board

Note: See accompanying notes.

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices described in Notes 2, 4 and 6

Independent auditor's report on financial statements

The Management and Members
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 June 30, 2018, and the related statements of income, of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as at June 30, 2018, its financial performance and its cash flows for the six-month period then ended, in accordance with accounting practices described in Notes 2, 4 and 6.

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

Without modifying our opinion, we draw attention to Notes 2, 4, and 6, which describe the basis of preparation of these financial statements. These financial statements were prepared by the Fund's management 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 management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with accounting practices described in Notes 2, 4, and 6, 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 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

  Conclude 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 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.

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

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

São Paulo, August 10, 2018.

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

Eduardo Wellichen
Accountant 1SP184050/O-6

BOARD OF DIRECTOR: Jeferson Luis Bittencourt (President) – Alan Gutierri Brasiliano de Sousa – José Lucenildo Parente Pimentel – Júlio Alexandre Menezes da Silva – Ricardo Soriano de Alencar – Romildo Carneiro Rolim – Sérgio Brilhante de Albuquerque Júnior

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SUPERVISORY BOARD: Frederico Schettini Batista (President) – Carlos Henrique Soares Nuto – Igor Montezuma Sales Farias – José Mário Valle – Maria Teresa Pereira Lima

AUDIT'S COMMITTEE: Manoel das Neves (President) – Carlos Donizeti Macedo Maia (Full Member) – Cleber Santiago (Full Member)

SUPERINTENDENT: José Alan Teixeira da Rocha (Financial Control).

ACCOUNTANT: Aíla Maria Ribeiro de Almeida Medeiros – CRC-CE 016318/O-7