

FINANCIAL STATEMENTS

Bank and FNE

Position: 12.31.2018

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1. CEO'S WORD

Banco do Nordeste carried out nearly 5 million loan transactions in 2018, amounting to R\$43.6 billion, which accounts for a 64.8% increase in relation to 2017. Long-term financing encompassing rural, industrial, agroindustry, infrastructure, trade and service investments accounted for 75.7% of funds taken out, totaling R\$33.0 billion in 577.0 thousand transactions. Short-term loans to Urban Microcredit (Crediamigo), Direct Consumer Credit (CDC), Working Capital, Credit Card, Secured Account, Exchange and Discount totaled R\$10.6 billion in 4.4 million transactions.

Fundo Constitucional de Financiamento do Nordeste (FNE) was the source of funds most used by the Bank in long-term financing, which entered into the largest contract in the Bank's history in 2018, totaling R\$32.65 billion in 571,018 financing transactions to rural producers, individual entrepreneurs and companies, with coverage of 100% of the FNE area.

Concerning microcredit - a segment that grows every day in the country and of great importance for the development of a region - the Bank has two production-oriented microcredit programs, Crediamigo and Agroamigo, urban and rural, respectively. Supporting with small loans to production activities of formal and informal microentrepreneurs, in 2018 the Bank carried out R\$2.53 billion in 506.8 thousand transactions through Agroamigo and R\$8.95 billion in 4.24 million transactions through Crediamigo.

Micro and small enterprises took out R\$2.9 billion, representing a 10.8% growth. In family farming, Banco do Nordeste applied, through the National Program for Strengthening Family Farming (Pronaf), R\$3.12 billion, representing a 9.5% growth. These three loan segments - microcredit, micro and small enterprises and family farming - have a strong performance by Banco do Nordeste through specific programs that are part of public policies of the federal government. These segments together with loan to small and mini rural producers make up the Bank's high priority of service - to be the financial agent of the small entrepreneur in the Region.

As an institution that manages public resources, Banco do Nordeste also has a commitment to society in guiding its actions in the market in a socially and environmentally responsible manner, curbing the practice of fraud and corruption. Accordingly, the Bank develops Integrity and Ethics actions, which work as instruments of good governance, involving: ethical posture, vigilant practice of internal controls, sustainability, transparency and integrity of the organization, its employees, partners or related parties.

The compliance indicators (Product Compliance Average Indicators - "IMC") of the Bank's operations showed progress in 2018 compared with 2017.

According to a survey conducted by the Central Bank in October 2018, Banco do Nordeste continues to hold most of the long-term loan balances of the Financial System in the region where it operates - the Northeastern and northern regions of the states of Minas Gerais and Espírito Santo, holding 61.57% of the total amount. Regarding Rural loan, this participation reaches 53.81%.

With the performance in 2018 shown herein, Banco do Nordeste continues to fulfill its role of regional development bank completely integrated to Brazil's economic policy, being an instrument of the federal government in the Region to execute public policies.

Romildo Carneiro Rolim
Chief Executive Officer

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1.1 Highlights:

We present below the highlights in actions, recognitions and awards achieved by Banco do Nordeste in 2018.

Actions:

- ü R\$16.47 billion taken out for Infrastructure projects with funds from FNE.
- ü R\$16.17 billion taken out for the Rural, Industrial, Agroindustry, Tourism and Trade and Services sectors with funds from FNE.
- ü Assistance to 1990 municipalities in the region covered by FNE, including financing of R\$16.3 billion for projects in the semi-arid region.
- ü The largest production-oriented microcredit program of South America, Crediamigo Program, disbursed R\$8.95 billion for urban microentrepreneurs.
- ü Agroamigo Program disbursed R\$2.53 billion for rural microentrepreneurs.
- ü Holding of the 22nd Banco do Nordeste Regional Economy Award.
- ü Beginning of financing for individuals, micro and mini electric energy generators, through photovoltaic equipment installed in residences and/or residential condominiums.
- ü Beginning of financing for student loan through the Student Financing Program (Fies), with funds from FNE.
- ü For the second consecutive quarter, Banco do Nordeste reached the maximum score, 5, on a scale from 1 to 5, in the Ombudsman Quality Ranking, determined on a quarterly basis by the Central Bank of Brazil.

Awards/Recognitions

- ü **ALIDE Award:** The Territorial Development Program (Prodeter) was awarded in the Best Practices Competition of the Latin American Association of Development Financing Institutions ("ALIDE"), in the Financial Products category.
- ü **IG-SEST:** For the second consecutive year, Banco do Nordeste received the Governance Indicator Certificate ("IG-Sest"), an initiative of the Ministry of Planning, Development and Management that acknowledges the performance of the quality of governance of the federal state-owned enterprises.
- ü **ProgreDir Plan:** recognition of the Federal Government of Banco do Nordeste as the public company that contributed most to the successful results of ProgreDir Plan, since 80% of the microcredit amount intended for the Federal Government's Family Allowance Program ("Bolsa Família") was invested by the Institution.
- ü Banco do Nordeste was acknowledged by Indeed, the 2nd largest global job website, as the 6th best company to work in Brazil.

2. BUSINESS MODEL

Banco do Nordeste (BNB) applies funds in the Region through its loans and financing transactions, and offers financial products and services to economic agents, aiming to produce results that guarantee both its sustainability and the interests of society. Fundo Constitucional de Financiamento do Nordeste (FNE) is the main source of funds used by the Bank.

The solution of major regional issues, the transformation of the Northeast region and its more effective participation in the national socioeconomic scenario characterize the major challenge and main target of Banco do Nordeste's actions, as the Development Bank of the Region, which operates by expanding opportunities, strengthening productive agents, producing impacts of the northeastern society interest, generating jobs, improving the income of families as well as their well being, promoting social and financial inclusion, financing the green economy, helping to clean up the energy matrix of the Region and operating in an area of great economic need, such as the semi-arid region.

Since 2009, the customer management methodology that defines the composition of segments has been adopted as a business model, observing the grouping of characteristics, value propositions, relationship cycle and classification of product groupings. This model streamlines the process of granting credit, diversifies and increases the scale of loans and financing, integrating the relationship in different businesses to the perception of value-added of the Bank's actions, in addition to developing products and services tailored specifically to the customers' needs.

In order to achieve a better geographic coverage and detect opportunities to boost its business, the Bank systematically conducts market sizing studies. Banco do Nordeste ended 2018 with 968 physical service points, 292 branches and 676 microcredit units.

3. BUSINESS STRATEGY

Strategy is a "vision" of the path, or to where Institution should be headed, and is translated into a joint commitment of instruments, responsibilities and goals, which make up a multi-annual program of policies, activities, investments and actions, aimed at improving the quality of management, the resource investment efficiency as well as the offer of products and services to the customers.

The strategy must be tested as for its consistency and with economic identities and theories, adherence to numbers and consistency with the historical process of development of the Bank's area of activity.

Banco do Nordeste's business strategies were defined based on the main trends of the economic macro-environment, the financial industry and the risks envisaged in the possible scenarios designed for Brazil and for its area of operation.

3.1 Business Planning

The Bank's Business Planning comprises strategic, tactical and operational plans. The first one, called Strategic Planning, contains the mission, vision, values and five-year goals, as well as the expected results and impacts of the Bank's action in its area of operation. The tactical plan involves the actions and activities of the General Management, and the operational plan of the business units.

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The expected results are agreed through a “Management Agreement”, a management tool that seeks to improve the Bank’s results in a process of negotiation and formalization of the responsibilities between each of the Executive Boards and the units linked to them.

Banco do Nordeste, in its strategic operation, highlights:

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

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

The Business Planning preparation for the 2018-2022 period included:

- ü Reflective analysis of the results achieved in the prior year, and identification of improvement opportunities;
- ü Legal and regulatory issues to which the Bank is subject;
- ü Analysis of the internal environment;
- ü Studies and design of scenarios to assist in defining corporate strategies; and
- ü Analysis of the risk and opportunity profiles of strategies.

In 2018, the Bank intensified the process to develop digital products and services to its customers, and estimated an improvement in indicators related to savings and transformation of Bank services. Projects were prioritized to enable the registration and opening of checking accounts through the Internet, simplify and virtualize the process of granting loan, and better serve customers through digital channels. Digital solutions are presented on the Bank’s website (<https://www.bnb.gov.br/solucoes-digitais>).

3.2 Planning the future in 2019

For 2019, the scenario is challenging due to the expected application of funds for the year, which strengthens the Bank’s purpose to expand internal and external strategies, in cooperation with other entities that participate in the promotion of regional development, by promoting the necessary credit support for production activities.

Thus, the message that Banco do Nordeste brings to society and its staff is that the best strategy is to be prepared for the future, thereby highlighting the need of constant modernization for regional development.

In this regard, major guidelines that will guide the Strategic Planning for the 2019-2023 period include:

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

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In addition, from 2019, another strategic element named Strategy Paths was established, consisting of a set of guidelines that transversely contribute to the realization of strategic guidelines concerning customers and business, people, products and services, technology and processes.

3.3 Fundo Constitucional de Financiamento do Nordeste (FNE)

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

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

3.4 FNE performance in 2018

Based on the FNE Annual Program, Banco do Nordeste took out financing in 2018 amounting to R\$16.18 billion for Rural, Industrial, Agroindustry, Tourism, and Trade and Services sectors, in addition to amounts for the Student Financing Program (P-Fies). In addition, R\$16.47 billion were invested in Infrastructure projects, according to segmentation, totaling R\$32.65 billion in the year.

Despite the restrictive context imposed by the climate seasonality in the Northeast region and the Brazilian economic crisis, the various internal actions to improve credit process and financing programs, as well as external actions, such as communication, prospection and negotiation programs, enabled a 104.4% increase in the volume of funds taken out in 2017, when the financed amount totaled R\$15.97 billion.

In terms of number of transactions, 571.057 financing transactions were carried out in 2018 by rural producers, individual entrepreneurs and companies, with coverage of 100% of the FNE area, with transactions conducted in all 1,990 municipalities, in 11 states, and economic sectors.

Regarding the geographical decentralization of FNE financing in 2018, we highlight not only the significant results in the support to smaller-sized companies, reaching the amounts provided for in the Source Programming and the credit in all 1,990 municipalities in the area covered by FNE, but also the financing amounting to R\$16.3 billion for enterprises in the semi-arid region.

The National Policy for Regional Development (PNDR) advocates support for regional subsystems, with a view to reducing regional inequalities and promoting equality in access to development opportunities.

In this sense, it should be stressed that the total number of transactions taken out for the semi-arid region exceeded the annual goal by 117.3% compared with the amount financed in 2017, when R\$7.5 billion was invested against R\$16.3 billion invested in 2018, as mentioned above. This growth derived from the increase in the total of financing to family farmers (Pronaf), rural entrepreneurs and Micro and Small Enterprises (MSE), but mainly to the Infrastructure sector, in which R\$9.6 billion were invested in this region.

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3.5 FNE challenges in 2019

The unprecedented investment performance recorded in 2018 generates the responsibility to maintain, also in 2019, the same operational pace in order to allow the investment of R\$23.7 billion of constitutional funds already mentioned, representing the full commitment of the fund availabilities to transactions carried out in the FNE area of operation.

Accordingly, changes in the political scenario, and therefore in the economic scenario, which includes the external scenario, will be decisive for the continuity of the economic recovery recorded in 2018, in addition to important drivers for the profile of investments that, together with the reviews of the National Policy for Regional Development (PNDR) and the still greater interlocation between Banco do Nordeste and the other administrative bodies of the constitutional funds, should continue to prioritize the investment in less dynamic spaces and territories.

The inclusion of new products in the already extensive portfolio of financing options, for instance credit to individuals and photovoltaic energy mini and micro generation companies (FNE-Sol), the continuation of the student financing (P-Fies), the accreditation to Finep as financial agent of Inovacred, combined with the expansion of development actions, such as the Territorial Development Program (Prodeter), will contribute to the continuity of FNE as a financial driver in the support of regional development.

The infrastructure projects, critical to the accumulation of a Region growth plan, will receive part of the FNE funds (R\$8.0 billion), as indicated in its programming for 2019, which will contribute to the structuring of good business opportunities for the coming years, in addition to ensuring the modernization of the transport modal structure, an ever greater substitution of the current energy matrix for a cleaner one, the expansion of sanitation, among other key improvements to the Northeast region.

4. STRATEGIES FOR DEVELOPMENT

4.1 Scientific, Technological and Development Funds

The research and development projects supported by Fund for Economic, Scientific, Technological and Innovation Development (Fundeci) and the Regional Development Fund (FDR) accumulate significant experiences in decades of contribution to the development, adaptation and/or improvement of products, services and processes and diffusion of new technologies, promoting progress and favoring the various economic activities of the Northeast region.

In 2018, Banco do Nordeste launched two public notices that received 210 proposals to support technological diffusion, development and innovation projects supported by Fundeci funds, in the areas of Territorial Development and Innovation in Companies, of which 47 were selected to receive financial support and 41 of them are under analysis. In the same period, support was formalized for 8 projects arising from public notices launched in 2017 and from spontaneous demands, involving funds amounting to R\$1.9 million from Fundeci and FDR.

Worth highlighting that the launch of the first public notice focused exclusively on innovation projects to be developed specifically by companies, releasing the participation of Science and Technology Institutions ("ICTs"), valuing and promoting entrepreneurial initiatives of research and applied technology in issues such as: fintechs, renewable energy, healthtech, edtechs, agribusiness, financial inclusion, social impact business and sustainable cities.

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BNB's resources of research funds enable the insertion of innovative technologies in the regional production sectors, in their various operation segments of activities and sizes of undertakings in projects already presented, which employ technologies such as Artificial Intelligence (AI), Big Data, Blockchain and Internet of Things (IoT).

4.2 Sustainability

In continuity with its management model that seeks the sustainability of its business, Banco do Nordeste has developed various social and environmental responsibility actions. In the scope of its loan activity, more than 11.300 financing transactions related to the environment and innovation were carried out, totaling the invested amount of R\$1.2 billion through environmental programs, such as FNE Verde, Pronaf Semárido, Pronaf Floresta, Pronaf Eco, Pronaf Agroecologia and FNE Inovação. In line with its Social and Environmental Responsibility Policy (PRSA), Banco do Nordeste supports social projects, through tax incentives, earmarking resources to the Fund for the Rights of the Child and Adolescent (FIA), sports projects - Sports Incentive Law, Fund for the Rights of the Elderly and causes of health, through the National Oncology Assistance Program (Pronon) and the National Program in Health Care Support for People with Disabilities (Pronas/PCD). In 2018, thirty-seven (37) projects were selected through public notices, distributed as follows: Fifteen (15) projects for the Fund for the Rights of the Elderly; thirteen (13) projects for the FIA; four (4) projects for Sports; four (4) projects for Pronon; and one (1) project for Pronas/PCD, totaling R\$3,631,266.38 in favor of approximately 6,700 people among children, adolescents, the elderly, people with cancer and people with disabilities.

The Social and Environmental Responsibility Policy (PRSA) is available on the Banco do Nordeste Portal on the Internet at the following link: <http://www.bnb.gov.br/politica-de-responsabilidade-socioambiental>.

4.3 Territorial Development Policy

The Territorial Development Program (Prodeter), one of the instruments through which the BNB Territorial Development Policy becomes reality, was continued in 2018, consolidating important results in terms of gains of competitiveness of the economic activities subject to structuring.

The Action Plans implemented in the first twenty-one (21) territories covered by Prodeter already showed, in 2018, expressive results in terms of structuring of production chains of the prioritized economic activities, with real progresses in the solution of their bottlenecks, minimizing the risks of default of financing granted.

5. PERFORMANCE

5.1 Financial and economic performance

P&L

Net Income for the year totaled R\$725.5 million, representing a 6.5% growth compared with R\$681.7 million recorded in 2017. Operating Income reached R\$1,243 million, representing an 8.3% growth in relation to R\$1,148 million reached prior year. This successful performance was mainly driven by a 15% reduction in expenses with allowances for loan

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losses, including those arising from co-obligation with FNE as well as the growth in service revenues by 9.4%, which represented an increase of R\$212.3 million in relation to prior year revenues.

BNB Total Assets

Banco do Nordeste's total assets amounted to R\$58.6 billion at the end of 2018, representing an 8.5% growth compared with R\$54.0 billion in December 2017. The Bank's assets also include FNE available funds and funds committed to FNE's loan transactions, i.e., relating to loans taken out, which are pending drawdown.

Growth of BNB's asset balances in 2018, compared with prior year, was mainly influenced by the increase in all cash balances, interbank investments and marketable securities. This increase was mainly driven by the increase in all cash balances and FNE restricted funds (R\$2.0 billion) as well as in time deposits that grew 10.0% (R\$767.8 million).

In relation to the balances of loan transactions of BNB's own portfolio, net of allowances, there was a 0.6% reduction compared with prior year, which corresponds to a decrease by R\$56.7 million. Significant changes in 2018, in relation to the balances at the end of 2017, in the loan portfolio were: increase of R\$326.2 million in loan transactions related to Crediamigo; increase in the balance of transactions with funds from FNE (Onlending - Law No. 7827, article 9, letter "a", amounting to R\$518.8 million); reduction of R\$829.1 million in the loan portfolio with internal funds (except for Crediamigo and BNB Savings Account); decrease of R\$158.3 million in the loan portfolio with funds from FAT; and reduction of R\$95.5 million in the balance of investments with funds from BNDES and FINAME.

Table 4A – BNB Total Assets (R\$ millions)

Specification	31.12.2017	12.31.2018
Cash and cash equivalents, Interbank Deposits and Marketable Securities	39,952.1	44,286.8
Interbank accounts	584.1	573.2
Loan transactions	9,099.5	9,042.8
Other receivables	4,194.5	4,506.7
Other Receivables and Assets	31.9	26.5
Permanent assets	184.8	193.0
Total	54,046.9	58,629.0

Source: Banco do Nordeste, Control and Risk Board.

Marketable securities

At the end of 2018, the balance in marketable securities portfolio amounted to R\$35.8 billion.

Abiding by Bacen Circular Letter No. 3068 of 11.08.2002, issued by the Central Bank of Brazil, 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 policies for granting loans without the need to dispose of securities classified as "Held-to-Maturity Securities". Accordingly, the Bank's senior management

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declares that the institution has the financial ability and the intention to maintain the securities classified in this category to maturity.

FNE Assets

Regarding FNE's total assets at the end of 2018, there was a 10.1% growth compared with 2017, totaling R\$82.0 billion in December 2018, compared with R\$74.5 billion in December 2017.

Table 4B – FNE Assets (R\$ millions)

Specification	12.31.2017	12.31.2018
Total available funds	22,590.6	24,575.9
Interbank accounts	2,394.8	2,549.9
Loan transactions	49,505.9	54,910.5
Other receivables	9.4	9.7
Other Receivables and Assets	0.8	0.5
Permanent assets	-	-
Total	74,501.5	82,046.5

Source: Banco do Nordeste, Control and Risk Board.

The balance of FNE's total available funds at the end of 2018 reached R\$24,576 million, an 8.8% growth compared with the balance at the end of 2017. Of those R\$24,576 million, R\$19,744 million refer to the balance to be disbursed relating to loan transactions already taken out. These FNE available funds increased due to inflow of funds amounting to R\$7,481 million (R\$6,959 million in 2017) arising from the National Treasury (STN), according to legal provision, and reimbursements of loan transactions that over the year totaled R\$13,115 million (R\$11,437 million in 2017). Conversely, among the events that contributed to the reduction of this balance, we highlight the increase in the disbursement pace of loan transactions, which grew 46.3% in 2018, reaching R\$17,310 million (R\$11,833 million in 2017).

Equity and Profitability

Banco do Nordeste recorded R\$4,182 million in equity at the end of 2018. Capital amounted to R\$2,844 million, represented by 86,371,464 paid-in common book-entry shares, with no par value. Return on average equity in 2018 was 19% p.a.

Capital Adequacy Ratio

In relation to compliance with the regulations determined by the Central Bank of Brazil, concerning the capital structure of financial institutions, known as a whole by Basel III, Banco do Nordeste has complied with the minimum capital requirements stipulated, which guarantees the Bank a margin to continue expanding its business. Details of the Bank's position with respect to these requirements, at December 31, 2018, may be found in Table 5.

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Table 5 - Minimum Capital Requirements (R\$ millions)

Specification	12.31.2017	12.31.2018
Referential Equity (RE)	6,300.0	6,541.7
. Tier I	4,115.7	4,279.9
. Tier II	2,184.3	2,261.8
Risk-Weighted Assets (RWA)	39,615.6	47,553.2
RBAN amount	2,353.5	740.7
Margin on Required Additional Principal Capital	1,243.6	535.1
Basel Indexes:		
. Principal Capital index (minimum requirement of 4.5%)	10.39%	9.00%
. Tier I index (minimum requirement of 6.0%)	10.39%	9.00%
. Basel index (Minimum requirement of 8.625%) (*)	15.90%	13.76%
. Basel index including RBAN	15.01%	13.55%

(*) In December 2017, minimum requirement was 9.25%.

Source: Banco do Nordeste, Control and Risk Board.

At the end of 2018, the Bank had a Wide Basel index (including capital for RBAN coverage) of 13.55% (15.01% at December 31, 2017) and both Tier I and Principal Capital Indexes were at 9.00%. Referential Equity (RE) totaled R\$6,542 million, Tier I and Principal Capital totaled the same amount of R\$4,280 million, while risk weighted assets (RWA amount) totaled R\$47,553 million. The decrease of 1.46 percentage points in Wide Basel Index and of 1.39 percentage points in Tier I and Principal Capital mainly derive from the increase in actuarial liabilities arising from post-employment benefits, as well as from the increase in Risk Weighted Assets (RWA).

5.2 Operational Performance

Volume of transactions taken out

Banco do Nordeste carried out nearly 5 million loan transactions in 2018, amounting to R\$43.6 billion. This result represents a 64.8% increase in the amount taken out when compared with prior year.

Long-term financing encompassing rural, industrial, agroindustry, infrastructure, trade and service investments accounted for 75.7% of funds taken out, totaling R\$33.0 billion in 577.0 thousand transactions.

Short-term loans to Urban Microcredit (Crediamigo), Direct Consumer Credit (CDC), Working Capital, Credit Card, Secured Account, Exchange and Discount totaled R\$10.6 billion in 4.4 million transactions.

These amounts taken out represent 99.8% growth in long-term loans and 6.6% growth in short-term loans, compared with 2017, as shown in Table 6.

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Table 6 - Loan transactions (R\$ million)

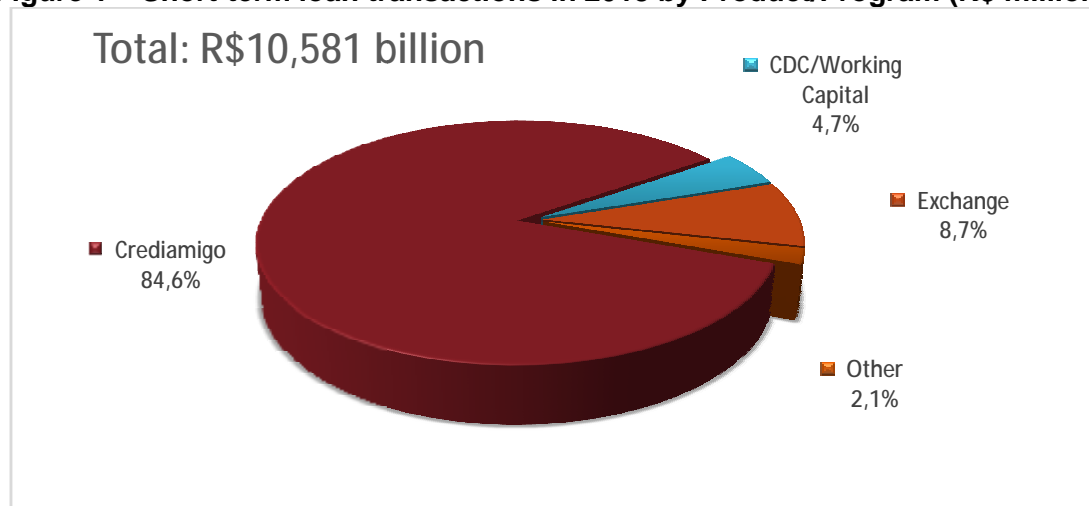
Type	2017		2018		Variation Amount
	Number	Amount	Number	Amount	
Long-term	595,984	16,517.8	576,994	33,005.5	99.8%
Short-term	4,283,540	9,923.0	4,402,348	10,581.4	6.6%
Total	4,879,524	26,440.8	4,979,342	43,586.9	64.8%

Source: Banco do Nordeste, Control and Risk Board.

Regarding short-term loans (Figure 1), which accounted for 24.3% of the volume taken out in 2018 (R\$10.6 billion), we highlight the Crediamigo program, which covered 84.6% of short-term loan transactions, reaching approximately R\$9.0 billion, and Exchange operations that amounted to R\$915.9 million (8.7%).

Almost all long-term loan transactions (98.9%) were carried with funds from FNE, totaling R\$32.7 billion in the year, representing a 104.5% growth in relation to prior year.

Figure 1 – Short-term loan transactions in 2018 by Product/Program (R\$ millions)



Source: Banco do Nordeste, Control and Risk Board.

Operational efficiency

In 2018, Banco do Nordeste presented an operational efficiency ratio of 65.6%, characterized by the management of administrative expenses in relation to the entire margin of financial intermediation and service revenues, which represents a 2.6 percentage-point improvement compared with prior year. In 2018, administrative expenses increased by 3.4% in relation to prior year, representing an additional volume of R\$106.3 million. The factor that contributed most to this increase was the annual salary adjustment of 5.0%. Nevertheless, other administrative expenses in the period increased only by 0.4% in the period, remaining at the same level of prior year, thus contributing positively to the operational efficiency. Among the reductions in expenses, the following are highlighted: R\$10.7 million in Depreciation expenses; R\$8.6 million with Advertising, Publicity and Publications; and R\$6.2 million in Communication services. Financial margins were positively influenced by the reduction in the level of expenses with allowances, by the recovery of credits written down as losses, as well as by a 9.4% increase in Service Revenues, which reached R\$2.5 billion, also contributing to the improvement of efficiency.

Fund raising

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At December 31, 2018, Banco do Nordeste recorded fund raising of R\$9.1 billion, a 7.6% increase in relation to the balance presented in December 2017. Demand deposits amounted to R\$328.6 million at December 31, 2018, representing a 36.9% increase compared with 2017. Time deposits totaled R\$6.2 billion, a 7.1% increase in relation to prior year. Concerning Savings deposits, in the same position, the Bank reached R\$2,433.8 million, therefore, a 6.9% increase in relation to prior year. The balance of Agribusiness Credit Bills ("LCA") decreased by 8.1%, mainly as a result of the reduction in fund raising in the period. The deposit and LCA amounts for December 2018 and 2017 are detailed in Table 4 below:

Table 4 – Fund raising in 2018 (R\$ million)

Fund raising	Dec/17	Dec/17	Variation
Demand deposits	239.9	328.60	36.9%
Savings deposits	2,277.50	2,433.80	6.9%
Time deposits	5,850.90	6,268.75	7.1%
Agribusiness Credit Bills ("LCA")	176.5	162.28	-8.1%
Total	8,544.80	9,193.43	7.6%

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

Distribution and management of investment funds

In 2018, net worth of investment funds reached R\$7,512.0 million, a 20.1% increase in relation to the end of 2017. In the same position, Banco do Nordeste managed 22 investment funds, with 77,590 shareholders, an increase of 9.8% in relation to the same period of 2017. Revenue from investment fund administration fee totaled R\$42.9 million in 2018, a 23.2% increase in relation to 2017.

Northeast Investment Fund (Finor) FINOR's Net Worth reached R\$869.9 million in 2018, a 46.2% decrease in relation to 2017, due to the set up of reserves for application based on article 9 of Law No. 8167/91, whose controls were being carried out in an off-book manner due to the insufficient funds arising from tax incentives. Revenue from administration fee on FINOR portfolio totaled R\$31.9 million in the same period, an 149.7% increase in relation to 2017.

5.3 Performance by Segment

Family Farming

Banco do Nordeste is the main financial agent in the Northeast region of the National Program for Strengthening Family Farming (Pronaf), currently with an active portfolio of R\$9.24 billion, and 1.8 million of transactions. In 2018, 531.7 thousand in financing were taken out, totaling R\$3.12 billion, representing 104% of the goal established for the period. Of the amount invested, 74.21% comprise financing in the semi-arid region. Compared to the prior year, there was a 9.5% increase in the volume of funds invested, including the operations carried out under the Agroamigo methodology (Rural Microcredit Program - Agroamigo).

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Land Credit Program

The Rural Poverty Combat Program is made up of two subprojects: the Subproject for Land Acquisition (SAT), which funds the acquisition of rural property, and the Subproject for Community Investment (SIC), which funds non-reimbursable community investments complementary to the association of farmers contemplated with the SAT. In turn, the Consolidation of Family Farming (CAF) program funds the acquisition of rural property with existing improvements, as well as the realization of basic and productive infrastructure investments. In 2018, 481 transactions were carried out under SAT, which totaled R\$22.9 million and 14 SIC onlending agreements amounting to R\$3.48 million. Under the CAF program, 14 transactions were carried out amounting to R\$831.7 thousand.

Small and Mini Rural Producers

In 2018, the segment of Small and Mini Rural Producers, took out 6,347 loan transactions, representing a 3.35% increase in relation to the transactions carried out in 2017. The funds invested, arising from FNE, correspond to R\$1.317 billion, exceeding the goal established for the period by 19.2%.

Of the transactions taken out, 52% were intended for costing, 2% for trade and 46% for investment. Forty-seven percent (47%) of transactions taken out were concentrated in the semi-arid region

Year 2018 was marked by the delivery of projects and actions, notably the BNB Agro Innovation Program, by the development of an application to capture geodetic coordinates and by the delivery of a platform that enables the customer to request registration, account and login through the Internet.

Rural microentrepreneur

Agroamigo serves family farmers through two types: Agroamigo Crescer, focused on customers of Pronaf Group B and Agroamigo Mais, to serve the other Pronaf groups, in transactions of up to R\$15 thousand, except for Groups A and A/C. In 2018, R\$2.53 billion was financed, with 507 thousand transactions carried out by Agroamigo, representing a 9% growth in relation to the amounts taken out in 2017. Agroamigo reached an active portfolio of R\$4.59 billion and more than 1.35 million transactions. The amounts and quantitative data made by Agroamigo are contained in the information related to the Family Farming segment.

Urban microentrepreneur

Banco do Nordeste operates in the urban microfinance segment through the Crediamigo Program, which disbursed R\$ 8.95 billion in 2018. The amount of disbursements reached 4.24 million transactions. At the end of 2018, Crediamigo had 2,065 million customers with active loans. Crediamigo's operational capacity averaged 16.6 thousand disbursements per day. Default, represented by loans overdue for more than 90 days in relation to the active portfolio, stood at 1.40%. Another important participation of Crediamigo relates to banking, since the Program opened 414,257 checking accounts in the course of 2018. The checking accounts of Crediamigo customers are not subject to any fees.

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Micro and Small Enterprises (MSE)

In 2018, the Micro and Small Enterprise (MSE) segment, which comprises micro-enterprises (ME) and small enterprises (SE) with annual gross revenue of up to R\$4.8 million, took out R\$2.9 billion in loan transactions, totaling 36,639 transactions, encompassing the three economic sectors of the most diverse activities included in the National Classification of Economic Activity (CNAE). This figure represents a 10.8% growth in relation to transactions taken out in 2017. Worth highlighting the historical record of investment of FNE in Micro and Small Enterprises, with a financed amount of R\$2.76 billion, 108% of the goal established for the period. Another important factor was the overcoming of the FNE goal for Micro and Small Enterprises in all States.

The trade segment was mostly benefited and served with R\$1.46 billion in transactions taken out, corresponding to 52.9% of funds from FNE invested by Banco do Nordeste in this segment. In the Brazilian semi-arid region, one of the priority sub-areas under the National Policy on Regional Development (PNDR), 14,256 loans were taken out only with FNE funds, representing 53.3% of total loan transactions taken out.

Corporate

In 2018, Banco do Nordeste reached year end with 762 Corporate customers, targeting companies with annual gross revenue in excess of R\$400.0 million, in addition to customers within the scope of union-related and Infrastructure transactions. In 2018, this segment took out R\$14.8 billion in transactions with funds from FNE (including NE-Export transactions), surpassing the volume taken out by 470% in the same period of 2017.

Of the amount taken out by the segment in 2018, R\$12.7 billion were in Infrastructure transactions, focusing on initiatives in structuring areas for regional development, such as power generation, mainly wind and photovoltaic power, distribution and transmission of energy, basic sanitation and airport infrastructure. This amount taken out was approximately 700% higher than the amount invested in this sector in 2017.

Compared to the Bank's performance in 2018, of the historical amount of R\$32.6 billion invested with funds from FNE, 45.4% was taken out by customers of the Corporate segment. Of the goal established for the Infrastructure sector, the Corporate segment accounted for 87.8%, which represented a 260% increase in relation to the goal reached in 2017.

With regard to short-term loans, including foreign exchange transactions, the Corporate segment took out the volume of R\$758.4 million, corresponding to 54.2% of the total volume taken out by the Bank, except for Crediamigo transactions.

Agribusiness Individuals

In 2018, the total amount of transactions taken out in the Agribusiness segment was R\$1.431 billion with funds from FNE, distributed in 574 transactions. The amount corresponds to 113.6% of the goal established for 2018. Of the transactions taken out, 70% were intended for costing, 9% for trade and 21% for investment. Likewise for PMPR (small, medium-sized rural producer), 2018 was marked by the delivery of projects and actions, notably the BNB Agro Innovation Program, by the development of an application to capture geodetic coordinates and by the delivery of a platform that enables the customer to request registration, account and login through the Internet.

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Individuals

The Bank's performance strategy for the Individual segment aims at serving consumers (customers) of financial products and services not classified in the other segments. The Individual Segment closed the period with a 13% expansion in the customer base and average balance of R\$222.8 million in Commercial Loan transactions. Regarding the Fund Raising, the Individual portfolio closed the year with a balance of R\$1.8 billion. In addition, 2018 marked the availability of the student funding (P-Fies) with funds from FNE. In addition to the implementation of the structure to host this Program, the Bank formalized 103 cooperation agreements with sponsors of educational institutions. Over the year, 231 transactions were taken out, which corresponded to R\$1.5 million in transactions with the FNE source.

Government

Government segment customers are comprised of public administration agencies, both direct and indirect, with all their respective bodies, except for non-dependent companies pertaining to indirect public administration, according to current legislation. 2,102 customers, reached an average balance of R\$698.8 million in fund raising and a debt balance of loan transactions amounting to R\$615.4 million.

Business

The business segment consists of small, medium and large-sized companies, covering legal entities with annual revenues from R\$3.6 million to R\$200.0 million. At the end of 2018, the Bank reached a figure of 10,058 customers with a profile of the business segment, a 19.02% increase compared to the figure at the end of 2017, due to the increase in the revenue limit for companies considered Micro and Small Enterprises (MSE) in accordance with Supplementary Law No. 155/16.

In 2018, the business segment portfolios presented the following results: short-term loans and foreign trade transactions taken out amounting to R\$881.78 million, approximately the same amount of prior year; long-term loan transactions, including transactions with funds from FNE amounting to R\$8,885.08 million, achieving performance 59% higher than in 2017. In 2018, fund raising reached R\$3.3 billion, which represents a 13.79% increase in relation to the amounts raised at the end of prior year.

Total investments (with all sources) in the business segment in 2018 totaled R\$9.77 billion, of which: R\$1.12 billion in Agribusiness; R\$3.17 billion in Trade and Services; R\$1.74 billion in Industry, and R\$3.73 billion in Infrastructure.

5.4 Credit recovery

2018 came with a great opportunity to regularize debts, particularly of rural producers that suffered from the droughts of recent years, through the enactment of Laws No. 13340/2016 and No. 131606/2018. The amounts earned in 2018 with credit recovery amounted to R\$6.07 billion. These regularizations facilitated the historical mark of recovery in cash of R\$963.28 million of overdue loans and loss. In total, 219,649 transactions were regularized, of which 206,910 were transactions with the FNE source and 12,739 with a non-FNE source, reflecting the significant numbers mentioned above, which demonstrates the effectiveness of the strategies defined by the Executive Board.

6. CORPORATE GOVERNANCE

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

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

The Bank's Corporate Governance structure, available at <https://www.bnb.gov.br/estrutura-organizacional>, is as follows:

- ü General Meeting;
- ü Board of Directors;
- ü Executive Board;
- ü Supervisory Board;
- ü Audit Committee;
- ü Compensation Committee;
- ü Internal Audit;
- ü Internal Controls;
- ü Ethics Committee; and
- ü External audit.

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

6.1 Audit

In 2018, the Internal Audit carried out valuation services, with emphasis on: Customer Service; *Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (Capef)*; Accounting - Tax Credit; Internal Controls; Loan (Concession, Administration and Recovery); Legal Litigation; *Fundo Constitucional de Financiamento do Nordeste (FNE)*; Capital Management; Integrated Risk Management; Corporate Security, Strategic Program; Process Management; IT Risk Assessment and Management; Ensure System Security; Product and Service Development and Management, Money Laundering Prevention and Fight; and Integrity Program.

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6.2 Internal controls

Banco do Nordeste's Internal Control Structure is based on good corporate governance practices; the integrity of people and their ethical values; commitment of its employees to act with the focus upon business goals and transparency; organizational structure that ensures the segregation of duties, and that allows the adequate delegation of authority and attributions; in addition to the policies and practices of risk management, compliance and information security.

In the management plan, the Collegiate Board is the managing body of the Internal Control Structure, and the Chief Control and Risk Officer is responsible before the national monetary authority for risk management, internal controls and compliance.

Decision-making and/or evaluation committees are also essential components of the control and risk management structure, which are specialized in a variety of subjects. In addition to the various specialized committees, the Bank has an Integrity and Ethics Committee, whose task, among others, is to coordinate the application of the Bank's Integrity Policy, by determining the steps and actions required to improve the Institution's Integrity Program mechanisms.

Banco do Nordeste's Ethics Committee also plays an important supporting role in the Structure of Internal Controls, since its function is to promote the Code of Ethical Conduct and to represent the citizen (whether or not a customer) within the business environment, including mediating conflicts and acting for the improvement of internal processes in the institution.

It also includes the Internal Control Structure of Banco do Nordeste, a set of policies, standards and procedures that are to formalize administrative decisions and actions, as well as guidance for performance of activities at different levels of the organization and which are available for access to the Institution's employees.

Compliance indicators (Product Compliance Average Indicators - "IMC") of BNB's transactions went one step further from an average of 95% in 2017 to 97% in 2018. The result confirms the BNB management's business orientation to conduct business with integrity and on a sustainable and profitable manner.

7. RISK MANAGEMENT

Banco do Nordeste's Corporate Risk Management Policy includes guidelines for activities related to continuous and integrated management of credit, operational, market and interest rate risk of the bank portfolio - IRRBB, as well as liquidity and socio-environmental risk. Those risks are considered significant by Banco do Nordeste due to its potential impact on the achievement of the Bank's strategic objectives.

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

In 2018, since Resolution No. 4557 of Brazil's National Monetary Council (CMN) came into effect, the Bank implemented several measures to comply with the legislation in force and in line with Corporate Governance and Risk Management best practices. These measures include:

- Ø Amendment to the Bank's Bylaws;
- Ø Review of the Bank's Risk Management and Capital structure;
- Ø Creation of the Bank's Risk Appetite Statement (RAS);

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- Ø A restated Corporate Risk Management Policy in compliance with the provisions set forth in the new legislation in force and in the RAS;
 - Implementation of new calculation routines for Credit risk (expected loss) and bank portfolio interest rate risks (IRRBB) based on models of variation of economic value (Δ EVE) and variation of interest income (expenses) (Δ NII);
- Ø Integrated stress test;
- Ø Creation of the Business Continuity Management Policy; and
- Ø Updated liquidity contingency plan.

8. RELATIONSHIPS

8.1 Customer relationship

Banco do Nordeste follows its customer relationship policy in light of CMN Resolution No. 4539/2016, aiming at providing better customer service and consolidating institutional image of credibility, security and competence. The Customer Relationship and Citizen Information Center held 4,340,737 calls in 2018, of which: 368,709 telephone calls (SAC and CAC); 129,784 for multimedia channels (SIC, email, social networks, consumidor.gov, complaints sites); 67,248 payment slips issued at the customer request; 3,774,996 active services including: business guidance for businesses, credit and insurance administration charges, monitoring of business and relationship opportunities, banking security monitoring, insurance renewal, satisfaction surveys and institutional campaigns.

It should be noted that the Citizen Information Service (SIC), created by the Access to Information Law, provides active transparency (available at <http://www.bnb.gov.br/acesso-a-informacao>) and passive transparency services (available at <http://www.bnb.gov.br/acesso-a-informacao/servico-de-informacao-ao-cidadao-sic>).

Ombudsman

According to the Central Bank of Brazil, in 2018 Banco do Nordeste remained as the Financial Institution with the lowest number of complaints with that government agency, among banks with more than 4 million customers. The ranking is formed based on demands registered by the public and considers commercial, multiple, cooperative, and investment banks, branches of foreign banks, savings and loans banks, credit, financing and investment companies (SCFI) and pooled financing administrators. In results of the Ombudsman Quality Ranking covering the three first quarters of 2018 and also published by the Central Bank, Banco do Nordeste's Ombudsman reached first position, having reached the maximum a mark (five) in the third quarter of the year. The purpose of this ranking is to provide society with qualitative information on the performance of the ombudsmen of financial institutions.

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

The customer experience structure involves traditional customer service channels and new digital interfaces. The customer's digital experience focuses upon the future, includes user interface interaction services, process optimization of systems responsible for business rules, and webservices. The efficiency of IT investments is optimized with a focus upon reducing the costs of credit and microcredit operations, whilst increasing the use of electronic channels. As a result of the Bank's ongoing investment in improving the customer's digital experience, it can be highlighted that, in 2018, of the total volume of Bank transactions, 48% were conducted in digital channels (24% in internet banking and 24% in mobile banking).

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8.3 Relationship with society

Sponsorship - The sponsorship actions conciliate Federal Government guidelines with institutional and market interests, aiming to broaden relationships, promote products, increase business, and strengthen the brand. In 2018, R\$ 8.7 million was allocated to 283 projects, of which 43 were cultural and 240 were institutional-marketing in nature. Of the total funds invested, 37% had a source in tax incentive laws.

Culture - Banco do Nordeste understands the culture as part of the policy integral to the development of the Northeast. In this sense, it adopts the guidelines of democratization of access to artistic-cultural manifestations, support to production, fruition, circulation and artistic-cultural formation. Its three cultural centers (Fortaleza and Cariri, in Ceará state, and in Sousa, in Paraíba state) offer the community a democratic space of accessibility to the various areas of the arts, through a free artistic and cultural agenda. In 2018, cultural events reached an estimated audience of 520,000 people, in the areas of performing arts (theater), visual arts, cinema, literature, music, training workshop, children's art-related activities and cultural tradition.

8.4 Relationship with employees

Banco do Nordeste ended year 2018 with 7,005 employees, 193 middle-level scholarship holders, 683 upper-level scholarship holders and 479 young apprentices in its workforce.

Banco do Nordeste was recognized by Indeed, the 2nd largest global job website, as the 6th best company to work in Brazil.

In 2018, the Bank launched the Voluntary Dismissal Incentive Program (PID), seeking to provide conditions for the dismissal of employees who completed time for retirement by the National Institute of Social Security (INSS) on 12/31/2017, enabling them to leave Banco do Nordeste in conditions that allow a better transition to retirement. This will also provide for a staff turnover and cost optimization.

The Bank also implemented the Threshold Program, intended to prepare for the 'post-career' period all employees who are eligible for retirement, cooperating with an oriented transition process while reinforcing the importance of quality of life and possibility of new sources of achievement.

9. ENTITIES OF PENSION PLAN AND HEALTH CARE FOR EMPLOYEES

9.1 Camed

The Assistance for Banco do Nordeste do Brasil Employees (Camed Saúde), established in 1979, is a member of the Camed Group, together with Camed Administradora and Corretora de Seguros Ltda. and Creche Paulo VI. In 2018, Camed Saúde had a surplus of R\$ 23.5 million. This result was higher than that of year 2017 by 3.257%, mainly due to the fact that medical, hospital, dental and related services costs increased by only 0.32% in 2018, while in 2017 it grew 18% in relation to the previous year.

Camed Corretora, in its turn, is present mainly in localities where Banco do Nordeste operates through its branches, and ended the year 2018 with a positive result of R\$ 8.5 million, representing a growth of 37% in relation to the previous year. This result was driven by the increase in the sale of insurance in Banco do Nordeste credit business base, increasing commission revenues from R\$ 41 million in 2017 to R\$ 49 million in 2018, representing 23% growth in the year.

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9.2 Capef

Banco do Nordeste Employees' Pension Fund (Capef) is a privately-held Entity of Supplementary Pension Plans (EFPC), created in 1967, whose assets under management (AUM) amount to R\$ 4.57 billion at December 31, 2018. Capef has 12,284 participants and beneficiaries assisted. These participants are grouped into two pension plans: one defined benefit plan - DB Plan, a plan which is closed for new participants, and one variable contribution - CV Plan I, created in 2010. The BD Plan closed 2018 with 1,514 active participants, 3,732 retirees and 1,277 pensioners, and obtained, in 2018, a return of 11.97%, equivalent to 131.25% of its actuarial target of 9.12% (INPC + 5.50% per year). The CV I Plan is a plan that is in the accumulation phase. In 2018, this plan achieved a return of 12.75%, equivalent to 138.74% of its actuarial target of 9.19% (IPCA + 5.25% per year). This plan closed the year with 5,531 active participants, 191 retirees and 39 pensioners.

10. LEGAL INFORMATION

In relation to CVM Rule No. 381/03, dated January 14, 2003, Banco do Nordeste hereby informs that Ernst & Young Auditores Independentes S/S, engaged as Independent Auditor, did not provide any services in year 2018 other than independent audit services.



MINISTÉRIO DA
ECONOMIA



PÁTRIA AMADA
BRASIL
GOVERNO FEDERAL

Financial Statements

B A N K

In thousands of reais (R\$)

Position: 12.31.2018

BANCO DO NORDESTE DO BRASIL S,A,

Head office: Av, Dr, SILAS MUNGUBA, 5700 - FORTALEZA - CEARÁ
Publicly held - CNPJ No, 07,237,373/0001-20

BALANCE SHEETS

Years ended December 31, 2018 and 2017

General Management and Branches in Brazil

(Amounts in R\$ thousand)

ASSETS

		12.31.2018	12.31.2017 Restated
CURRENT ASSETS		16,409,154	22,276,591
CASH AND CASH EQUIVALENTS	(Note 5)	133,428	161,518
INTERBANK INVESTMENTS	(Note 6,a)	7,779,984	12,931,084
Open market investments		7,626,446	12,787,577
Interbank deposits		153,538	143,507
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	1,296,313	2,335,215
Own portfolio		701,750	1,458,959
Linked to repurchase agreements		-	876,256
Derivative financial instruments		585,664	-
Linked to guarantees given		8,899	-
INTERBANK ACCOUNTS		502,579	517,430
Payments and receipts pending settlement		1,362	8,155
Linked Credits:			
Central Bank Deposits	(Note 8,a)	500,019	506,318
Correspondents		1,198	2,957
INTERBRANCH ACCOUNTS		-	84
Internal transfers of funds		-	84
LOANS		4,268,172	4,183,701
Loans	(Note 9,a)	4,614,935	4,676,166
Public sector		185,614	186,731
Private sector		4,429,321	4,489,435
(Allowance for loan losses)	(Note 9,a)	(346,763)	(492,465)
OTHER CREDITS		2,402,198	2,115,657
Exchange portfolio	(Note 10,a)	868,658	885,164
Income receivable	(Note 10,b)	15,938	16,480
Securities Trading	(Note 10,c)	12	12
Sundry	(Note 10,d)	1,528,319	1,219,789
(Allowance for other losses)	(Note 10,e)	(10,729)	(5,788)
OTHER ASSETS		26,480	31,902
Other assets		15,868	14,649
(Valuation allowance)		(632)	(620)
Prepaid expenses		11,244	17,873
LONG-TERM RECEIVABLES		42,026,807	31,794,241
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	35,077,031	24,524,324
Own portfolio		33,398,598	23,665,336
Linked to repurchase agreements		1,238,171	3,091
Derivative financial instruments		-	426,513
Linked to guarantees given		440,262	429,384
INTERBANK ACCOUNTS		70,581	66,639
Linked Credits:			
National Housing System (SFH)	(Note 8,a)	70,581	66,639
LOANS		4,774,644	4,915,752
Loans	(Note 9,a)	5,044,811	5,368,348
Public sector		429,654	1,041,162
Private sector		4,615,157	4,327,186
(Allowance for loan losses)	(Note 9,a)	(270,167)	(452,596)
OTHER CREDITS		2,104,551	2,287,526
Sundry	(Note 10,d)	2,132,399	2,314,764
(Allowance for other losses)	(Note 10,e)	(27,848)	(27,238)
PERMANENT ASSETS	(Note 12)	193,002	184,779
INVESTMENTS		1,591	1,591
Other investments		6,877	6,877
(Provision for losses)		(5,286)	(5,286)
PROPERTY AND EQUIPMENT IN USE		171,463	163,240
Property and equipment in use		169,752	169,752
Revaluation of property and equipment in use		107,132	107,132
Other property and equipment in use		303,583	277,150
(Accumulated depreciation)		(409,004)	(390,794)
INTANGIBLE ASSETS		19,948	19,948
Intangible assets		19,948	19,948
TOTAL ASSETS		58,628,963	54,255,611

BALANCE SHEETS
Years ended December 31, 2018 and 2017
General Management and Branches in Brazil
(Amounts in R\$ thousand)

LIABILITIES AND EQUITY

		12.31.2018	12.31.2017
			Restated
CURRENT LIABILITIES		16,288,477	21,632,803
DEPOSITS	(Note 13,b)	6,750,628	5,410,955
Demand deposits		328,683	239,932
Savings deposits		2,433,765	2,277,515
Interbank deposits		1,559,993	1,548,266
Time deposits		2,428,187	1,345,242
OPEN MARKET FUNDING	(Note 13,c)	1,372,662	983,405
Own portfolio		1,227,897	876,278
Third-party portfolio		144,765	107,127
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	1,311,459	184,357
Funds from real estate, mortgage, credit and similar notes		162,276	176,500
Liabilities for foreign marketable securities		1,149,183	7,857
INTERBRANCH ACCOUNTS		316	317
Receipts and payments pending settlement		316	317
INTERBRANCH ACCOUNTS		8,108	5,660
Third-party funds in transit		7,996	5,660
Internal transfers of funds		112	-
BORROWINGS	(Note 14,c)	900,437	951,482
Foreign borrowings		900,437	951,482
DOMESTIC ONLENDING - OFFICIAL INSTITUTION	(Note 14,b)	131,908	161,679
National Treasury		162	187
National Bank for Economic and Social Development (BNDES)		113,476	142,072
FINAME		18,270	19,420
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7,c)	21,591	-
Derivative financial instruments		21,591	-
FOREIGN ONLENDING	(Note 14,d)	168,656	143,354
Foreign onlending		168,656	143,354
OTHER LIABILITIES		5,622,712	13,791,594
Collection of taxes and other contributions	(Note 16,a)	1,477	1,453
Exchange portfolio	(Note 16,b)	5,319	9,318
Social and statutory	(Note 16,c)	179,662	138,114
Tax and social security	(Note 16,d)	594,593	303,202
Securities Trading	(Note 16,e)	153	153
Financial and development funds	(Note 16,f)	2,357,803	10,913,835
Sundry	(Note 16,i)	2,483,705	2,425,519
LONG-TERM PAYABLES		38,158,465	28,872,097
DEPOSITS	(Note 13,b)	6,063,633	6,397,227
Interbank deposits		-	34,623
Time deposits		6,063,633	6,362,604
OPEN MARKET FUNDING	(Note 13,c)	8,819	3,042
Own portfolio		8,819	3,042
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	-	1,004,912
Liabilities for foreign marketable securities		-	1,004,912
DOMESTIC ONLENDING - OFFICIAL INSTITUTION	(Note 14,b)	1,090,110	1,358,892
National Treasury		320	263
National Bank for Economic and Social Development (BNDES)		1,041,974	1,293,434
FINAME		47,816	65,195
FOREIGN ONLENDING	(Note 14,d)	411,946	491,871
Foreign onlending		411,946	491,871
OTHER LIABILITIES		30,583,957	19,616,153
Tax and social security	(Note 16,d)	98,078	42,954
Financial and development funds	(Note 16,f)	23,114,932	12,614,943
Subordinated debt eligible to capital	(Note 18)	2,369,446	2,205,468
Debt instruments eligible to capital	(Note 17)	1,000,000	1,000,000
Sundry	(Note 16,i)	4,001,501	3,752,788
EQUITY	(Note 19)	4,182,021	3,750,711
CAPITAL		2,844,000	2,844,000
Domiciled in Brazil		2,844,000	2,844,000
REVALUATION RESERVES		11,592	11,769
INCOME RESERVES		2,277,391	1,685,026
EQUITY ADJUSTMENTS		(950,962)	(850,954)
RETAINED EARNINGS (ACCUMULATED LOSSES)		-	60,870
TOTAL LIABILITIES AND EQUITY		58,628,963	54,255,611

INCOME STATEMENTS

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018

General Management and Branches in Brazil

(Amounts in R\$ thousand)

		2nd half of 2018	12.31.2018	12.31.2017 Restated
INCOME FROM FINANCIAL INTERMEDIATION		2,437,110	5,105,949	5,403,702
Loans	(Note 9.a.2)	961,849	1,893,376	2,000,122
Gain (Loss) on marketable securities transactions	(Note 7.b)	1,383,311	2,731,858	3,273,447
Gain (loss) on derivative financial instruments	(Note 7.d)	(11,821)	144,398	(2,900)
Foreign exchange gains (losses)	(Note 11.b)	90,915	310,953	110,323
Compulsory deposit gains (losses)	(Note 8.b)	12,856	25,364	22,710
EXPENSES FROM FINANCIAL INTERMEDIATION		(1,610,292)	(3,570,687)	(3,777,807)
Open Market Funding	(Note 13.d)	(424,347)	(988,528)	(1,102,588)
Borrowings and onlending	(Note 14.e)	(949,072)	(2,121,141)	(2,132,844)
Allowance for loan losses	(Note 9.e)	(236,873)	(461,018)	(542,375)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		826,818	1,535,262	1,625,895
OTHER OPERATING INCOME/EXPENSES	(Note 20)	(20,192)	(291,970)	(477,557)
Income for services provided		1,281,123	2,461,703	2,249,415
Income from bank fees		40,626	77,005	66,266
Personnel expenses		(1,058,469)	(2,001,459)	(1,900,347)
Personnel expense		(920,631)	(1,734,361)	(1,695,015)
Post-employment benefits		(137,838)	(267,098)	(205,332)
Other Administrative Expenses		(608,557)	(1,241,249)	(1,236,068)
Tax expenses		(159,444)	(312,696)	(302,304)
Other operating income		940,730	1,888,307	1,914,125
Other operating expenses		(456,201)	(1,163,581)	(1,268,644)
OPERATING INCOME (EXPENSE)		806,626	1,243,292	1,148,338
NON-OPERATING INCOME (EXPENSE)		1,280	3,503	14,177
INCOME BEFORE INCOME TAXES AND PROFIT SHARING		807,906	1,246,795	1,162,515
INCOME TAX AND SOCIAL CONTRIBUTION	(Note 21)	(281,073)	(474,084)	(403,154)
Provision for income tax		(69,852)	(199,677)	(61,710)
Provision for social contribution		(53,916)	(161,142)	(49,744)
Deferred tax asset		(157,305)	(113,265)	(291,700)
STATUTORY PROFIT SHARING		(33,148)	(47,208)	(42,976)
NET INCOME		493,685	725,503	716,385
INTEREST ON EQUITY	(Note 19.e)	(132,592)	(186,129)	(165,014)
Number of shares (in thousands)		86,371	86,371	86,371
Basic/diluted earnings per share (in R\$)		5.72	8.40	8.29

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018
General Management and Branches in Brazil
(Amounts in R\$ thousand)

EVENTS	PAID-IN CAPITAL	REVALUATION RESERVES	INCOME RESERVES		EQUITY ADJUSTMENTS	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
	CAPITAL	OWN ASSETS	LEGAL RESERVA	STATUTORY RESERVES			
Balances at 12.31.2016	2,844,000	14,491	237,329	920,622	(653,947)	-	3,362,495
EQUITY ADJUSTMENTS/STATUTORY RESERVE	-	-	-	-	108,429	26,230	134,659
Balances at 12.31.2016 - Adjusted	2,844,000	14,491	237,329	920,622	(545,518)	26,230	3,497,154
PRIOR YEARS' ADJUSTMENTS							
Creditors						19,250	19,250
Debtors						(12,035)	(12,035)
EQUITY ADJUSTMENTS							
Adjustments to securities					53,597		53,597
Actuarial gains or losses					(359,033)		(359,033)
OTHER EVENTS:							
Revaluation of Assets:							
Realization of Reserves (Net of Tax Effects)		(2,722)				3,129	407
NET INCOME FOR THE YEAR						716,385	716,385
Allocations:							
Reserves			34,087	492,988		(527,075)	-
Prepayment of IOE monetarily restated						(71,001)	(71,001)
Provision for complementary IOE for the year						(94,013)	(94,013)
BALANCES AT 12.31.2017 - RESTATED	2,844,000	11,769	271,416	1,413,610	(850,954)	60,870	3,750,711
CHANGES FOR THE YEAR	-	(2,722)	34,087	492,988	(305,436)	34,640	253,557
BALANCES AT 12.31.2017 - RESTATED	2,844,000	11,769	271,416	1,413,610	(850,954)	60,870	3,750,711
PRIOR YEARS' ADJUSTMENTS							
Creditors						5,866	5,866
Debtors						(13,922)	(13,922)
EQUITY ADJUSTMENTS							
Adjustment securities (Net of Tax Effects)					68,325		68,325
Actuarial Gains or Losses (Net of Tax Effects)					(168,333)		(168,333)
OTHER EVENTS:							
Revaluation of Assets:							
Realization of Reserves (Net of Tax Effects)		(177)				177	-
NET INCOME FOR THE YEAR						725,503	725,503
Allocations:							
Reserves			36,275	556,090		(592,365)	-
Prepayment of IOE monetarily restated						(54,642)	(54,642)
Provision for complementary IOE for the year						(131,487)	(131,487)
BALANCES AT 12.31.2018	2,844,000	11,592	307,691	1,969,700	(950,962)	-	4,182,021
CHANGES FOR THE YEAR	-	(177)	36,275	556,090	(100,008)	(60,870)	431,310
BALANCES AT 06.30.2018 - RESTATED	2,844,000	11,592	283,007	1,573,554	(791,964)	60,870	3,981,059
PRIOR YEARS' ADJUSTMENTS							
Creditors						98	98
Debtors						(1,231)	(1,231)
EQUITY ADJUSTMENTS							
Adjustment securities (Net of Tax Effects)					136,206		136,206
Actuarial Gains or Losses (Net of Tax Effects)					(295,204)		(295,204)
NET INCOME FOR THE SIX-MONTH PERIOD						493,685	493,685
Allocations:							
Reserves			24,684	396,146		(420,830)	-
Prepayment of IOE monetarily restated						(131,487)	(131,487)
Provision for complementary IOE for the year						(1,105)	(1,105)
Monetary Restatement of IOE Prepaid							
BALANCES AT 12.31.2018	2,844,000	11,592	307,691	1,969,700	(950,962)	-	4,182,021
CHANGES FOR THE SIX-MONTH PERIOD	-	-	24,684	396,146	(158,998)	(60,870)	200,962

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018

General Management and Branches in Brazil
(Amounts in R\$ thousand)

	2nd half of 2018	Year/2018	Year/2017 - Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income for the Six-Month Period/Year	493,685	725,503	716,385
Adjustments to Net Income:			
Depreciation and Amortization Expenses	13,912	29,146	39,835
Net provision for impairment of Other Receivables and Assets	14	12	6
Allowance for loan losses, net	233,930	452,847	452,371
Allowance for Losses on Other Credits, Net	2,943	8,171	90,004
Provision for Financial Guarantees provided, net (FNE Risks)	90,296	495,878	518,204
Provision for Financial Guarantees provided, net (FDNE Risks)	(2,196)	586	33
Provision for contingencies, net	24,445	52,154	(33,278)
Provision for other contingencies, net	57,416	82,258	37,402
Actuarial Liabilities (Post-Employment Benefits)	137,308	266,132	203,964
Provision for Debt Instruments Eligible to Capital	112,030	173,481	193,014
Monetary Restatement of Judicial Deposits	9,394	26,485	45,961
Deferred Tax Asset	(157,305)	(113,265)	(326,341)
Provision for Losses on Linked Credits-SFH	(48)	(95)	(3,671)
Restatement of Debt Instruments Eligible to Capital	-	4,365	8,522
Monetary Restatement of Appeal Deposits	(6,651)	(12,716)	(39,657)
Adjusted net income	1,009,173	2,190,942	1,902,754
Interbank investments	27,991	(47,669)	(30,005)
Interbank and Interdepartmental accounts	60,534	13,535	(295,048)
Loans	(456,036)	(396,209)	1,586,583
Other Credits	417,519	360,658	157,857
Other Receivables and Assets	(2,768)	6,526	323
Deposits	946,835	979,594	1,154,901
Open Market Funding	327,509	395,034	16,811
Funds from acceptance and issue of securities	(21,761)	122,190	(109,602)
Loans and onlending obligations	(258,318)	(404,221)	36,012
Derivative financial instruments	16,293	(137,560)	(23,024)
Other Liabilities	(1,374,687)	1,756,761	5,416,384
Reversal of Revaluation Reserve	-	-	407
Income Tax and Social Contribution Paid	(190,939)	(389,721)	(102,399)
Prior Years' Adjustments	(1,134)	(8,057)	46,590
CASH PROVIDED BY OPERATING ACTIVITIES	500,211	4,441,803	9,758,544
CASH FLOW FROM INVESTING ACTIVITIES			
Investments	-	-	318
Investments in property and equipment in use	(36,741)	(39,970)	(19,324)
Investments in intangible assets	-	-	(45)
Investments in assets not for own use	(1,173)	(1,239)	(679)
Disposal (write-off) of property and equipment in use	1,514	2,602	9,007
Disposal of assets not for own use	79	122	247
Securities Available for Sale	(5,731,382)	(9,286,329)	(5,934,041)
CASH USED IN INVESTING ACTIVITIES	(5,767,703)	(9,324,814)	(5,944,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends as interest on equity	(53,341)	(147,010)	(187,360)
Interest Paid on Debt Instruments Eligible to Principal Capital	-	(196,838)	(213,928)
CASH USED IN FINANCING ACTIVITIES	(53,341)	(343,848)	(401,288)
Increase/(decrease) in cash and cash equivalents	(5,320,833)	(5,226,859)	3,412,739
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS			
At beginning of six-month period/year	12,935,942	12,841,968	9,429,229
At end of six-month period/year	7,615,109	7,615,109	12,841,968
Increase/(decrease) in cash and cash equivalents	(5,320,833)	(5,226,859)	3,412,739

STATEMENTS OF VALUE ADDED

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018

General Management and Branches in Brazil

(Amounts in R\$ thousand)

	2nd half of 2018	%	12.31.2018	%	12.31.2017 Restated	%
INCOME	4,007,795		7,911,868		7,836,668	
Financial intermediation	2,437,110		5,105,949		5,403,702	
Services rendered and bank fees	1,321,749		2,538,708		2,315,681	
Allowance for loan losses	(236,873)		(461,018)		(542,375)	
Other income/expenses	485,809		728,229		659,660	
EXPENSES FROM FINANCIAL INTERMEDIATION	(1,373,419)		(3,109,669)		(3,235,432)	
INPUTS ACQUIRED FROM THIRD PARTIES	(577,069)		(1,176,534)		(1,157,810)	
Materials, energy and other expenses	(46,895)		(87,939)		(92,597)	
Third-party services	(298,754)		(610,794)		(571,646)	
Other	(231,420)		(477,801)		(493,567)	
Data processing and telecommunications	(132,451)		(275,326)		(280,795)	
Advertising, promotions and publications	(9,291)		(28,327)		(36,588)	
Transportation	(15,114)		(30,877)		(29,684)	
Security	(30,503)		(60,618)		(60,421)	
Travel	(9,154)		(17,449)		(14,624)	
Other	(34,907)		(65,204)		(71,455)	
GROSS VALUE ADDED	2,057,307		3,625,665		3,443,426	
RETENTIONS	(13,912)		(29,146)		(39,835)	
Depreciation, amortization and depletion	(13,912)		(29,146)		(39,835)	
NET VALUE ADDED PRODUCED BY THE ENTITY	2,043,395		3,596,519		3,403,591	
TOTAL VALUE ADDED TO BE DISTRIBUTED	2,043,395		3,596,519		3,403,591	
DISTRIBUTION OF VALUE ADDED	2,043,395		3,596,519		3,403,591	
PERSONNEL	953,348	46.66	1,780,987	49.59	1,682,679	49.44
WORK COMPENSATION	673,565	32.96	1,233,850	34.36	1,202,065	35.32
Salaries	640,417		1,186,642		1,159,089	
Profit sharing	33,148		47,208		42,976	
BENEFITS	234,696	11.49	459,804	12.81	395,758	11.63
Provisions (post-employment benefits)	137,838		267,098		205,333	
Benefits - Other	96,858		192,706		190,425	
Unemployment Compensation Fund (FGTS)	45,087	2.21	87,333	2.43	84,856	2.49
TAXES, RATES AND CONTRIBUTIONS	578,786	28.32	1,054,460	29.30	966,104	28.40
Federal	558,461		1,016,613		935,152	
State	24		39		47	
Municipal	20,301		37,808		30,905	
THIRD-PARTIES CAPITAL REMUNERATION	17,576	0.86	35,569	0.99	38,423	1.13
Rent	17,576		35,569		38,423	
EQUITY REMUNERATION	493,685	24.16	725,503	20.11	716,385	21.00
INTEREST ON EQUITY (IOE)	132,592	6.49	186,129	5.16	165,014	4.85
Federal Government	67,622		94,926		84,157	
Other	64,970		91,203		80,857	
RETAINED PROFITS FOR THE SIX-MONTH PERIOD/YEAR	361,093	17.67	539,374	14.95	551,371	16.20

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Amounts expressed in thousands of reais, unless otherwise stated

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NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará State, Brazil, and its mission is: "to operate as the Development Bank for the Brazilian Northeast Region". Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks. As an institution devoted to regional development, the Bank operates as the executive agent of public policies and is responsible for managing Fundo Constitucional de Financiamento do Nordeste (FNE) - the main source of funds used by the Bank for long-term financing - and the operation of the National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf) in its jurisdiction. The Bank is also the operator of the Northeast Investment Fund (Fundo de Investimentos do Nordeste - FINOR) and the Northeast Development Fund (Fundo de Desenvolvimento do Nordeste - FDNE). It has the largest micro-financing program in Latin America, consolidated under Crediamigo and Agroamigo, which facilitate access to loans to small entrepreneurs who engage in production-related, product sale, and service activities in urban and rural areas. In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through funds raised directly, as well as partnerships with domestic and foreign institutions, including multilateral institutions such as the World Bank and the InterAmerican Development Bank (IDB).

NOTE 2 - Basis of Preparation and Presentation of Financial Statements

The financial statements were prepared in accordance with the provisions of the Brazilian Corporation Law, 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 - Statement of Cash Flows (CMN Resolution No. 3604 of 08.29.2008);
- CPC 05 - Related-Party Disclosures (CMN Resolution No. 3750 of 06.30.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557 of 11.12.2008);
- CPC 12 - Present Value Adjustment (CVM Rule No. 564 of 12.17.2008);
- CPC 21 (R1) - Interim Financial Reporting (CVM Rule No. 673 of 10.20.2011);
- 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).

Restatement of corresponding figures

The Bank changed its accounting policy in relation to the recognition of tax credits on contingent liabilities, which were not recorded until 12.31.2017, only disclosed in notes to the financial statements and, from 12.31.2018, they started to be recognized to the extent that projections indicate their realization within 10 years. With respect to tax credits on actuarial provisions, the Bank failed to consider the estimated contributions flow over the next 10 years as the basis for realizing the portion related to actuarial losses, as well as adjusting the basis for calculating deferred taxes.

The Bank also made adjustments to the classification of tax credits recorded under accounts Equity Adjustment, Retained Earnings (Accumulated Losses) and P&L for 2017. According to CPC 23 - Accounting Policies, Change of Estimate and Errors, adopted by CMN Resolution No. 4007, these effects were recognized retrospectively and generated the following effects on the balances for the year ended 12.31.2017, which are being restated:

BALANCE SHEETS	12.31.2017		
	Originally stated	Adjustment	Restated
Long-Term Receivables	31,585,567	208,674	31,794,241
Other Credits	2,078,852	208,674	2,287,526
Sundry	2,106,090	208,674	2,314,764
Total Assets	54,046,937	208,674	54,255,611
Equity	3,542,037	208,674	3,750,711
Equity Adjustments	(998,758)	147,804	(850,954)
Retained Earnings (Accumulated Losses)	-	60,870	60,870
Total Liabilities	54,046,937	208,674	54,255,611

INCOMESTATEMENTS	12.31.2017		
	Originally stated	Adjustment	Restated
Income Tax and Social Contribution	(437,794)	34,640	(403,154)
Deferred Tax Assets	(326,340)	34,640	(291,700)
Net Income	681,745	34,640	716,385
Earnings per Share -(Basic and Diluted) - in R\$	7.89	0.40	8.29

STATEMENTS OF CHANGES IN EQUITY	01.01.2017			12.31.2017		
	Originally stated	Adjustment	Adjusted	Opening balance ⁽¹⁾	Adjustment	Restated
Equity	3,362,495	134,659	3,497,154	3,676,696	74,015	3,750,711
Equity Adjustments	(653,947)	108,429	(545,518)	(890,329)	39,375	(850,954)
Retained Earnings (Accumulated Losses)	-	26,230	26,230	26,230	34,640	60,870

⁽¹⁾ The opening balance is set up at the adjusted amount increased by changes for 2017.

STATEMENTS OF CASH FLOWS	01.01.2017			12.31.2017		
	Originally stated	Adjustment	Adjusted	Originally stated	Adjustment	Restated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income for the Year	732,071	26,230	758,301	681,745	34,640	716,385
Adjusted Net Income	3,800,951	(134,659)	3,666,292	1,899,249	3,505⁽¹⁾	1,902,754⁽¹⁾
Other Credits	(823,853)	(134,659)	(958,512)	192,215	(34,358) ⁽¹⁾	157,857 ⁽¹⁾
Prior Year's Adjustment	-	-	-	7,215	39,375	46,590

⁽¹⁾ This includes restatement of values that do not refer to the change in accounting policy.

STATEMENTS OF VALUE ADDED	12.31.2017		
	Originally stated	Adjustment	Restated
TAXES, RATES AND CONTRIBUTIONS	1,000,744	(34,640)	966,104
Federal	969,792	(34,640)	935,152
EQUITY REMUNERATION	681,745	34,640	716,385
RETAINED PROFITS IN THE PERIOD	516,731	34,640	551,371

STATEMENT OF COMPREHENSIVE INCOME	01.01.2017			12.31.2017		
	Originally stated	Adjustment	Adjusted	Originally stated	Adjustment	Restated
Net Income	732,071	26,230	758,301	681,745	34,640	716,385
OTHER COMPREHENSIVE INCOME	(35,953)	108,429	72,476	(342,089)	39,375	(302,714)
Tax effect on Actuarial Gains or Losses	(172,870)	108,429	(64,441)	199,981	39,375	239,356

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 for the year.

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 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) Securities

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

Available-for-sale securities: securities not classified as either trading securities or held-to-maturity securities and reported at marked value, net of taxes, 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 (Brasil Bolsa Balcão);

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

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

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

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

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

g) Derivative financial instruments

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

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

Hedge Accounting

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

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

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

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

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 revenue when effectively received.

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

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

i) Prepaid expenses

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

j) Permanent

Investments: these are stated at cost, net of provision for losses.

Property and equipment in use: 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 defined in tax legislation. From 01.01.2019, the CSLL rate goes back to 15%. 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.

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, provisions for contingencies (labor, civil, tax and other), Unearned Income ("RAP"), Voluntary Dismissal Program ("PID"), mark-to-market of 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 Letter No. 3171 of 12.30.2002, the latter establishing the procedures for recognition and accounting record, and are supported by technical studies prepared every six months. The rules of the CVM are also applicable, when not conflicting with the CMN and BACEN rules.

l) Employee benefits

The Bank grants its employees short-term and post-employment benefits. Short-term benefits are recognized and measured at their original amounts (excluding the effect of the discount to present value or actuarial calculation), on an accrual basis.

Post-employment benefits refer to “defined benefit” and “variable contribution” pension plans, as well to 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 Letter No. 3429 of 02.11.2010.

Provisions for civil, tax, labor and other claims are recognized in the financial statements when, based on the opinion of legal advisors and management, the likelihood of loss in a given legal or administrative proceeding is assessed as probable, the settlement of which is likely to result in an outflow of economic benefits, and the amounts involved can be reliably measured upon court reference/notification, reviewed as required by procedural changes, and monetarily restated on a monthly basis.

The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made case by case, and are classified according to the likelihood of loss, as probable, possible and remote.

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 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 minimum mandatory dividend for each year, 25% (twenty-five percent) of the net income for the year, pursuant to legislation, as established in the Bank’s Charter. Interest on equity may be levied 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, as well as for set up and realization of Deferred tax Assets/Liabilities. Actual results could differ from such estimates and assumptions.

s) Earnings per share

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

NOTE 4 - Segment Reporting

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

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

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

For the periods ended 12.31.2018 and 12.31.2017, no revenue from transactions with one single customer accounted for 10% or more of the Bank's total revenue.

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

Specification	2nd half/2018			01.01 to 12.31.2018			01.01 to 12.31.2017 Restated		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	1,824,637	1,554,482	3,379,119	3,961,107	3,036,651	6,997,758	4,010,893	3,321,112	7,332,005
Income from loans	961,849	-	961,849	1,893,376	-	1,893,376	2,000,122	-	2,000,122
Gains (losses) on securities transactions	533,561	849,750	1,383,311	1,057,914	1,673,944	2,731,858	1,236,609	2,036,838	3,273,447
Gains (losses) on derivative financial instruments	(11,821)	-	(11,821)	144,398	-	144,398	(2,900)	-	(2,900)
Foreign exchange gains (losses)	90,915	-	90,915	310,953	-	310,953	110,323	-	110,323
Compulsory investment gains (losses)	12,856	-	12,856	25,364	-	25,364	22,710	-	22,710
Other revenues	237,277	704,732	942,009	529,102	1,362,707	1,891,809	644,029	1,284,274	1,928,303
Expenses	(753,117)	(947,868)	(1,700,985)	(1,899,433)	(2,168,726)	(4,068,159)	(1,783,334)	(2,514,779)	(4,298,113)
Expenses on open market	(424,347)	-	(424,347)	(988,528)	-	(988,528)	(1,102,588)	-	(1,102,588)
Expenses on borrowings and onlending	(91,897)	(857,175)	(949,072)	(449,887)	(1,671,254)	(2,121,141)	(138,371)	(1,994,473)	(2,132,844)
Allowance for loan losses (Note 9.e and 20.g)	(236,873)	(90,693)	(327,566)	(461,018)	(497,465)	(958,483)	(542,375)	(520,264)	(1,062,639)
Proagro provision receivable	-	-	-	-	(7)	(7)	-	(42)	(42)
Financial margin	1,071,520	606,614	1,678,134	2,061,674	867,925	2,929,599	2,227,559	806,333	3,033,892
Service revenues	336,804	944,319	1,281,123	614,989	1,846,714	2,461,703	483,443	1,765,972	2,249,415
Income from fees, charges and commissions	40,626	-	40,626	77,005	-	77,005	66,266	-	66,266
Pasep and Cofins	(58,868)	(79,026)	(137,894)	(87,710)	(185,535)	(273,245)	(76,834)	(191,803)	(268,637)
Income after fees and commissions	1,390,082	1,471,907	2,861,989	2,665,958	2,529,104	5,195,062	2,700,434	2,380,502	5,080,936
Administrative expenses			(1,667,026)			(3,242,708)			(3,136,415)
Personnel expenses			(1,058,469)			(2,001,459)			(1,900,347)
Depreciation and amortization			(13,912)			(29,146)			(39,835)
Other administrative expenses			(594,645)			(1,212,103)			(1,196,233)
Other expenses			(305,196)			(570,629)			(712,692)
Expenses with provisions, except allowance for loan losses			(81,861)			(134,930)			(69,314)
Income before taxation and profit sharing			807,906			1,246,795			1,162,515
Income tax and social contribution			(281,073)			(474,084)			(403,154)
Profit sharing			(33,148)			(47,208)			(42,976)
Net income			493,685			725,503			716,385

NOTE 5 - Cash and Cash Equivalents

Specification	12.31.2018	12.31.2017
Cash and cash equivalents in local currency	129,549	145,271
Cash and cash equivalents in foreign currency	3,879	16,247
Total cash and cash equivalents	133,428	161,518
Interbank investments ⁽¹⁾	7,481,681	12,680,450
Total cash and cash equivalents	7,615,109	12,841,968

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

NOTE 6 - Interbank investments

a) Breakdown

Specification	12.31.2018	12.31.2017
a) Open market investments	7,626,446	12,787,577
Resale agreements pending settlement	7,481,681	12,680,450
Resale agreements pending settlement - Financed position	144,765	107,127
b) Interbank deposits investments	153,538	143,507
Investments in foreign currencies	45,188	27,953
Interbank deposits investments	108,350	115,554
Total	7,779,984	12,931,084
Short-term	7,779,984	12,931,084

b) Income from interbank investments

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
a) Income from open market investments (Note 7.b)	305,165	712,116	960,863
Self-funded position	301,059	704,614	953,270
Financed position	4,106	7,502	7,593
b) Income from interbank deposits investments (Note 7.b)	1,939	6,029	6,892
Total	307,104	718,145	967,755

NOTE 7 - Securities and derivative financial instruments

a) Securities

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

a.1) Securities portfolio

Securities available for sale	12.31.2018									12.31.2017	
	Market value					Maturity	Cost value	Market/book value	Market adjustment	Market/book value	Market adjustment
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days						
Fixed income securities	13,000	462,736	171,860	5,129	34,413,272	-	35,512,681	35,065,997	(446,684)	25,773,355	(562,494)
Financial Treasury Bills (LFT)	-	-	-	-	31,233,564	From 2020 to 2025	31,222,255	31,233,564	11,309	22,614,045	15,806
National Treasury Notes (NTN)	-	-	-	-	1,914,110	From 2050 to 2055	1,683,722	1,914,110	230,388	1,332,596	75,756
Financial Bills	-	462,736	171,727	-	1,173,103	From 2019 to 2022	1,865,502	1,807,566	(57,936)	1,718,101	(36,232)
Debentures	13,000	-	-	5,104	89,029	From 2019 to 2041	700,671	107,133	(593,538)	104,449	(583,562)
Federal government securities - FCVS	-	-	-	-	3,397	2027	4,085	3,397	(688)	3,838	(777)
Federal government securities - other	-	-	-	-	-	1993	36,196	-	(36,196)	-	(33,396)
Agrarian Debt Securities (TDAs)	-	-	133	25	69	From 2019 to 2022	250	227	(23)	326	(89)
Investment fund shares	431	-	-	-	-	-	2,036	431	(1,605)	392	(1,605)
Social Development Funds (FDS)	-	-	-	-	-	No maturity	1,605	-	(1,605)	-	(1,605)
Investment Guarantee Fund (FGI)	400	-	-	-	-	No maturity	400	400	-	362	-
Operation Guarantee Fund (FGO)	31	-	-	-	-	No maturity	31	31	-	30	-
Variable income securities	34,671	-	-	-	-	-	23,241	34,671	11,430	26,870	4,623
Other tax incentives (FINOR)	171	-	-	-	-	No maturity	109	171	62	171	62
Shares issued by publicly-held companies	34,500	-	-	-	-	No maturity	23,132	34,500	11,368	26,699	4,561
Security deposits ⁽¹⁾	-	-	-	8,899	440,262	-	449,497	449,161	(336)	429,384	(106)
Financial Treasury Bills (LFT)	-	-	-	-	440,262	From 2020 to 2023	439,668	440,262	594	413,770	729
Federal government securities - other	-	-	-	-	-	1993	916	-	(916)	-	(845)
Debentures	-	-	-	8,899	-	2019	8,913	8,899	(14)	15,614	10
Total of category	48,102	462,736	171,860	14,028	34,853,534	-	35,987,455	35,550,260	(437,195)	26,230,001	(559,582)
Tax credit (Note 21.c)									279,464		270,294
Provision for deferred taxes and contributions (Note 21.d)									(103,221)		(39,987)
Total market value adjustment									(260,952)		(329,275)

⁽¹⁾ Breakdown: Guarantees on stock exchange transactions R\$270,805 (R\$254,543 at 12.31.2017); guarantees on clearing house association transactions R\$3,081 (R\$2,896 at 12.31.2017); guarantees on legal proceedings R\$147,388 (R\$145,732 at 12.31.2017); and other guarantees R\$27,887 (R\$26,213 at 12.31.2017).

Account “Federal Government Securities - Other” under items Fixed Income Securities and Security Deposits records cash investments in government securities named by the National Treasury as NUCL910801, maturing on 08.31.1993, but not yet redeemed by the National Treasury. These securities 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\$437,195 (R\$559,582) at 12.31.2017) are recorded in the Bank’s Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to R\$260,952 (R\$329,275) at 12.31.2017).

Securities held to maturity	12.31.2018							12.31.2017	
	Cost value				Maturity	Cost (book) value	Market value ⁽¹⁾	Cost (book) value	Market value ⁽¹⁾
	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days					
Fixed income securities	-	-	13,923	223,497	-	237,420	184,507	203,025	139,857
National Treasury Notes (NTN) - P	-	-	-	176,986	2030	176,986	124,073	166,832	103,664
Investment Fund Shares - Ciatec	-	-	13,923	-	2019	13,923	13,923	10,240	10,240
Investment Fund Shares - Ciatec II	-	-	-	12,981	2023	12,981	12,981	11,218	11,218
Investment Fund Shares - Ciatec III	-	-	-	2,289	2025	2,289	2,289	958	958
FIP Brasil Agronegócios	-	-	-	13,309	2020	13,309	13,309	12,624	12,624
Nordeste III FIP	-	-	-	17,932	2023	17,932	17,932	1,153	1,153
Total of category	-	-	13,923	223,497	-	237,420	184,507	203,025	139,857

⁽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 period, there were no reclassifications of 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 securities

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Open market investments (Note 6.b)	305,165	712,116	960,863
Interbank deposits investments (Note 6.b)	1,939	6,029	6,892
Fixed income securities	1,076,014	2,013,340	2,305,001
Variable income securities	193	373	691
Total	1,383,311	2,731,858	3,273,447

c) Derivative financial instruments

The Bank operates under a conservative investment policy focused on investing strictly in compliance with the maturity terms and rates established by the respective sources of funds in order to avoid any mismatching among assets and liabilities in terms of maturities, interest rates and applicable indexes.

At 12.31.2018, 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 equity value is recorded under accounts 'Differential payable' and 'Differential receivable', as shown below:

Breakdown at 12.31.2018									12.31.2017
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	585,664	21,591	585,664	-	-	21,591	21,591	12,619
Short position									
Fixed rate	-	-	-	-	-	-	-	-	-
Total	578,615	585,664	21,591	585,664	-	-	21,591	21,591	12,619
Provision for deferred taxes and contributions (Note 21.d)									- 5,048

Specification	12.31.2018		12.31.2017	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Within 3 months	-	-	-	-
From 3 to 12 months	585,664	21,591	-	-
From 1 to 3 years	-	-	426,513	-
Total	585,664	21,591	426,513	-

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

Specification	12.31.2018					12.31.2017
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	1,170,210	584,546	1,148,619	584,546	(21,591)	12,619
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment	Market value adjustment
Eurobonds - Senior Unsecured Notes	1,170,493		1,148,033		(22,460)	12,512
Tax credit (Note 21.c)					-	5,004
Provision for deferred taxes and contributions (Note 21.d)					(8,984)	

⁽¹⁾ Net of tax effects at source in the amount of R\$1,150 (R\$999 at 12.31.2017) on the transaction interest.

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

d) Gain (loss) on derivative financial instruments

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Swap	(11,821)	144,398	(2,900)
Total	(11,821)	144,398	(2,900)

NOTE 8 - Linked Credits

a) Linked credits

Specification	12.31.2018			12.31.2017		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory payments	486,835	-	486,835	382,760	-	382,760
Compulsory reserves - Cash funds	13,184	-	13,184	123,558	-	123,558
National Housing System (SFH)	78,858	(8,277)	70,581	74,821	(8,182)	66,639
Total	578,877	(8,277)	570,600	581,139	(8,182)	572,957
Short-term	500,019	-	500,019	506,318	-	506,318
Long-term	78,858	(8,277)	70,581	74,821	(8,182)	66,639

b) Compulsory investment gain/loss

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Income from linked credits - Central Bank of Brazil	10,857	21,422	21,429
Income from linked credits - SFH	2,047	4,037	4,240
Income from linked credits - Rural Credit	-	-	33
Appreciation (Depreciation) of linked credits	(48)	(95)	(2,992)
Total	12,856	25,364	22,710

NOTE 9 - Loan portfolio and allowance for loan losses

a) Loan portfolio and allowance for loan losses

Specification	12.31.2018		12.31.2017	
	Gross amount	Allowance	Gross amount	Allowance
Loans	9,659,746	(616,930)	10,044,514	(945,061)
Short-term	4,614,935	(346,763)	4,676,166	(492,465)
Long-term	5,044,811	(270,167)	5,368,348	(452,596)
Other accounts with loan features	883,584	(10,729)	913,565	(5,788)
Short-term	880,453	(10,729)	911,561	(5,788)
Long-term	3,131	-	2,004	-
Total	10,543,330	(627,659)	10,958,079	(950,849)

a.1) Breakdown of loan portfolio

Specification	12.31.2018	12.31.2017
Advances to depositors	160	374
Loans	4,460,331	4,749,224
Discounted credits notes	12,704	33,978
Financing	1,540,865	1,929,132
Financing in foreign currency	10,616	60,186
Agribusiness financing	5,965	9,303
Rural financing	1,366,030	1,385,618
Real estate financing ⁽¹⁾	-	243
Infrastructure and development financing	2,263,075	1,876,456
Loans subtotal	9,659,746	10,044,514
Income receivable from advances granted	11,787	11,204
Debtors for purchase of assets	662	1,311
Notes and credits receivable (Note 10.d)	51,269	50,221
Advances on Exchange Contracts (ACC) ⁽²⁾ (Note 11.a)	819,866	850,829
Other accounts with loan features subtotal	883,584	913,565
Total	10,543,330	10,958,079

⁽¹⁾ These refer to transactions contracted before the discontinuance of real estate financing activities.

⁽²⁾ Accounts classified as "Other Obligations/ Foreign Exchange Portfolio".

a.2) Income from loans

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Loans and discounted credits notes	447,825	869,288	976,773
Financing	225,877	541,072	571,108
Agribusiness financing	141	564	5,617
Rural financing	95,480	234,606	291,937
Recovery of loans written off as losses	192,526	247,846	154,684
Other amounts	-	-	3
Total	961,849	1,893,376	2,000,122

b) Breakdown by maturity

b.1) Current loans⁽¹⁾

Type of Customer/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2018	Total at 12.31.2017
Rural	2,867	9,988	296	4,193	16,048	1,259,684	1,293,076	1,358,054
Manufacturing	47,716	37,566	30,434	119,790	694,643	1,451,101	2,381,250	2,619,697
Government	11,204	11,204	36,654	33,610	92,942	429,654	615,268	695,537
Other services	107,363	94,328	81,113	175,892	268,195	1,581,316	2,308,207	1,927,209
Trade	758,556	709,573	555,943	934,199	298,771	138,652	3,395,694	3,534,436
Financial brokers	61	46	47	114	138	226	632	864
Housing	60	24	15	34	13	11	157	586
Individuals	25,958	11,679	6,944	13,977	14,237	10,944	83,739	91,732
Total 12.31.2018	953,785	874,408	711,446	1,281,809	1,384,987	4,871,588	10,078,023	
Total 12.31.2017	927,127	781,795	710,307	1,305,713	1,381,809	5,121,364		10,228,115

⁽¹⁾ Include loans overdue up to 14 days.

b.2) Past due loans

Falling due installments								
Type of Customer/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2018	Total at 12.31.2017
Rural	206	219	165	604	1,221	37,376	39,791	1,877
Manufacturing	1,050	1,022	963	2,756	5,039	25,796	36,626	162,846
Other services	4,738	4,185	3,689	10,011	17,017	47,370	87,010	171,116
Trade	14,928	9,949	7,710	14,544	19,231	64,996	131,358	140,626
Financial brokers	2	2	1	4	9	27	45	-
Individuals	190	168	163	473	671	1,186	2,851	4,203
Total 12.31.2018	21,114	15,545	12,691	28,392	43,188	176,751	297,681	
Total 12.31.2017	81,118	19,702	16,135	43,242	70,402	250,069⁽¹⁾		480,668

Past-due installments									
Type of Customer/Activity	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days ⁽¹⁾	Total at 12.31.2018	Total at 12.31.2018
Rural	1	246	31	911	705	343	36,889	39,126	44,020
Manufacturing	549	642	1,326	1,102	1,375	1,771	404	7,169	34,726
Other services	2,791	2,575	5,167	3,633	8,317	6,208	128	28,819	53,102
Trade	11,389	9,208	10,717	7,460	18,642	27,250	60	84,726	106,005
Financial brokers	1	-	2	-	24	-	-	27	2
Housing	-	-	-	-	-	-	-	-	247
Individuals	41	558	723	710	1,963	3,705	59	7,759	11,194
Total 12.31.2018	14,772	13,229	17,966	13,816	31,026	39,277	37,540	167,626	
Total 12.31.2017	5,585	17,446	24,552	25,154	61,296	72,408	42,855		249,296

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

c) Breakdown by risk level

Risk level	12.31.2018				12.31.2017			
	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance
AA	3,722,942	-	3,722,942	-	4,112,754	-	4,112,754	-
A	4,696,442	-	4,696,442	(23,482)	4,112,276	-	4,112,276	(20,561)
B	714,345	29,577	743,922	(7,439)	1,073,569	30,020	1,103,589	(11,037)
C	529,726	30,253	559,979	(16,799)	98,991	34,045	133,036	(3,992)
D	158,894	24,218	183,112	(18,311)	365,755	28,980	394,735	(39,473)
E	32,733	28,424	61,157	(18,347)	61,102	38,088	99,190	(29,757)
F	13,275	24,010	37,285	(18,642)	21,902	236,755	258,657	(129,328)
G	16,302	29,876	46,178	(32,326)	50,870	39,600	90,470	(63,329)
H	193,364	298,949	492,313	(492,313)	330,896	322,476	653,372	(653,372)
Total	10,078,023	465,307	10,543,330	(627,659)	10,228,115	729,964	10,958,079	(950,849)

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

d) Changes in the allowance for the period

Specification	12.31.2018	12.31.2017
Opening balance of Allowance for losses on loan portfolio	950,848	1,431,088
(+) Allowance recognized/(reversed) for the period	460,408	543,965
(-) Loans written off as loss for the period	(783,597)	(1,024,204)
(=) Net Allowance for losses on loan portfolio	627,659	950,849
Opening balance of Allowance for losses on other creditswithout loan features	27,238	28,824
(+) Allowance recognized for the period	834	1,215
(-) Reversal of allowance for the period	(224)	(2,801)
(=) Net allowance for losses on other creditswithout loan features (Note 10.e)	27,848	27,238
(=) Balance of allowance for loan losses	655,507	978,087

e) Breakdown of the allowance expense balance

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
(+) Expenses with allowance for loan losses	233,930	452,847	452,374
(+) Expenses on allowance for losses on other credits	2,859	7,628	101,396
(-) Reversal of operating provisions	(67)	(67)	(9,805)
(=) Balance of expenses with allowance for losses on other creditswith loan features	236,722	460,408	543,965
(+) Allowance for losses on other creditswithout loan features	226	835	1,156
(-) Reversals of allowances for other creditswithout loan features	(75)	(225)	(2,746)
(=) Balance of expenses on allowance for loan losses (Note 4)	236,873	461,018	542,375

f) Financial guarantees provided

Specification	12.31.2018		12.31.2017	
	Balance	Provision	Balance	Provision
In connection with the International Commodity Trade	-	-	2,234	-
Other bank guarantees	450	-	450	-
Public sector	24,029,174	(2,990,936)	21,491,232	(3,084,588)
FDNE (Note 16.i and Note 22.f.2)	131,323	(1,222)	127,239	(636)
FNE (Note 16.i and Note 22.f.2)	23,887,363	(2,989,707)	21,363,190	(3,083,952)
Proagro (Note 16.i and Note 22.f.2)	10,488	(7)	803	-

g) Loan concentration

Specification	12.31.2018		12.31.2017	
	Balance	% of portfolio	Balance	% of portfolio
10 major debtors	2,079,899	19.73	2,270,716	20.72
50 major debtors	4,340,102	41.16	4,377,577	39.95
100 major debtors	4,942,422	46.88	5,002,911	45.65

h) In 2018, receivables that had been written off as loss were recovered in the amount of R\$247,846 (R\$154,683 at 12.31.2017) and renegotiations amounted to R\$501,483 (R\$713,377 at 12.31.2017).

NOTE 10 - Other Credits

Specification	12.31.2018	12.31.2017 Restated
a) Foreign Exchange Portfolio (Note 11.a)	868,658	885,164
b) Income receivable	15,938	16,480
c) Trading and intermediation of securities	12	12
d) Sundry⁽¹⁾	3,660,718	3,534,553
Tax Credits on ALL, RAP, Provisions for Contingencies and PID (Note 21.c)	1,322,540	1,458,246
Tax credits on Actuarial Provisions (Note 21.c)	891,040	760,009
Tax Credits on Securities, Derivative Financial Instruments and hedged item (Notes 7.a., 2, 7.c and 21.c)	288,101	275,298
Debtors for escrow deposits	410,721	352,206
Taxes and contributions to be offset	356,473	74,244
Tax incentive options	26,748	26,748
Notes and credits receivable (Note 9.a.1)	51,269	50,221
Advances and early salary payment	1,986	2,378
Payments to be refunded	2,409	14,267
Amounts receivable - bonus/rebates	85,167	282,358
Other amounts	224,264	238,578
e) Allowance for losses on other credits	(38,577)	(33,026)
Receivables with loan features	(10,729)	(5,788)
Receivables without loan features (Note 9.d)	(27,848)	(27,238)
Total	4,506,749	4,403,183
Short-term	2,402,198	2,115,657
Long-term	2,104,551	2,287,526

NOTE 11 - Foreign exchange portfolio

a) Breakdown

Specification	12.31.2018	12.31.2017
Assets - Other receivables (Note 10.a)	868,658	885,164
Exchange purchases to settle	856,751	865,655
Rights on foreign exchange sales	5,354	8,502
Advances received in local currency	(5,233)	(197)
Income receivable from advances granted	11,786	11,204
Current assets (Note 10.a)	868,658	885,164
Liabilities - Other obligations (Note 16.b)	5,319	9,318
Foreign exchange purchase obligations	819,866	851,617
Exchange sold to be settle	5,318	8,530
(Advances on exchange contracts - ACC) (Note 9.a.1)	(819,866)	(850,829)
Other amounts	1	-
Current liabilities (Note 16.b)	5,319	9,318

b) Foreign exchange gains (losses)

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Exchange income	91,316	311,799	111,227
Exchange expenses	(401)	(846)	(904)
Total	90,915	310,953	110,323

NOTE 12 - Permanent assets

a) Investments

Specification	12.31.2017	01.01.2015 to 12.31.2018			12.31.2018	
	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	01.01.2015 to 12.31.2018				12.31.2018		
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Book balance
		Additions	Write-offs	Depreciation				
Buildings	72,802	-	-	(5,218)	67,584	259,308	(191,724)	67,584
Data processing system	33,077	33,449	(1,537)	(15,047)	49,942	172,746	(122,804)	49,942
Furniture and equipment in use	27,048	6,206	(838)	(5,211)	27,205	79,014	(51,809)	27,205
Land	17,576	-	-	-	17,576	17,576	-	17,576
Facilities	4,417	23	(22)	(1,005)	3,413	18,982	(15,569)	3,413
Communication system	45	8	(4)	(11)	38	257	(219)	38
Security system	6,635	284	(201)	(1,249)	5,469	18,252	(12,783)	5,469
Transportation system	1,640	-	-	(1,404)	236	14,332	(14,096)	236
Total	163,240	39,970	(2,602)	(29,145)	171,463	580,467	(409,004)	171,463

c) Intangible assets

Specification	12.31.2017	01.01.2015 to 12.31.2018				12.31.2018	
	Book balance	Changes			Book balance	Cost value	Book balance
		Additions	Write-offs	Amortization			
Spending on intangible assets under development ⁽¹⁾	19,948	-	-	-	19,948	19,948	19,948
Total	19,948	-	-	-	19,948	19,948	19,948

⁽¹⁾ This balance comprises the cost of acquisition of ERP software use license. In the year, there were no indication of impairment loss of assets.

At 12.31.2018 and 12.31.2017, 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	From 0 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Above 15 years	Total at 12.31.2018	Total at 12.31.2017
Demand deposits	328,683	-	-	-	-	-	328,683	239,932
Savings deposits	2,433,765	-	-	-	-	-	2,433,765	2,277,515
Interbank deposits	608,185	951,808	-	-	-	-	1,559,993	1,582,889
Time deposits	579,146	1,849,041	3,938,740	1,061,156	1,036,782	26,955	8,491,820	7,707,846
Time deposits	236,711	1,829,407	2,261,828	980,896	932,949	26,955	6,268,746	5,287,894
Interest-yielding judicial deposits	338,746	-	-	-	-	-	338,746	562,981
Finor/cash and cash equivalents and reinvestments - Law No. 8167	-	-	1,634,998	69,782	69,782	-	1,774,562	1,649,735
FAT - Available funds	1,597	4,351	18,641	4,660	-	-	29,249	37,481
FAT - Applied funds	2,092	5,722	23,273	5,818	-	-	36,905	142,452
Other	-	9,561	-	-	34,051	-	43,612	27,303
Funds from acceptance and issue of securities	55,712	1,255,747	-	-	-	-	1,311,459	1,189,269
Eurobonds - Senior Unsecured Notes	-	1,149,183	-	-	-	-	1,149,183	1,012,769
Agribusiness Credit Bills (LCA)	55,712	106,564	-	-	-	-	162,276	176,500
Debt instruments eligible to capital	-	-	-	-	-	1,000,000	1,000,000	1,000,000
Subordinated debts	-	-	-	-	-	2,369,446	2,369,446	2,205,468
Total at 12.31.2018	4,005,491	4,056,596	3,938,740	1,061,156	1,036,782	3,396,401	17,495,166	
Total at 12.31.2017	3,831,276	1,764,036	5,454,438	792,901	1,130,070	3,230,198		16,202,919

b) Deposits

Specification	12.31.2018	12.31.2017
Demand deposits	328,683	239,932
Government deposits	6,039	5,985
Linked deposits	136,476	93,751
Legal entities	153,133	108,855
Individuals	32,647	30,611
Other amounts	388	730
Savings deposits	2,433,765	2,277,515
Free savings deposits - Individuals	1,580,066	1,482,561
Free savings deposits - Legal entities	852,933	794,209
From related parties and Financial System Institutions	766	745
Interbank deposits	1,559,993	1,582,889
Time deposits	8,491,820	7,707,846
Time deposits	6,268,746	5,287,894
Interest-yielding judicial deposits	338,746	562,981
Other time deposits	1,884,328	1,856,971
Interest-yielding special deposits/FAT (Note 27 and Note 29)	66,154	179,933
Available funds (Note 27)	29,249	37,481
ProgerUrbano	9,360	948
Protrabalho	1,778	15,597
Infrastructure	1,286	15,736
PNMPO	16,825	5,200
Funds Applied (Note 27)	36,905	142,452
ProgerUrbano	190	10,619
Protrabalho	22,196	31,784
Infrastructure	-	26,847
PNMPO	14,519	73,202
Finor/cash and cash equivalents and reinvestments (Law No. 8167/91)	1,774,562	1,649,735
Other amounts	43,612	27,303
Total	12,814,261	11,808,182
Short-term	6,750,628	5,410,955
Long-term	6,063,633	6,397,227

c) Open market funding

Specification	12.31.2018	12.31.2017
Own portfolio	1,236,716	879,320
Financial Treasury Bills (LFT)	1,236,716	879,320
Third-party portfolio	144,765	107,127
National Treasury Notes (NTN)	144,765	107,127
Total	1,381,481	986,447
Short-term	1,372,662	983,405
Long-term	8,819	3,042

d) Expenses with open market funding

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Funding expenses	(385,773)	(918,568)	(1,008,214)
Time deposits	(174,488)	(340,202)	(544,870)
Savings deposits	(41,285)	(81,218)	(98,665)
Judicial deposits	(9,394)	(26,485)	(45,961)
Interbank deposits	(20,722)	(41,490)	(46,778)
Special deposits	(55,539)	(110,794)	(65,894)
Funds from acceptance and issue of securities	(79,398)	(307,558)	(193,347)
Other deposits	(4,947)	(10,821)	(12,699)
Expenses with open market funding	(38,574)	(69,960)	(94,374)
Third-party portfolio	(4,106)	(7,502)	(7,593)
Own portfolio	(34,468)	(62,458)	(86,781)
Total	(424,347)	(988,528)	(1,102,588)

NOTE 14 - Borrowings and onlending

a) Borrowings and onlending by maturity

Specification	From 0 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Above 15 years	Total at 12.31.2018	Total at 12.31.2017
Foreign borrowings	119,358	781,079	-	-	-	-	900,437	951,482
Domestic onlending	40,486	91,422	302,227	322,397	428,006	37,480	1,222,018	1,520,571
Foreign onlending	30,230	138,426	170,488	170,543	70,915	-	580,602	635,225
Total at 12.31.2018	190,074	1,010,927	472,715	492,940	498,921	37,480	2,703,057	
Total at 12.31.2017	239,544	1,016,971	530,901	544,101	671,879	103,882		3,107,278
Short-term							1,201,001	1,256,515
Long-term							1,502,056	1,850,763

b) Domestic Onlending - official institutions

Specification	Annual restatement rate (%)	12.31.2018	12.31.2017
National Treasury	IGP - 7 + 2.00	482	450
BNDES	Fixed rate 1.50 to 11.10/TJLP + 0.00 to 4.00/IPCA + 9.41/ Exc. var. + 2.00 to 4.00	1,155,450	1,435,506
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)		767,975	1,065,137
Credit Facility for investment in agriculture		387,475	370,369
Finame	Fixed rate 1.50 to 7.00/TJLP + 0.00 to 4.00/IPCA + 9.41/ Exc. var. + 2.00 to 4.00	66,086	84,615
"ProgramaAutomático" (program for purchase of new machinery and equipment by companies based in Brazil)		44,393	63,575
Agricultural Program		21,693	21,040
Total (Note 29.a.1)		1,222,018	1,520,571
Short-term		131,908	161,679
Long-term		1,090,110	1,358,892

c) Borrowings

Specification	Annual restatement rate (%)	12.31.2018	12.31.2017
Foreign borrowings/Foreign currency payables	USD	900,437	951,482
Total		900,437	951,482
Short-term		900,437	951,482

d) Foreign onlending

Specification	Annual restatement rate (%)	12.31.2018	12.31.2017
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.16	112,392	191,947
BID-Prodetur II	USD + 3.42	462,387	437,340
BID - Other programs	USD + 3.42	5,823	5,938
Total		580,602	635,225
Short-term		168,656	143,354
Long-term		411,946	491,871

e) Expenses on borrowings and onlending

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Expenses on onlending	(100,810)	(306,856)	(219,476)
Domestic onlending - Official institutions in Brazil	(62,826)	(130,191)	(114,817)
National Treasury	(15)	(34)	(7)
BNDES	(60,634)	(125,881)	(111,741)
Finame	(2,177)	(4,276)	(3,069)
Foreign onlending expenses	(37,984)	(176,665)	(104,659)
Expenses on onlending with foreign banks	(62,694)	(271,625)	(82,540)
Expenses on financial and development funds	(785,568)	(1,542,660)	(1,830,828)
Total	(949,072)	(2,121,141)	(2,132,844)

NOTE 15 - Funds from acceptance and issue of securities

a) Liabilities for foreign securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 12.31.2018 ⁽²⁾	Market value at 12.31.2018 ⁽²⁾	Market value at 12.31.2017 ⁽²⁾
Eurobonds – Senior Unsecured Notes ⁽¹⁾	05.03.2012	05.03.2019	4.375	300,000	1,171,643	1,149,183	1,012,769
Total					1,171,643	1,149,183	1,012,769
Short-term						1,149,183	7,857
Long-term						-	1,004,912

⁽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.

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	12.31.2018	12.31.2017
Agribusiness Credit Bills (LCA) ⁽¹⁾	81.22 of the CDI	158,496	162,276	176,500
Short-term			162,276	176,500
Long-term			-	-

⁽¹⁾ Note with average maturity term of 193 days.

NOTE 16 - Other liabilities

Specification	12.31.2018	12.31.2017
a) Collection and transfer of taxes and levies	1,477	1,453
Funds from Proagro	227	171
Federal taxes received	35	26
IOF payable	783	775
Other taxes and levies	432	481
b) Foreign exchange portfolio (Note 11.a)	5,319	9,318
c) Social and statutory	179,662	138,114
Dividends and bonuses payable	131,418	94,222
Profit sharing	48,244	43,892
d) Tax and social security	692,671	346,156
Provision for deferred taxes and contributions	278,499	164,858
Securities and derivative financial instruments (Note 21.d)	103,221	45,035
Revaluation of buildings and land (Note 21.d)	-	144
From credits recovered and hedged items (Note 21.d)	175,278	119,679
Provision for income tax and social contribution (Note 21.a.2)	310,412	92,554
Income tax	166,581	49,047
Social contribution	143,831	43,507
Taxes and contributions payable	103,760	88,744
e) Trading and intermediation of securities	153	153
f) Financial and development funds	25,472,735	23,528,778
FNE (Note 29.a.1)	24,585,592	22,599,975
Other amounts	887,143	928,803
g) Debt instruments eligible to capital (Note 17 and Note 29.a.1)	1,000,000	1,000,000
h) Subordinated debts eligible for capital (Note 18 and Note 29.a.1)	2,369,446	2,205,468
i) Other	6,485,206	6,178,307
Provision for contingencies	401,730	332,084
Labor claims (Note 22.f.1.ii)	206,531	169,253
Civil proceedings (Note 22.f.1.iii)	146,964	116,349
Other proceedings (Note 22.f.1.iv)	32,466	33,154
Tax proceedings (Note 22.f.1.i)	15,769	13,328
Provision for Financial Guarantees Provided (Note 22.f.2)	2,990,936	3,084,588
FNE (Note 9.f)	2,989,707	3,083,952
Onlending	1,017	1,137
Full risk - BNB	59,135	87,599
Shared risk	2,929,555	2,995,216
FDNE (Note 9.f)	1,222	636
Proagro (Note 9.f)	7	-
Actuarial liabilities	2,227,601	1,900,021
Retirement and DB pension plan (Note 25.g.1.1 and Note 29.a.2)	606,070	411,216
Health care plan (Note 25.g.2 and Note 29.a.2)	1,474,370	1,354,238
Life insurance - Post-employment benefit (Note 25.g.3 and Note 29.a.2)	147,161	134,567
Accrued payments	505,807	441,475
Personnel expenses	249,489	181,764
Other amounts	82,836	67,238
Interest and charges on debt instruments eligible to capital	173,482	192,473
Other amounts	359,132	420,139
Total	36,206,669	33,407,747
Short-term	5,622,712	13,791,594
Long-term	30,583,957	19,616,153

NOTE 17 - Debt instruments eligible to capital

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

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

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

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

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

Specification	Amount issued	Remuneration	Funding date	12.31.2018	12.31.2017
Debt instruments eligible to capital (Note 16.g and Note 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	12.31.2018	12.31.2017
Fundo Constitucional de Financiamento do Nordeste (FNE) ⁽¹⁾	2,369,446	2,205,468
Funds available	1,379,634	1,734,734
Funds applied	989,812	470,734
Total (Note 16.h and Note 29.a.1)	2,369,446	2,205,468

⁽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 12.31.2017) is represented by 86,371,464 common, book-entry, paid-in shares with no par value, held as follows:

Specification	12.31.2018		12.31.2017	
	Number of shares	% of Capital	Number of shares	% of Capital
Federal Government	44,049,447	51.00	44,049,447	51.00
FI CAIXA FGEDUC MULTIMERCADO ⁽¹⁾	30,205,568	34.97	30,207,318	34.97
BB FGO Investment Fund Shares	6,217,900	7.20	6,220,150	7.20
National Development Fund (FND)	3,846,968	4.45	3,846,968	4.45
Other	2,051,581	2.38	2,047,581	2.38
Total	86,371,464	100.00	86,371,464	100.00

⁽¹⁾ At 12.31.2017 - BB FGEDUC Multimarket Investment Fund

b) Revaluation reserve

The amount of R\$11,592 (R\$11,769 at 12.31.2017) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its effective realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565 of 05.29.2008. In the period, the amount of R\$177 (R\$3,129 at 12.31.2017) was transferred to Retained Earnings (Accumulated Losses) and comprised the profit distribution base.

c) Payment of IOE for 2017

Through the Annual General Meeting held on 03.26.2018, the payment of complementary interest on Equity (IOE) for the year ended 12.31.2017 was approved in the amount of R\$94,013. This payment was made on 04.10.2018.

d) Dividends and Interest on Equity (IOE) paid - 1st half of 2018

Through the Board of Director's Meeting held on 08.10.2018, prepayment of Interest on Equity (IOE), attributable to the dividend of 25% on adjusted net income for the six-month period, was approved in the amount of R\$53,537 (R\$69,233 at 06.30.2017). That benefit was paid in 08.28.2018. Total IOE distributed on net income for 06.30.2018 provided, in the same position, a reduction in expenses on tax charges in the amount of R\$23,770 (R\$30,324 at 06.30.2017).

e) Statement of calculation of IOE:

Specification	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Net income for the year	725,503	681,745
2. Legal reserve	(36,275)	(34,087)
3. Debt adjustments to Retained Earnings (Accumulated Losses)	(82,785)	(12,035)
4. Revaluation reserve transferred to retained earnings (accumulated losses)	177	3,129
5. Credit adjustments to Retained Earnings (Accumulated Losses)	135,598	19,250
6. Calculation basis of dividends/interest on equity capital	742,218	658,002
7. Gross Interest on Equity	186,129	165,014
8. Withholding Income Tax on IOE	(574)	(508)
9. Net IOE attributable to dividends (item 7 + item 8)	185,555	164,506
10. Prepayment of IOE restated by SELIC	(54,642)	(71,001)
11. Gross complementary IOE of R\$1.5223401268 per share (at 12.31.2017: IOE of R\$1.088478492 per share) (item 7 - item 10)	131,487	94,013
12. Complementary IOE net of income tax of R\$1.5176046033 per share (at 12.31.2017: IOE of R\$1.085059693 per share)	131,078	93,718
13. Gross IOE for the year (item 7/item 6 = 25.0773%) (25.0781% at 12.31.2017)	186,129	165,014
14. Net IOE for the year (item 9/item 6 = 25.0000%) (25.0000 at 12.31.2017)	185,555	164,506

f) Legal reserve

The legal reserve corresponds to 5% on net income calculated in the year and amounts to R\$36,275 (R\$34,087 at 12.31.2017).

g) Statutory reserve

The statutory reserve in the amount of R\$556,090 (R\$492,988 at 12.31.2017) represents the remaining balance of net income calculated for the year, after establishment of the legal reserve and payment of IOE/dividends.

h) Equity Adjustment

Specification	12.31.2018	12.31.2017 Restated
Securities available for sale	68,325 ⁽¹⁾	53,597 ⁽¹⁾
Actuarial Gains and Losses (Post-employment Benefits)	(168,333) ⁽¹⁾	(359,033) ⁽¹⁾
Equity adjustment⁽¹⁾	(100,008)	(305,436)

⁽¹⁾Net of tax effects.

NOTE 20 - Other operating income/(expenses)

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
a) Service revenue	1,281,123	2,461,703	2,249,415
Investment fund management	23,473	42,893	34,815
Fund and program management	961,763	1,884,914	1,790,085
Services rendered	295,887	533,896	424,515
b) Income from bank fees	40,626	77,005	66,266
c) Personnel expenses	(1,058,469)	(2,001,459)	(1,900,347)
Salaries	(632,365)	(1,170,831)	(1,145,147)
Social charges	(201,880)	(399,247)	(391,742)
Retirement and pension plan - DB and VC I Capef Plans	(56,778)	(107,544)	(103,724)
Health care plan - Camed Natural Plan	(72,984)	(145,977)	(91,893)
Life insurance - Post-employment benefit	(8,076)	(13,577)	(9,716)
Benefits, training sessions, fees and compensation of interns	(86,386)	(164,283)	(158,125)
d) Other administrative expenses	(608,557)	(1,241,249)	(1,236,068)
Data processing	(120,140)	(250,052)	(249,302)
Advertising and publicity	(3,312)	(17,761)	(26,390)
Third-party services ⁽¹⁾	(267,497)	(547,640)	(502,473)
Rentals, material and public utilities	(38,880)	(74,261)	(80,998)
Travel	(9,154)	(17,449)	(14,624)
Communications	(12,311)	(25,274)	(31,493)
Depreciation and amortization	(13,912)	(29,146)	(39,835)
Asset maintenance and upkeep	(25,591)	(49,247)	(50,022)
Surveillance, security and transportation	(45,617)	(91,495)	(90,105)
Promotions, public relations and publications	(5,979)	(10,566)	(10,198)
Financial system services	(16,647)	(31,588)	(35,636)
Specialized technical services	(14,610)	(31,566)	(33,537)
Insurance	(1,297)	(2,207)	(1,941)
Court, notary and attorney fees	(17,374)	(38,130)	(42,399)
Worker' union dues and Associations	(926)	(1,789)	(2,065)
Condominium fees, catering, kitchen and meals	(2,792)	(5,770)	(6,035)
FUNDECI (Science and Technology Development Fund)	(4,000)	(4,000)	(3,000)
Other amounts	(8,518)	(13,308)	(16,015)
e) Taxexpenses (Note 21.e)	(159,444)	(312,696)	(302,304)
COFINS and PIS/PASEP	(137,918)	(273,270)	(268,694)
ISS and IPTU/Improvement tax	(19,972)	(36,553)	(29,749)
Other amounts	(1,554)	(2,873)	(3,861)
f) Other operating income	940,730	1,888,307	1,914,125
Del credere commission on fund management	708,635	1,369,542	1,291,243
Exchange losses on borrowings	50,394	119,957	135,036
Exchange losses on funding expenses	64,119	107,799	101,190
Exchange loss on reclassification of Development Financial Fund obligation expenses	1,900	4,087	5,423
Reversal of operating provisions for risks on FNE transactions	397	1,594	1,006
Recovery of charges and expenses	3,282	6,171	6,352
Reversal of operating provisions	12,607	18,263	82,425
Interest and commissions	692	1,531	8,763
Monetary restatement	39	828	1,223
Mark-to-market adjustment	-	-	6,965
FNE - Recovery of amounts settled by the Bank	84,150	236,192	216,282
Other amounts	14,515	22,343	58,217
g) Other operating expenses	(456,201)	(1,163,581)	(1,268,644)
Exchange losses on exchange area	(837)	(2,504)	(2,053)
Exchange loss on loans granted	(64,676)	(132,643)	(142,348)
Negative monetary restatement of loans	(111)	(127)	(44,146)
Discounts granted in renegotiations	(8,727)	(30,367)	(60,863)
Loan charges	(1,352)	(3,524)	(15,095)
Tax contingencies	(1,991)	(4,304)	(4,791)
Risks on FNE transactions	(90,693)	(497,465)	(520,264)
Risks on FDNE transactions	(572)	(3,354)	(80)
Labor claims	(22,454)	(48,367)	(25,496)
Civil proceedings	(55,610)	(78,633)	(12,369)
Other proceedings	(1,806)	(3,626)	(26,658)
Debt instruments eligible to capital	(112,030)	(173,481)	(193,014)
Monetary restatement of debt instruments eligible to capital	-	(4,365)	(8,522)
FNE remuneration - available funds - article 9-A of Law No. 7827	(41,168)	(91,330)	(143,299)
FNE remuneration – funds applied - article 9-A, Law No. 7827	(45,673)	(72,648)	(49,295)
Other amounts	(8,501)	(16,843)	(20,351)
Total	(20,192)	(291,970)	(477,557)

⁽¹⁾ These comprise expenses for the second half of 2018 amounting to R\$224,599 and for 2018 amounting to R\$463,788 (R\$422,446 at 12.31.2017) relating to services provided by *Instituto NordesteCidadania (INEC)*, substantially to the Bank, through the Partnership Terms for the operation of the urban and rural production-oriented microloan programs, in accordance with the provisions of Law No. 9790 of 03.23.1999.

NOTE 21 - Taxes and contributions

a) Income tax and social contribution

The Bank is subject to the taxable profit regime whereby taxes are computed based on the Bank's accounting records, and income 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 tax and social contribution expense	Income tax		Social contribution	
	01.01 to 12.31.2018	01.01 to 12.31.2017 Restated	01.01 to 12.31.2018	01.01 to 12.31.2017 Restated
Income before income taxes and profit sharing	1,246,795	1,162,515	1,246,795	1,162,515
Statutory profit sharing	(47,208)	(42,976)	(47,208)	(42,976)
Interest on Equity (IOE)	(186,129)	(165,014)	(186,129)	(165,014)
Income before taxes, less statutory profit sharing and interest on equity	1,013,458	954,525	1,013,458	954,525
Permanent additions/exclusions	(28,488)	(12,311)	(29,752)	(12,267)
Temporary additions/exclusions	(264,552)	(724,724)	(264,552)	(724,724)
Taxable income	720,418	217,490	719,154	217,534
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(180,081)	(54,349)	(143,831)	(43,507)
Deductions (tax incentives)	13,500	5,302	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	80	(303)	64	(242)
Current IRPJ/CSLL expenses - after tax incentives and revaluation reserve	(166,501)	(49,350)	(143,767)	(43,749)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(33,176)	(12,360)	(17,376)	(5,995)
Provision for income tax and social contribution	(199,677)	(61,710)	(161,143)	(49,744)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	(42,699)	(146,371)	(70,565)	(145,329)
Total IRPJ/CSLL	(242,376)	(208,081)	(231,708)	(195,073)
Effective rate (%)	23.92	21.80	22.86	20.44
a.2) Specification of the provision for IRPJ and CSLL	Income tax		Social contribution	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Provision for income tax and social contribution	166,501	49,350	143,767	43,749
Provision for taxes on revaluation reserve realized	80	(303)	64	(242)
Provision for income tax and social contribution (Note 16.d)	166,581	49,047	143,831	43,507
Taxes and contributions recoverable on prepayments, including withholding taxes	(212,422)	(31,406)	(134,040)	(28,154)
Taxes payable (recoverable) for the period	(45,841)	17,641	9,791	15,353

b) Reconciliation of IR and CSLL charges

Specification	12.31.2018	12.31.2017 Restated
Income before taxes and profit sharing	1,246,795	1,162,515
Total charge of 45% - IRPJ (25%) and CSLL (20%)	(561,058)	(523,132)
Statement of tax levy:		
Income tax and social contribution for the period	(474,084)	(403,154)
Increase/decrease in income tax and social contribution taxes arising from:	(86,974)	(119,978)
Profit sharing/IOE	(105,002)	(93,596)
Other income/FNE/Del Credere/ Onlending Operations - Article 9-A of Law No. 7827	(20,648)	(13,621)
Temporary differences - Other provisions (labor, civil, tax and other proceedings)	(202)	(311)
Temporary differences on actuarial provisions	36,558	703
Temporary differences - transactions with reimbursement longer than 10 years	17,730	(27,983)
Recovery (Provisional Executive Order (MP) No. 517) - revenues renegotiated but not received	(8,673)	(3,794)
Difference from the CSLL rate (from 20% to 15%)	(606)	15,294
Other (tax incentives, permanent additions/exclusions)	(6,131)	3,330
Total reconciled tax levy	(561,058)	(523,132)

c) Deferred tax assets and liabilities

Income tax and social contribution tax credits arising from temporary differences of allowances for loan losses, provisions for post-employment benefits, Unearned Income ("RAP"), Voluntary Dismissal Program ("PID") and Provisions for Contingencies (labor, civil tax and other) are recorded in conformity with the following major standards: CMN Resolution No. 3059 of 12.20.2002 and Bacen Circular Letter No. 3171 of 12.30.2002 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, tax credits on market value adjustments of securities were accrued, regarding securities classified as Available-for-Sale, and on Derivative Financial Instruments.

Specification	12.31.2018		12.31.2017 Restated		12.31.2018	12.31.2017 Restated
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Allowances (ALL)						
Opening balance	802,220	526,293	939,423	655,350	1,328,513	1,594,773
Recognition	247,077	148,260	37,278	22,755	395,337	60,033
Realization/ reversal	(338,267)	(247,921)	(174,481)	(151,812)	(586,188)	(326,293)
Closing balance (Note 10.d)	711,030	426,632	802,220	526,293	1,137,662	1,328,513
b) Unearned Income - Operations not related to legal proceedings						
Opening balance	-	-	-	-	-	-
Recognition	2,708	1,753	-	-	4,461	-
Realization/ reversal	(607)	(492)	-	-	(1,099)	-
Closing balance	2,101	1,261	-	-	3,362	-
c) Actuarial provisions						
Opening balance	257,640	154,584	254,124	152,474	412,224	406,598
Recognition	14,480	8,689	98,264	58,959	23,169	157,223
Realization/ reversal	(2,724)	(1,635)	(94,748)	(56,849)	(4,359)	(151,597)
Closing balance (Note 3 and Note10.d)	269,396	161,638	257,640	154,584	431,034	412,224
d) Provision for the Voluntary Dismissal Program (“PID”)						
Opening balance	-	-	-	-	-	-
Recognition	14,667	8,800	-	-	23,467	-
Realization/ reversal	-	-	-	-	-	-
Closing balance	14,667	8,800	-	-	23,467	-
e) Provision for contingencies						
Opening balance	81,083	48,650	100,995	60,597	129,733	161,592
Recognition	44,261	26,556	37,599	22,560	70,817	60,159
Realization/ reversal	(26,563)	(15,938)	(57,511)	(34,507)	(42,501)	(92,018)
Closing balance	98,781	59,268	81,083	48,650	158,049	129,733
f) Derivative financial instruments						
Opening balance	-	-	-	-	-	-
Recognition	16,906	10,143	27	16	27,049	43
Realization/ reversal	(11,508)	(6,904)	(27)	(16)	(18,412)	(43)
Closing balance (Note 7.c)	5,398	3,239	-	-	8,637	-
g) Hedged item						
Opening balance	3,128	1,877	2,632	1,579	5,005	4,211
Recognition	7,141	4,284	7,039	4,223	11,425	11,262
Realization/ reversal	(10,269)	(6,161)	(6,543)	(3,926)	(16,430)	(10,469)
Closing balance (Note 7.c.1)	-	-	3,128	1,876	-	5,004
Effect on equity						
h) Securities						
Opening balance	164,744	105,550	174,065	110,746	270,294	284,811
Recognition	115,601	69,017	101,904	70,083	184,618	171,987
Realization/ reversal	(106,890)	(68,558)	(111,225)	(75,279)	(175,448)	(186,504)
Closing balance (Note 7.a.1)	173,455	106,009	164,744	105,550	279,464	270,294
i) Actuarial valuation adjustments						
Opening balance	217,365	130,420	67,768	40,661	347,785	108,429
Recognition	117,019	70,212	149,597	89,759	187,231	239,356
Realization/ reversal	(46,881)	(28,129)	-	-	(75,010)	-
Closing balance (Note 10.d)	287,503	172,503	217,365	130,420	460,006	347,785

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

Specification	Income tax		Social contribution tax	
	12.31.2018	12.31.2017 Restated	12.31.2018	12.31.2017 Restated
1. Total temporary differences	6,680,096	6,244,779	6,680,096	6,244,779
2. Tax credits on temporary differences	1,670,024	1,561,195	1,003,950	1,222,085
3. Tax credits recognized in assets on Provisions	1,383,478	1,358,308	830,102	859,947
4. Tax credits recognized in assets due to mark-to-market of marketable securities, derivative financial instruments and hedged item	178,853	167,872	109,248	107,426
5. Total tax credits recognized in assets (item 3 + item 4) ⁽¹⁾	1,562,331	1,526,180	939,350	967,373
6. Tax credits not recognized in assets (item 2 - item 5) ⁽²⁾	107,693	35,015	64,600	254,712

⁽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 12.31.2018 is as follows:

Period	Goal for average over - SELIC rate - (%) ⁽¹⁾	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2019	7.17	277,648	259,072	166,589	155,443	444,237	414,515
2020	7.94	89,663	77,510	53,798	46,506	143,461	124,016
2021	8.00	56,623	45,322	33,974	27,193	90,597	72,515
2022	7.94	57,602	42,714	34,561	25,629	92,163	68,343
2023	7.98	133,702	91,819	80,221	55,091	213,923	146,910
2024	7.98	25,360	16,129	15,216	9,677	40,576	25,806
2025	7.98	22,351	13,165	13,411	7,899	35,762	21,064
2026	7.98	19,977	10,897	11,986	6,538	31,963	17,435
2027	7.98	15,233	7,695	9,139	4,617	24,372	12,312
2028	7.98	12,871	6,021	7,737	3,620	20,608	9,641
Total		711,030	570,344	426,632	342,313	1,137,662	912,557

⁽¹⁾For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 12.31.2018.

Estimated realization of tax credits on temporary differences of Unearned Income at 12.31.2018 is as follows:

Period	Goal for average over - SELIC rate - (%) ⁽¹⁾	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2019	7.17	230	214	138	129	368	343
2020	7.94	506	438	304	263	810	701
2021	8.00	814	652	488	391	1,302	1,043
2022	7.94	398	295	238	177	636	472
2023	7.98	153	105	93	63	246	168
Total		2,101	1,704	1,261	1,023	3,362	2,727

⁽¹⁾For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 12.31.2018.

Estimated realization of tax credits on temporary differences of Actuarial Provisions at 12.31.2018 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2019	30,311	30,311	18,187	18,187	48,498	48,498
2020	29,630	29,630	17,778	17,778	47,408	47,408
2021	28,847	28,847	17,308	17,308	46,155	46,155
2022	28,128	28,128	16,877	16,877	45,005	45,005
2023	27,386	27,386	16,431	16,431	43,817	43,817
2024	26,603	26,603	15,962	15,962	42,565	42,565
2025	25,813	25,813	15,488	15,488	41,301	41,301
2026	25,009	25,009	15,006	15,006	40,015	40,015
2027	24,191	24,191	14,515	14,515	38,706	38,706
2028	23,478	23,478	14,086	14,086	37,564	37,564
2028 onwards	287,503	287,503	172,503	172,503	460,006	460,006
Total	556,899	556,899	334,141	334,141	891,040	891,040

Estimated realization of tax credits on temporary differences of Provision for the Voluntary Dismissal Program ("PID") at 12.31.2018 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2019	14,667	14,667	8,800	8,800	23,467	23,467
Total	14,667	14,667	8,800	8,800	23,467	23,467

Estimated realization of tax credits on temporary differences of Provisions for Contingencies (labor, civil, tax and other) at 12.31.2018 is as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2019	4,506	4,506	2,704	2,704	7,210	7,210
2020	19,706	19,706	11,823	11,823	31,529	31,529
2021	7,687	7,687	4,612	4,612	12,299	12,299
2022	28,946	28,946	17,367	17,367	46,313	46,313
2023	7,870	7,870	4,722	4,722	12,592	12,592
2024	14,727	14,727	8,836	8,836	23,563	23,563
2025	3,835	3,835	2,301	2,301	6,136	6,136

2026	3,835	3,835	2,301	2,301	6,136	6,136
2027	3,835	3,835	2,301	2,301	6,136	6,136
2028	3,834	3,834	2,301	2,301	6,135	6,135
Total	98,781	98,781	59,268	59,268	158,049	158,049

Any tax credit on market value adjustments of securities, derivative financial instruments and hedged item, determined at present realizable 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, as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2019	38,243	38,243	24,882	24,882	63,125	63,125
2020	272	272	163	163	435	435
2021	158	158	95	95	253	253
2022	13,871	13,871	8,322	8,322	22,193	22,193
2023	207	207	124	124	331	331
2024	348	348	209	209	557	557
2025	172	172	103	103	275	275
2028 onwards	125,582	125,582	75,350	75,350	200,932	200,932
Total	178,853	178,853	109,248	109,248	288,101	288,101

Total estimated realization of tax credits at 12.31.2018 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2019	365,605	347,014	221,300	210,145	586,905	557,159
2020	139,777	127,556	83,866	76,533	223,643	204,089
2021	94,129	82,666	56,477	49,599	150,606	132,265
2022	128,944	113,954	77,366	68,373	206,310	182,327
2023	169,318	127,387	101,590	76,431	270,908	203,818
2024	67,038	57,807	40,223	34,684	107,261	92,491
2025	52,171	42,985	31,303	25,791	83,474	68,776
2026	48,822	39,741	29,293	23,845	78,115	63,586
2027	43,259	35,721	25,955	21,433	69,214	57,154
2028	40,183	33,334	24,124	20,008	64,307	53,342
2028 onwards	413,085	413,085	247,853	247,853	660,938	660,938
Total	1,562,331	1,421,250	939,350	854,695	2,501,681	2,275,945

⁽¹⁾ For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 12.31.2018.

d) Provision for deferred taxes and contributions

Specification	12.31.2018		12.31.2017		12.31.2018	12.31.2017
	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	7,217	4,330	6,983	4,190	11,547	11,173
Realization/ reversal	(10,372)	(6,223)	(6,489)	(3,894)	(16,595)	(10,383)
Closing balance (Note 7.c and Note 16.d)	-	-	3,155	1,893	-	5,048
b) Revaluation reserve						
Opening balance	80	64	1,281	1,024	144	2,305
Recognition	-	-	25	20	-	45
Realization/ reversal	(80)	(64)	(1,226)	(980)	(144)	(2,206)
Closing balance (Note 16.d)	-	-	80	64	-	144
c) From recovered credits ⁽¹⁾						
Opening balance	73,219	46,460	61,352	40,761	119,679	102,113
Recognition	31,288	17,649	12,288	6,903	48,937	19,191
Realization/ reversal	(572)	(1,750)	(421)	(1,204)	(2,322)	(1,625)
Closing balance (Note 16.d)	103,935	62,359	73,219	46,460	166,294	119,679
d) Hedged item						
Opening balance	-	-	-	-	-	-
Recognition	17,197	10,318	-	-	27,515	-
Realization/ reversal	(11,582)	(6,949)	-	-	(18,531)	-
Closing balance (Note 7.c.1 and Note 16.d)	5,615	3,369	-	-	8,984	-
Effect on equity						
e) Securities						

Opening balance	24,848	15,139	12,311	8,359	39,987	20,670
Recognition	218,603	132,348	261,377	157,598	350,951	418,975
Realization/ reversal	(179,295)	(108,422)	(248,840)	(150,818)	(287,717)	(399,658)
Closing balance (Note 7.a.1 and Note 16.d)	64,156	39,065	24,848	15,139	103,221	39,987

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

The provisions on market value adjustments to Securities and Hedged Item 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
2019	8,472	8,472	5,655	5,655	14,127	14,127
2022	351	351	210	210	561	561
2023	3,098	3,098	1,859	1,859	4,957	4,957
2024	244	244	146	146	390	390
2025	9	9	6	6	15	15
2028 onwards	57,597	57,597	34,558	34,558	92,155	92,155
Total	69,771	69,771	42,434	42,434	112,205	112,205

The schedule for the realization of the provisions calculated by the present value on Recovered Credits, pursuant to article 12 of Law No. 9430/96, will be carried out in accordance with the reimbursement agreed in the renegotiations. The schedule for realization at 12.31.2018 is as follows:

Period	Goal for over -SELIC rate - average ⁽¹⁾	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2019	7.17	17,864	16,669	10,718	10,001	28,582	26,670
2020	7.94	16,741	14,472	10,045	8,683	26,786	23,155
2021	8.00	16,907	13,533	10,144	8,120	27,051	21,653
2022	7.94	14,847	11,010	8,908	6,606	23,755	17,616
2023	7.98	12,233	8,401	7,340	5,040	19,573	13,441
2024	7.98	9,538	6,066	5,723	3,640	15,261	9,706
2025	7.98	5,161	3,040	3,097	1,824	8,258	4,864
2026	7.98	2,293	1,251	1,376	751	3,669	2,002
2027	7.98	1,662	839	997	504	2,659	1,343
2028	7.98	1,324	619	794	372	2,118	991
2028 onwards	7.98	5,365	2,324	3,217	1,394	8,582	3,718
Total		103,935	78,224	62,359	46,935	166,294	125,159

⁽¹⁾For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 12.31.2018.

Total amounts of provisions for tax liabilities, expected to be written off, at 12.31.2018, are as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2019	26,336	25,141	16,373	15,656	42,709	40,797
2020	16,741	14,472	10,045	8,683	26,786	23,155
2021	16,907	13,533	10,144	8,120	27,051	21,653
2022	15,198	11,361	9,118	6,816	24,316	18,177
2023	15,331	11,499	9,199	6,899	24,530	18,398
2024	9,782	6,310	5,869	3,786	15,651	10,096
2025	5,170	3,049	3,103	1,830	8,273	4,879
2026	2,293	1,251	1,376	751	3,669	2,002
2027	1,662	839	997	504	2,659	1,343
2028	1,324	619	794	372	2,118	991
2028 onwards	62,962	59,921	37,775	35,952	100,737	95,873
Total	173,706	147,995	104,793	89,369	278,499	237,364

⁽¹⁾For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 12.31.2018.

e) Tax expenses

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
COFINS and PIS/PASEP	(137,918)	(273,270)	(268,694)
ISS and IPTU/Improvement tax	(19,972)	(36,553)	(29,749)
Other amounts	(1,554)	(2,873)	(3,861)
Total (Note 20.e)	(159,444)	(312,696)	(302,304)

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	12.31.2018		12.31.2017	
	Base value	Provision	Base value	Provision
a) Provision for contingencies				
a.1) Tax proceedings (Note 22 f.1.i)	3,211,433	15,769	2,180,185	13,328
i) Legal obligation	2,022	2,022	1,910	1,910
ii) Other obligations - Sundry	3,209,411	13,747	2,178,275	11,418
Probable	13,747	13,747	11,418	11,418
Possible	3,048,220	-	2,028,355	-
Remote ⁽¹⁾	147,444	-	138,502	-
a.2) Labor claims	482,297	206,531	468,951	169,253
Probable (Note 22 f.1.ii)	206,531	206,531	169,253	169,253
Possible	153,255	-	153,668	-
Remote	122,511	-	146,030	-
b.3) Civil proceedings	6,593,396	146,964	6,283,743	116,349
Probable (Note 22 f.1.iii)	146,964	146,964	116,349	116,349
Possible	938,909	-	1,151,253	-
Remote ⁽²⁾	5,507,523	-	5,016,141	-
a.4) Other contingencies (Note 22 f.1.iv)	946,799	32,466	843,789	33,154
i) Securitized transactions ⁽³⁾	5,620	5,620	6,729	6,729
ii) Other proceedings	941,179	26,846	837,060	26,425
Probable	26,846	26,846	26,425	26,425
Possible	16,964	-	14,502	-
Remote	897,370	-	796,133	-

⁽¹⁾ The contingent liability relating to tax proceedings assessed as remote loss refers to one (1) proceeding, with balance of R\$123,534 at 12.31.2018 (R\$115,980 at 12.31.2017).

⁽²⁾ Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in four (4) proceedings, with balance of R\$3,023,399 at 12.31.2018. These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of attorney fees - R\$2,008,363 at 12.31.2018 (R\$1,721,681 at 12.31.2017); ii) payment of fine due to undue inclusion in the bad payer system - R\$433,764 at 12.31.2018 (R\$371,847 at 12.31.2017); iii) loss of profit and payment of administrative rate - R\$343,796 at 12.31.2018 (R\$294,721 at 12.31.2017, of which: R\$245,601 assessed as possible loss and R\$49,120 assessed as remote loss); iv) reassessment (solutioindebiti), compensation for pain and suffering and loss of profits - R\$237,476 at 12.31.2018 (R\$203,578 at 12.31.2017).

⁽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 federal and municipal taxes.
- d) Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

Tax proceedings

Five tax proceedings challenging the tax deficiency notice. At 12.31.2018, estimated financial losses amount to R\$2,793,275 (R\$1,808,128 at 12.31.2017).

Civil proceedings

Civil proceeding challenging compensation for pain and suffering and payment of fees. At 12.31.2018, estimated loss amounts to R\$142,070 (R\$121,791 at 12.31.2017).

Civil proceeding challenging property damage. At 12.31.2018, estimated loss amounts to R\$68,509 (R\$1,477 at 12.31.2017).

Civil proceeding challenging reassessment (solutioindebiti). At 12.31.2018, estimated loss amounts to R\$45,337 (R\$47,839 at 12.31.2017).

Civil proceeding challenging compensation for pain and suffering and property damage. At 12.31.2018, estimated loss amounts to R\$44,652 (R\$38,278 at 12.31.2017).

Civil proceeding challenging refund of payment. At 12.31.2018, estimated loss amounts to R\$42,062 (R\$68,516 at 12.31.2017).

Civil proceeding filed in 2014 related to post-employment benefits. At 12.31.2018, estimated loss amounts to R\$55,438 (R\$57,835 at 12.31.2017).

- 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	12.31.2018	12.31.2017
Labor claims	85,759	88,073
Tax proceedings	134,917	129,832
Civil proceedings	77,490	69,904
Total⁽¹⁾	298,166	287,809

⁽¹⁾ The monetary restatement of judicial deposit balances amounted to R\$12,716 (R\$39,657 at 12.31.2017).

Changes in provisions

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

Specification	12.31.2018					12.31.2017				
	Opening balance	Recognition	Reversal	Write-off	Closing balance	Opening balance	Recognition	Reversal	Write-offs	Closing balance
a.1) Tax proceedings (Note 16.i and Note 22.a.1)	13,328	4,967	(922)	(1,604)	15,769	64,090	7,327	(56,736)	(1,353)	13,328
ii) Labor claims (Note 16.i and Note 22.a.2)	169,253	62,968	(15,118)	(10,571)	206,531	172,866	43,485	(26,488)	(20,610)	169,253
iii) Civil proceedings (Note 16.i and Note 22.a.3)	116,349	104,816	(26,183)	(48,017)	146,964	166,126	74,908	(64,159)	(60,526)	116,349
iv) Other proceedings (Note 16.i and Note 22.a.4)	33,154	4,970	(2,904)	(2,754)	32,466	899	37,493	(5,236)	(2)	33,154

f.2) Provisions for financial guarantees provided

Specification	12.31.2018				12.31.2017			
	Opening balance	Recognition	Reversal/ Use/ Write-offs	Closing balance	Opening balance	Recognition	Reversal/ Use/ Write-offs	Closing balance
i) FNE (Note 9.f and Note 16.i)	3,083,952	1,710,768	(1,805,013)	2,989,707	3,229,308	1,970,123	(2,115,479)	3,083,952
ii) FDNE (Note 9.f and Note 16.i)	636	586	-	1,222	604	608	(576)	636
iii) Proagro (Note 9.f and Note 16.i)	-	7	-	7	1,088	9	(1,097)	-

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

a) Monthly employee compensation

Gross compensation ⁽¹⁾	12.31.2018	12.31.2017
Maximum	42,780.80	40,492.52
Minimum	1,756.24	1,643.01
Average	11,237.39	10,590.05

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

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

Specification	01.01 to 12.31.2018	01.01 to 12.31.2017	01.01 to 12.31.2018	01.01 to 12.31.2017	01.01 to 12.31.2018	01.01 to 12.31.2017
Gross compensation ⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	1,161,181.45	843,352.57	74,649.19	50,452.50	71,181.23	61,804.30
Lowest individual compensation ⁽³⁾	910,014.59	428,190.44	58,107.18	50,452.50	57,144.55	50,452.50
Average individual compensation ⁽⁴⁾	1,031,236.64	826,239.35	56,045.14	52,608.04	59,613.92	54,536.09
Number of members ⁽⁵⁾	6.67	6.92	6.08	6.28	5.42	5.08

⁽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 over the entire period.

⁽⁴⁾ This corresponds to the total compensation for the period paid by each board divided by the number of members.

⁽⁵⁾ The number of members corresponds to the annual average number of members of each board calculated on a monthly basis.

At 12.31.2018, the Bank had 7,005 employees (6,925 at 12.31.2017), a headcount increase of 1.16%.

NOTE 24 - Profit sharing

The employees' profit sharing provision for year corresponds to R\$46,532 (R\$41,253 at 12.31.2017), equivalent to 6.41% of net income for the year (6.05% at 12.31.2017) and 25% (25% at 12.31.2017) of dividends/interest on equity for the year.

The profit sharing expense for the year amounts to R\$47,208 (R\$42,976 at 12.31.2017), of which R\$46,532 (R\$41,253 at 12.31.2017) refer to Employees and R\$676 (R\$1,723 at 12.31.2017) refer to officers. Profit sharing amounts paid to employees and officers amounted to R\$37,329 (R\$47,567 at 12.31.2017) and R\$1,603 (R\$1,009 at 12.31.2017), respectively.

NOTE 25 - Post-employment benefits

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

a) Description of the Plan Benefits

a.1) Private pension plans

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

a.1.1) Defined Benefit Plan

The Defined Benefit (DB) plan, which is closed to new participants since 11.26.1999, offers to its participants supplementary retirement benefits based on the contribution period, age and disability, as well as supplementary pension and savings plans to their dependents. In general terms, to the current participants, the 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.

a.1.2) Variable Contribution I Plan

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

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

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

a.2) Health care plan

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

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

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.

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 (2018/2020). Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to current retirees.

a.4) Governance

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

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

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

a.5) Strategies for Crosschecking Assets and Liabilities

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

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

b) Past due obligations and contributions due

At 12.31.2018, the Bank has no past due obligations or contributions due referring to the pension plans, BD and VCI, health care plan, Natural plan, and the group life insurance, neither informal practices that originate constructive obligations that may give rise to constructive obligations to be included in the measurement of the defined benefit obligation.

c) Contribution Ratio (Participants/Sponsor)

At 12.31.2018, 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 12.31.2017).

d) Risk exposure

Due to its post-employment benefit plans, the Bank is exposed to a number of risks, mainly:

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

e) Number of participants of the post-employment benefit plan

Specification	DB	VC I	Camed	Insurance
Participants	1,493	5,247	6,594	4,987
Vested participants (able retirees)	3,548	188	3,799	3,506
Vested participants (disabled retirees)	171	3	-	-
Vested participants (pensioners)	1,184	39	1,203	-
Total	6,396	5,477	11,596	8,493

f) Assumptions used**f.1) Demographic assumptions**

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

Specification	DB (Capef) and Natural (Camed) Plans	
	12.31.2018	12.31.201
Mortality tables		
Active/Retirees	RP2000 M&F Proj 2018 – downrated by 10%	RP2000 M&F Proj 2018 – downrated by 10%
Disabled people	RP2000 Disable F	RP2000 Disable F
Disability table	Álvaro Vindas	Álvaro Vindas

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

Specification	VC I (Capef) plan and Life Insurance	
	12.31.2018	12.31.2017
Mortality tables		
Active/Retirees	RP 2000 Proj. 2018 Segregated by gender (downrated by 20%)	RP 2000 Proj. 2018 Segregated by gender (downrated by 20%)
Disabled people	IAPC experience (downrated by 50%)	IAPC experience (downrated by 50%)
Disability table	Muller (downrated by 85%)	Muller (downrated by 85%)

f.2) Financial assumptions

Specification	Capef (% p.a.)			
	DB Plan		VC I Plan	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Statutory discount rate for the actuarial obligation	9.00	9.71	9.17	9.76
Effective discount rate for the actuarial obligation	4.80	5.38	4.98	5.43
Average annual inflation rate	4.00	4.11	4.00	4.11
Nominal rate of salary increase	5.04 ⁽¹⁾	5.15 ⁽¹⁾	-	4.11 ⁽²⁾
Nominal rate of benefit increases	4.00	4.11	4.00	4.11

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

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

Specification	Camed (% p.a.)		Life insurance	
	Natural Plan			
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Statutory discount rate for the actuarial obligation	9.17	9.71	9.17	9.76
Effective discount rate for the actuarial obligation	4.98	5.38	4.98	5.42
Average annual inflation rate	4.00	4.11	4.00	4.11
Nominal rate of salary increase	4.00	5.15	4.00	5.15 ⁽¹⁾
Nominal rate of benefit average increases ⁽²⁾	2.74 ⁽¹⁾	-	4.00 ⁽²⁾	5.15 ⁽²⁾
Rate of increase in health care costs due to aging (aging factor)	3.70	3.17	Not applicable	Not applicable
Rates of increase in health costs (HCCTR)	2.74 ⁽¹⁾	2.60 ⁽¹⁾	Not applicable	Not applicable

⁽¹⁾ At 12.31.2018, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last nine (10) years. The rate found was 2.74%, above the aging factor and price overall inflation, and decreases gradually in 5 (five) years from 2019, remaining at 1% p.a. from the 6th (sixth) year. At 12.31.2017, 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 2.60%, above the aging factor and price overall inflation, and decreases gradually in six (6) years from 2018, remaining at 1% p.a. from the 7th (seventh) year.

⁽²⁾ For the case of group life insurance, this refers to a projection of increase in insured capital.

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

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

f.5) The discount rate is equivalent to the expected return of the National Treasury Notes (NTN-B), for the “duration” of the plans, in accordance with the methodology provided in item 83 of CPC 33 (R1) approved by CMN Resolution No. 4424. At 12.31.2018, the following “duration” of the plans was determined: for Capef DB plans: 8.19 years (12.91 years at 12.31.2017); for CAPEF VC I Plan: 24.13

years (21.01 years at 12.31.2017); for Natural Plan: 23.09 years (12.91 years at 12.31.2017); and for Life Insurance: 17.93 years (18.34 years at 12.31.2017).

g) Actuarial Obligation Analysis

At 12.31.2018, the plans administered by Capef and Camed as well as the Group Life Insurance are recorded in the Bank's financial statements, as follows:

g.1) Private pension plans

g.1.1) Defined Benefit (DB) plan: the present value of the actuarial obligation amounting to R\$4,545,981 (R\$4,161,598 at 12.31.2017) is partially based on plan assets amounting to R\$3,939,911 (R\$3,750,382 at 12.31.2017), resulting in a present value of the uncovered actuarial obligations of R\$606,070 (R\$411,216 at 12.31.2017). The obligation referring to vested participants amounts to R\$3,711,503 (R\$3,452,221 at 12.31.2017) and that referring to active participants amounts to R\$834,478 (R\$709,377 at 12.31.2017);

g.1.2) Variable Contribution (VC) I Plan: for unplanned benefits (DB portion) that have characteristics of the defined benefit plan, the present value of the actuarial obligation amounting to R\$14,538 (R\$21,807 at 12.31.2017) is lower than the fair value of plan assets amounting to R\$54,740 (R\$44,629 at 12.31.2017), resulting in a surplus of R\$40,202 (R\$22,822 at 12.31.2017), which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

g.2) Health care plan: the present value of the actuarial obligation amounting to R\$1,621,151 (R\$1,470,786 at 12.31.2017) is partially based on plan assets amounting to R\$146,781 (R\$116,548 at 12.31.2017), resulting in a present value of the uncovered actuarial obligations of R\$1,474,370 (R\$1,354,238 at 12.31.2017). The obligation referring to vested participants amounts to R\$1,151,076 (R\$1,041,680 at 12.31.2017) and that referring to active participants amounts to R\$470,075 (R\$429,106 at 12.31.2017).

g.3) Group life insurance: the present value of the uncovered actuarial obligations amounts to R\$147,161 (R\$134,567 at 12.31.2017), and there are no assets for this plan. The obligation related to vested participants amounts to R\$128,194 (R\$125,919 at 12.31.2017) and that related to active participants amounts to R\$40,797 (R\$39,698 at 12.31.2017). Of this total, a cross-subsidy is also deducted in the amount of R\$21,830 (R\$31,050 at 12.31.2017).

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

Specification	Capef			
	DB Plan		VC I Plan	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
1. Present value of actuarial obligation at the beginning of the year	(4,161,598)	(3,870,805)	(21,807)	(12,024)
2. Interest expense	(390,990)	(397,366)	(2,034)	(1,274)
3. Current service cost	(8,562)	(8,474)	(463)	(188)
4. Benefits paid by the plan	429,021	412,521	470	447
5. Vested participant contributions (retirees and pensioners)	(80,348)	(76,868)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(270)	(955)
7. Remeasurements of actuarial gains (losses)	(333,504)	(220,606)	9,566	(7,813)
7.1. From experience adjustments	73,739	(2,656)	10,310	(6,135)
7.2. From changes in biometric assumptions	-	(88,928)	-	(1,008)
7.3. From changes in financial assumptions	(403,707)	(129,022)	(871)	(670)
7.4. From the Voluntary Dismissal Program ("PID")	(3,536)	-	127	-
8. Present value of actuarial obligation at the end the of year	(4,545,981)	(4,161,598)	(14,538)	(21,807)

Specification	Camed		Life insurance	
	Natural Plan		12.31.2018	12.31.2017
	12.31.2018	12.31.2017		
1. Present value of actuarial obligation at the beginning of the year	(1,470,786)	(923,372)	(134,567)	(116,899)
2. Interest expense	(139,767)	(95,400)	(12,760)	(12,198)
3. Current service cost	(18,463)	(8,339)	(1,214)	(1,072)
4. Benefits paid by the plan ⁽¹⁾	87,091	88,835	7,923	11,095
5. Vested participant contributions (retirees and pensioners)	(24,173)	(18,324)	(3,156)	(3,089)
6. Administrative expenses paid by the plan	11,544	11,839	-	-
7. Remeasurements of actuarial gains (losses)	(66,597)	(526,025)	(3,387)	(12,404)
7.1. From experience adjustments	167,801	(194,259)	8,366	(1,207)
7.2. From changes in biometric assumptions	-	(116,336)	-	(2,866)
7.3. From changes in financial assumptions	(231,162)	(73,678)	(11,795)	(8,331)
7.4. From changes in demographic assumptions	-	(5,431)	-	-
7.5. From adjustment to the Administrative Exp. methodology	-	(76,161)	-	-
7.6. From adjustment to the co-payment methodology	-	(142,190)	-	-
7.7. From increase in costing sources	-	82,030	-	-
7.8. From the Voluntary Dismissal Program ("PID")	(3,236)	-	42	-
8. Present value of actuarial obligation at the end the of year	(1,621,151)	(1,470,786)	(147,161)	(134,567)

⁽¹⁾ Camed: Natural Plan - net of co-payments made by associate participants.

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

Specification	Capef			
	DB Plan		VC I Plan	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
1. Fair value of plan assets at the beginning of the year	3,750,382	3,507,687	44,629	29,299
2. Interest income	355,214	362,783	4,410	3,316
3. Employer's contributions ⁽¹⁾	80,549	77,321	1,422	1,550
4. Active participants' contributions	212	407	1,429	1,556
5. Vested participants contributions	80,348	76,868	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	270	955
7. Benefits paid by the plan	(429,021)	(412,521)	(470)	(447)
8. Return on plan assets ⁽²⁾	102,227	137,837	3,050	8,399
9. Fair value of plan assets at the end of the year	3,939,911	3,750,382	54,740	44,629

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

⁽²⁾ Except interest income.

Specification	Camed		Life insurance	
	Natural Plan		12.31.2018	12.31.2017
	12.31.2018	12.31.2017		
1. Fair value of plan assets at the beginning of the year	116,548	115,822	-	-
2. Interest income	11,545	11,131	-	-
3. Employer's contributions ⁽¹⁾	74,332	50,644	4,377	4,458
4. Return of Sponsor's contributions ⁽⁴⁾	(5,321)	(5,178)	-	-
5. Active participants' contributions	662	669	390	3,548
6. Vested participants contributions	24,173	18,324	3,156	3,089
7. Administrative expenses paid by the plan	(11,544)	(11,839)	-	-
8. Benefits paid by the plan ⁽²⁾	(87,091)	(88,835)	(7,923)	(11,095)
9. Return on plan assets ⁽³⁾	23,477	25,810	-	-
10. Fair value of plan assets at the end of the year	146,781	116,548	-	-

⁽¹⁾ Camed - Natural Plan: contributions related to associate participants and retirees/pensioners;

⁽²⁾ Camed - Natural Plan: net of co-payment made by associate participants; and

⁽³⁾ Except interest income; and

⁽⁴⁾ 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.

j) Reconciliation between opening and closing balances of the Asset Ceiling Effect

Specification	Capef	
	VC I Plan	
	12.31.2018	12.31.2017
1. Asset ceiling effect at the beginning of the year	(22,822)	(17,275)
2. Interest on asset ceiling effect	(2,376)	(2,042)
3. Remeasurement of asset ceiling effect	(15,004)	(3,504)
4. Asset ceiling effect at the end of the year	(40,202)	(22,822)

k) 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	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
1. Present value of actuarial obligation at the end the of year	(4,545,981)	(4,161,598)	(14,538)	(21,807)
2. Fair value of plan assets at the end of the year	3,939,911	3,750,382	54,740	44,629
3. Surplus (deficit) of the plan (item 1 - item 2)	(606,070)	(411,216)	40,202	22,822
4. Asset ceiling effect at the end of the year	-	-	(40,202)	(22,822)
5. Liability recognized in the balance sheet at the end of the year (Note 16.i)	(606,070)	(411,216)	-	-

Specification	Camed		Life insurance	
	Natural Plan		12.31.2018	12.31.2017
	12.31.2018	12.31.2017		
1. Present value of actuarial obligation at the end the of year	(1,621,151)	(1,470,786)	(147,161)	(134,567)
2. Fair value of plan assets at the end of the year	146,781	116,548	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(1,474,370)	(1,354,238)	(147,161)	(134,567)
4. Liability recognized in the balance sheet at the end of the year (Note 16.i)	(1,474,370)	(1,354,238)	(147,161)	(134,567)

l) Amounts recognized in P&L for the year

Specification	Capef					
	DB Plan			VC I Plan		
	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Current service cost, net	(4,188)	(8,350)	(8,067)	530	966	1,368
1.1. Service cost	(4,281)	(8,562)	(8,474)	(231)	(463)	(188)
1.2. Active participants' contributions	93	212	407	761	1,429	1,556
2. Net interest	(17,888)	(35,776)	(34,583)	-	-	-
2.1. Interest expense	(195,495)	(390,990)	(397,366)	(1,017)	(2,034)	(1,274)
2.2. Interest income	177,607	355,214	362,783	2,205	4,410	3,316
2.3. Interest on asset ceiling effect	-	-	-	(1,188)	(2,376)	(2,042)
3. Amounts recognized in P&L for the year (item 1 + item 2)	(22,076)	(44,126)	(42,650)⁽¹⁾	530⁽²⁾	966⁽²⁾	1,368⁽²⁾

⁽¹⁾ Including employees' contribution granted to be refunded to the Bank - DB Plan: 01.01 to 12.31.2017: R\$7.

⁽²⁾ Amounts recorded under "Reversal of operating provisions".

Specification	Camed			Life insurance		
	Natural Plan			2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017			
1. Current service cost, net	(8,899)	(17,801)	(7,670)	(1,699)	(824)	2,476
1.1. Service cost	(9,232)	(18,463)	(8,339)	(607)	(1,214)	(1,072)
1.2. Active participants' contributions	333	662	669	(1,092)	390	3,548
2. Net interest	(64,110)	(128,222)	(84,269)	(6,380)	(12,760)	(12,198)
2.1. Interest expense	(69,883)	(139,767)	(95,400)	(6,380)	(12,760)	(12,198)
2.2. Interest income	5,773	11,545	11,131	-	-	-
3. Amounts recognized in P&L for the year (item 1 + item 2)⁽¹⁾	(73,009)	(146,023)	(91,939)	(8,079)	(13,584)	(9,722)

⁽¹⁾ Including employees' contribution granted to be refunded to the Bank - Natural Plan: 2nd half/2018: R\$25; 01.01 to 12.31.2018: R\$46; 01.01 to 12.31.2017: R\$46; and Life Insurance: 2nd half/2018: R\$3; 01.01 to 12.31.2018: R\$7; 01.01 to 12.31.2017: R\$7.

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

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Contributions (DC portion) ⁽¹⁾	(31,074)	(56,669)	(54,609)

⁽¹⁾ Including transferred employees' contribution: 2nd half of 2018 - R\$123; 01.01 to 12.31.2018 - R\$250 and 01.01 to 12.31.2017 - R\$260.

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

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Administrative expenses	(3,752)	(6,999)	(6,724)

m) Amounts recognized in equity

The most significant actuarial losses were those derived from financial assumptions, at 12.31.2018, which refer to the decreases in the actual discount rates in relation to 12.31.2017, which increased from 5.38% (12.31.2017) to 4.80% (12.31.2018) in the BD plan; from 5.43% (12.31.2017) to 4.98% (12.31.2018) in the VC I plan; from 5.38% (12.31.2017) to 4.98% (12.31.2018) in the Natural plan; and from 5.43% (12.31.2017) to 4.98% (12.31.2018) in Group Life Insurance. In addition, there was an increase in health care inflation that went from 2.59% (12.31.2017) to 2.74% (12.31.2018).

Over this year, losses were also recorded as a result of the Voluntary Dismissal Program (“PID”), offered by the Bank to its employees, which resulted in the reduction of the postponement assumption of the originally planned retirement date, anticipating payment of benefits.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 12.31.2018	01.01 to 12.31.2017	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Return on plan assets	102,227	137,837	3,050	8,399
2. Actuarial gains (losses) on obligation	(333,504)	(220,606)	9,566	(7,813)
2.1. Experience adjustments	73,739	(2,656)	10,310	(6,135)
2.2. From changes in biometric assumptions	-	(88,928)	-	(1,008)
2.3. Changes in financial assumptions	(403,707)	(129,022)	(871)	(670)
2.4. From the Voluntary Dismissal Program (“PID”)	(3,536)	-	127	-
3. Asset ceiling effect	-	-	(15,004)	(3,504)
4. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3) ⁽¹⁾	(231,277)	(82,769)	(2,388)	(2,918)

⁽¹⁾ Including estimated contribution difference in the DB Plan actuarial calculation: 01.01 to 12.31.2018: R\$57; 01.01 to 12.31.2017: (R\$8) and of the VC I plan: 01.01 to 12.31.2018: (R\$419); 01.01 to 12.31.2017: (R\$130).

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 12.31.2018	01.01 to 12.31.2017	01.01 to 12.31.2018	01.01 to 12.31.2017
1. Return on plan assets	23,477	25,810	-	-
2. Actuarial gains (losses) on obligation	(66,597)	(526,025)	(3,387)	(12,404)
2.1. Experience adjustments	167,801	(194,259)	8,366	(1,207)
2.2. Changes in biometric assumptions	-	(116,336)	-	(2,866)
2.3. Changes in financial assumptions	(231,162)	(73,678)	(11,795)	(8,331)
2.4. Changes in demographic assumptions	-	(5,431)	-	-
2.5. Changes from adjustment in the adm. exp. methodology	-	(76,161)	-	-
2.6. Changes from adjustment in the co-payment methodology	-	(142,190)	-	-
2.7. Changes from adjustment in the co-payment methodology	-	82,030	-	-
2.8. From the Voluntary Dismissal Program (“PID”)	(3,236)	-	42	-
3. Amounts recognized in equity at the end of the year (item 1 + item 2) ⁽¹⁾	(43,120)	(500,215)	(3,387)	(12,404)

⁽¹⁾ Including estimated contribution difference in the Natural Plan actuarial calculation: 01.01 to 12.31.2018: (R\$20); 01.01 to 12.31.2017: R\$38; and of the Group Life Insurance: 01.01 to 12.31.2017: R\$18.

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

Specification	Capef			
	DB Plan		VC I Plan	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
1. (Liabilities)/assets recognized at the beginning of the year	(411,216)	(363,118)	-	-
2. Employer contributions	80,549	77,321	1,422	1,550
3. Amounts recognized in P&L	(44,126)	(42,650)	966	1,368
4. Amounts recognized in equity	(231,277)	(82,769)	(2,388)	(2,918)
5. (Liabilities)/assets recognized at the end of the year (Note 16.i)	(606,070)	(411,216)	-	-

Specification	Camed		Life insurance	
	Natural Plan			
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
1. (Liabilities)/assets recognized at the beginning of the year	(1,354,238)	(807,550)	(134,567)	(116,899)
2. Employer contributions	74,332	50,644	4,377	4,458
3. Return of Sponsor's contributions	(5,321)	(5,178)	-	-
4. Amounts recognized in P&L	(146,023)	(91,939)	(13,584)	(9,722)
5. Amounts recognized in equity	(43,120)	(500,215)	(3,387)	(12,404)
6. (Liabilities)/assets recognized at the end of the year (Note 16.i)	(1,474,370)	(1,354,238)	(147,161)	(134,567)

o) Investment policy and allocation of plan fair values

The investment policies for DB and VC I plans are annually prepared for a 5-year period, subject to approval from the Capef's Decision-Making Board and are mainly intended for defining guidance procedures for management of assets compared to benefit expenses, aiming at the actuarial balancing of each plan. The DB plan goal to be reached in its investments is represented by INPC + 5.50% p.a., and VC I plan represented by IPCA +5.25% p.a.

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

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

Specification	DB Plan - Capef (%)		VC I Plan (Capef) (%)		Natural Plan - Camed (%)	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Fixed income	89.59	90.10	87.13	93.66	94.94	78.84
Variable income	0.95	0.27	4.44	-	4.50	20.43
Real estate investments	6.67	6.96	-	-	0.56	0.73
Structured investments	0.46	0.26	3.11	1.13	-	-
Loans and financing to participants	2.33	2.39	5.32	5.21	-	-
Other	-	0.02	-	-	-	-

p) Sensitivity analysis of main assumptions

The sensitivity analysis considers the increase or decrease of one (1) year in the mortality table and the rise or reduction of 0.25% in the interest rate, for the 4 (fourth) plans, BD, CV I, Natural and Life Insurance. For the Natural plan, sensitivity analysis also considers the increase or reduction of 0.25% in the rate of medical inflation (HCCTR). The calculation was carried out based on the method of the projected credit unit, estimating the present value of the obligation in the position of 12.31.2018.

Capef - DB Plan	Current parameters	Interest rate		Mortality tables	
	12.31.2018	+ 0.25%	-0.25%	+ 1 year	- 1 year
Present value of actuarial obligation	(4,545,981)	(4,450,515)	(4,645,992)	(4,427,785)	(4,664,176)
Fair value of assets	3,939,911	3,939,911	3,939,911	3,939,911	3,939,911
Technical surplus (deficit)	(606,070)	(510,604)	(706,081)	(487,874)	(724,265)
Variations:					
Increase/decrease in actuarial obligation (%)		(2.1%)	2.2%	(2.6%)	2.6%
Increase/decrease in technical surplus (deficit) - %		(15.8%)	16.5%	(19.5%)	19.5%

Capef - VC I Plan	Current parameters	Interest rate		Mortality tables	
	12.31.2018	+0.25%	-0.25%	+ 1 year	- 1 year
Present value of actuarial obligation	(14,538)	(14,043)	(15,075)	(14,450)	(14,654)
Fair value of assets	54,740	54,740	54,740	54,740	54,740
Technical surplus (deficit) ⁽¹⁾	40,202	40,697	39,665	40,290	40,086
Variations:					
Increase/decrease in actuarial obligation (%)		(3.4%)	3.7%	(0.6%)	0.8%
Increase/decrease in technical surplus (deficit) - %		1.2%	(1.3%)	0.2%	(0.3%)

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

Camed - Natural Plan	Current parameters	Interest rate		Mortality tables		HCCTR	
	12.31.2018	+ 0.25%	- 0.25%	+ 1 year	- 1 year	+ 0.25%	- 0.25%
Present value of actuarial obligation	(1,621,151)	(1,570,895)	(1,671,407)	(1,551,441)	(1,690,860)	(1,642,226)	(1,600,076)
Fair value of assets	146,781	146,781	146,781	146,781	146,781	146,781	146,781
Technical surplus (deficit)	(1,474,370)	(1,424,114)	(1,524,626)	(1,404,660)	(1,544,079)	(1,495,445)	(1,453,295)
Variations:							
Increase/decrease in actuarial obligation (%)		(3.1%)	3.1%	(4.3%)	4.3%	1.3%	(1.3%)
Increase/decrease in technical surplus (deficit) (%)		(3.4%)	3.4%	(4.7%)	4.7%	1.4%	(1.4%)

Life insurance	Current parameters	Interest rate		Mortality tables	
	12.31.2018	+ 0.25%	-0.25%	+ 1 year	- 1 year
Present value of actuarial obligation	(147,161)	(140,686)	(154,078)	(158,345)	(136,271)
Technical surplus (deficit)	(147,161)	(140,686)	(154,078)	(158,345)	(136,271)
Variations:					
Increase/decrease in actuarial obligation (%)		(4.4%)	4.7%	7.6%	(7.4%)
Increase/decrease in technical surplus (deficit) (%)		(4.4%)	4.7%	7.6%	(7.4%)

q) Impacts on future cash flows

q.1) Expected contributions for 2019

Specification	DB Plan - Capef ⁽¹⁾	VC I Plan Capef ⁽²⁾	Natural Plan - Camed	Life insurance
1. Employer contributions	93,723	1,403	70,411 ⁽³⁾	3,742
2. Active participants' contributions	150	1,396	-	2,545
3. Vested participants' contributions	93,573	-	29,174 ⁽³⁾	4,431

⁽¹⁾ Except for contributions intended for administrative costing: 01.01 to 12.31.2018: Employer: R\$8,150 and Employees/Vested participants: R\$8,150;

⁽²⁾ Except for contributions intended for part of the DC plan: 01.01 to 12.31.2018: Employer: R\$55,914 and Employees: R\$55,920;

⁽³⁾ Except for co-payments.

q.2) Expected payments of benefits

Specification	Capef ⁽¹⁾		Camed ⁽¹⁾⁽²⁾	Life insurance ⁽¹⁾
	DB Plan	VC I Plan	Natural Plan	
Within 1 year	447,901	1,882	87,092	9,103
From 1 to 2 years	354,784	1,880	91,770	9,712
From 2 to 3 years	307,098	1,877	96,491	10,320
From 3 to 4 years	254,274	1,872	101,557	10,968
Above 4 years	592,934	38,309	553,633	146,224
Total	1,956,991	45,820	930,543	186,327

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

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

r) Estimated expenses for 2019

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(2,839)	1,277	(19,252)	569
2. Net interest	(50,297)	-	(121,012)	(13,158)
3. Total unrecognized (expenses)/revenues	(53,136)	1,277	(140,264)	(12,589)

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

- a) The total assets of FNE, amounting to R\$82,046,352 (R\$74,501,501 at 12.31.2017) 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\$24,575,929 (R\$22,590,576 at 12.31.2017), recorded under "Other obligations/Financial and development funds" bear interest at the extra-market rate. In period, the interest expense on cash and cash equivalents totaled R\$1,507,276 (R\$1,801,879 at 12.31.2017).
- 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-Funding), the Bank's risk is 50% of the amount calculated pursuant to CMN Resolution No. 2682 of 12.21.1999; and
 - c.3) The Bank assumes all the risks on renegotiated and reclassified FNE 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 12.31.2018 ⁽²⁾	Provision at 12.31.2017 ⁽²⁾
AA	15,264,524	-	-
A	16,111,654	40,472	33,618
B	6,597,508	33,423	37,992
C	1,865,307	27,960	34,021
D	1,038,784	51,886	47,647
E	997,889	149,863	112,860
F	305,047	76,574	248,214
G	306,642	107,328	136,894
H	4,992,689	2,502,201	2,432,706
Total	47,480,044	2,989,707⁽¹⁾	3,083,952⁽¹⁾

⁽¹⁾ At 12.31.2018, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R\$46,587 (R\$35,161 at 12.31.2017).

⁽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\$1,361,114 (R\$1,283,268 at 12.31.2017).
- e) In the period, the administration fee was R\$1,394,979 (R\$1,391,864 at 12.31.2017), 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/Funding);

- iii) the Bank will be entitled to the percentage of 0.35% (thirty-five hundredths percent) p.a. on the balances of cash and cash equivalents addressed by article 4 of Law No. 9126 of 11.10.1995;
- iv) the amount to be received by the Bank as administration fee, after deducting the amount of the remuneration on cash and cash equivalents, may be increased up to 20% (twenty percent) based on the timely-payment factor for loans with operational risk fully assumed by FNE or with risk shared between the Bank and the Fund, calculated in accordance with the methodology for calculating the allowance for loan losses applicable to bank loan; and
- v) the administration fee plus remuneration on cash and cash equivalents is limited, every month, to 20% (twenty percent) of the accumulated amount, up to the reference month, of transfers addressed by letter c of item I of the main section of article 159 of Federal Constitutions, carried out by Government.

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

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

Specification	Tade ⁽¹⁾	12.31.2018	12.31.2017
Proger-Urbano - Investment	017/2006	373	1,049
FAT - Infrastructure	018/2006	-	151,507
Protrabalho - Investment	004/2007	107,606	113,669
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	15,859	80,394
Total		123,838	346,619

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R\$66,154 (R\$179,935 at 12.31.2017), 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 SELIC totaled R\$29,249 (R\$37,481 at 12.31.2017).

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

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

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

Specification	Tade ⁽¹⁾	Return of FAT funds			12.31.2017		
		Form ⁽²⁾	RA	SELIC remuneration	TMS ⁽³⁾ available	TJLP ⁽⁴⁾ applied	Total
Proger - Urbano - Investment	17/2006	AR	3,774	137	948	10,619	11,567
FAT - Infrastructure ⁽⁵⁾	18/2006	AR	44,504	1,945	15,736	26,847	42,584
Protrabalho-Investment	04/2007	AR	21,218	507	15,597	31,784	47,380
PNMPO	01/2010	AR	21,332	565	5,200	73,202	78,402
Total (Note 13.b and Note 29.a.1)			90,828	3,154	37,481	142,452	179,933

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

NOTE 28 - Risk management and Basel Index

a) Risk and capital management

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

Risk management structure

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

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

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

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 2019 to 2023, which was also approved by the Board of Directors on 12.13.2018. 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 on the link "Sobre o Banco".

Corporate Risk Management Policy

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

Further information relating to risk management focused on matters related to Reference Assets 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 on 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; depreciation and reduction of expected remunerations and gains on financial instruments deriving from deterioration of the creditworthiness of counterparty, intervening party or mitigating instrument; restructuring of financial instruments or costs of recovering exposures characterized as troubled assets.

Specification	Exposure	
	12.31.2018	12.31.2017
Loans, co-payments and guarantees given	37,950,059	32,250,091
Public sector	1,036,853	976,426
Private sector	36,913,206	31,273,665
Trade	3,923,129	3,660,424
Foreign trade	835,103	919,354
Housing	-	242
Manufacturing	7,223,793	7,717,032
Infrastructure	8,855,282	4,276,411
Urban micro-financing	3,288,408	2,962,117
Individuals	129,389	44,284
Rural	8,079,973	7,243,696
Other services	4,578,129	4,450,105
Market transactions	46,080,208	40,972,232
Federal government securities	42,777,700	38,305,132
Repurchase agreements	10,247,552	14,653,399
Other	32,530,148	23,651,733
Interbank deposits	108,350	115,554
Other marketable securities	1,923,825	1,481,880
Other transactions	1,270,333	1,069,666
Other assets	5,414,501	5,483,392
Total	89,444,768	78,705,715

The Bank uses the constant information flow to identify, measure, monitor, assess, report, control and mitigate risks, thus ensuring that credit risk exposure is in accordance with the parameters defined in the Risk Appetite Statement (RAS). Accordingly, various instruments are used, 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 body. In accordance with their characteristics and amount, the limits may be automatically calculated or analyzed and defined by the branches' credit assessment committees, or by the Operational Supporting Centers' risk limit approval committees, or also be decided by the customer risk limit approval committee of the General Executive Board or Executive Board.

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

Collaterals for loans above R\$5.000 with full risk for the Bank

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to risk of loans above R\$5,000 amount to R\$3,674,323 (R\$3,694,575 at 12.31.2017). These transactions are backed by collaterals totaling R\$4,518,315 (R\$4,030,391 at 12.31.2017).

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		12.31.2018 (%)	12.31.2017 (%)
Liquidity ratio	At reporting date	978.89	831.55
	Average for the last 12 months	965.33	669.88
	Maximum for the last 12 months	1,460.41	1,033.35
	Minimum for the last 12 months	720.43	503.67

d) Market risk

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

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

- Value at Risk (VaR) of asset and liability transactions in trading portfolio;
- change in the economic value of financial instruments (Δ EVE) of the banking portfolio;
- change in gain (loss) from financial intermediation (Δ NI) of the banking portfolio;
- mapping of Minimum Required Capital (MRC);
- foreign exchange exposure report;
- sensitivity analysis;
- stress testing;
- backtesting; and
- 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
<ul style="list-style-type: none"> 1% (one percent) of the Referential Equity (RE) as the possibility of maximum loss of the Trading Portfolio; 15% (fifteen percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the economic value of financial instruments (ΔEVE) used to measure the interest rate risk in the book banking (IRRBB); 15% (fifteen percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the result of financial intermediation (ΔNI) used to measure the interest rate risk in the book banking (IRRBB); 5% (five percent) of the amount of Referential Equity (RE), as the maximum limit of exposures in foreign currency. 	If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the finance area.

Sensitivity analysis

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

Portfolio/risk factor	Type of risk	Scenario 1(Probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 25%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	6,253,341	6,243,766	(9,575)	6,234,347	(18,994)
Banking portfolio						
Dollar coupon	Reduction in coupon	(59,699)	(61,624)	(1,925)	(63,677)	(3,978)
Euro coupon	Increase in coupon	(895)	(895)	-	(896)	(1)
IGP coupon	Increase in coupon	100,005	94,602	(5,403)	89,687	(10,318)
IPCA coupon	Reduction in coupon	(324,849)	(476,899)	(152,050)	(651,557)	(326,708)
TJLP coupon	Increase in coupon	424,726	422,464	(2,262)	420,234	(4,492)
TR coupon	Increase in coupon	(2,399,621)	(2,424,218)	(24,597)	(2,443,046)	(43,425)
Fixed interest rate	Increase in interest rate	2,439,610	2,405,570	(34,040)	2,377,012	(62,598)

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

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 x DI Swap	1,172,812	1,164,866	1,157,027
		Liabilities in FC	1,158,990	(1,151,138)	(1,143,391)
		Net exposure	13,822	13,728	13,636

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 body.

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\$64,563 (R\$73,728 at 12.31.2017 - short position), as follows:

Specification	12.31.2018	12.31.2017	Specification	12.31.2018	12.31.2017
Cash and cash equivalents	3,879	16,247	Deposits	-	-
Interbank Investments	45,188	27,953	Interbranch accounts	7,996	5,660
Loans	569,098	615,161	Borrowings and onlending - domestic	66,964	68,241
Other credits	879,154	937,045	Borrowings and onlending - foreign	1,729,785	1,647,993
			Other liabilities	905,756	960,012
Total assets in foreign currencies, excluding derivatives	1,497,319	1,596,406	Total liabilities in foreign currencies	2,710,501	2,681,906
Swap transactions	1,148,619	1,011,772			
Total long position in foreign currencies	2,645,938	2,608,178	Total short position in foreign currencies	2,710,501	2,681,906

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

g) Operational limits - Basel Accord

At 12.31.2018, the Bank had a wide Basel rate (including capital to cover RBAN) of 13.55% (15.01% at 12.31.2017) and Tier I rates and Principal Capital were both at 9.00% (10.39% at 12.31.2017). RA computed was R\$6,541,685 (R\$6,300,032 at 12.31.2017), Tier I and Principal Capital had the same amount of R\$4,279,871 (R\$4,115,719 at 12.31.2017), while risk weighted assets (RWA amount) totaled R\$47,553,157 (R\$39,615,608 at 12.31.2017).

i. Minimum Required Capital - MRC (Basel III)

Specification	12.31.2018	12.31.2017
Referential Equity (RE)	6,541,685	6,300,032
. Tier I	4,279,871	4,115,719
. Principal Capital	4,279,871	4,115,719
. Tier II	2,261,814	2,184,313
Risk-Weighted Assets (RWA)	47,553,157	39,615,608
. RWACPAD	37,903,465	30,935,801
. RWACAM	75,752	182,897
. RWAJUR	106,481	183,265
. RWACOM	4,812	5,384
. RWAOPAD	9,462,647	8,308,261
RBAN amount	740,653	2,353,525
Margin on required RE (RE - [RWA * 8.625%])⁽¹⁾	2,440,226	2,635,589
Margin on required RE considering RBAN (RE - ([RWA + RBAN] * 8.625%))⁽¹⁾	2,376,344	2,417,888
Margin on Tier I required RA (Tier I REG - RWA * 6%)	1,426,681	1,738,783
Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)	2,139,979	2,333,017
Required Additional Capital (RWA * 1.875%)⁽²⁾	891,622	495,195
Margin on Additional Required Capital (whichever is lower of margins - additional required principal capital)	535,060	1,243,587
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	9.00%	10.39%
. Tier I index (minimum requirement of 6.0%)	9.00%	10.39%
. Basel index (minimum requirement of 8.625%) ⁽¹⁾	13.76%	15.90%
. Basel index including RBAN	13.55%	15.01%

⁽¹⁾ In December 2017 it was 9.25%.

⁽²⁾ In December 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 Reference Assets (Basel III)

Specification	12.31.2018	12.31.2017
Referential Equity (RE)	6,541,685	6,300,032
Tier I Referential Equity	4,279,871	4,115,719
Principal Capital	4,279,871	4,115,719
Capital	2,844,000	2,844,000
Income reserves	2,277,391	1,685,026
Capital and revaluation reserve	11,592	11,769
Equity adjustments	(950,962)	(998,758)
Debt instruments eligible to Principal Capital	1,000,000	1,000,000
Prudential Adjustments	(902,150)	(426,318)
Prudential Adjustments - intangible assets	(19,947)	(9,561)

Prudential adjustment - Tax credits from temporary differences	(850,937)	(403,551)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(31,266)	(13,206)
Tier II Referential Equity	2,261,814	2,184,313
Instruments eligible to Tier II	2,282,604	2,205,467
Investment in other entities deducted of Tier II	(20,790)	(21,154)

The Subordinated Debt Instruments entered into with FNE, authorized to comprise Tier II RA 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	12.31.2018	12.31.2017
Tier I Referential Equity	4,279,871	4,115,719
Total exposure	90,347,459	77,083,190
Leverage Ratio (%)	4.74	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	12.31.2018	12.31.2017
Referential Equity - fixed asset to equity limit	6,541,685	6,300,032
Fixed asset to equity limit (50% of adjusted RE)	3,270,842	3,150,016
Situation	173,054	175,218
Margin	3,097,789	2,974,798
Fixed asset to equity ratio	2.65%	2.78%

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

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

Specification	12.31.2018	12.31.2017
Liabilities		
Time deposits - FAT (Note 13.b. and Note 27)	66,154	179,933
Domestic onlending - Official institutions (Note 14.b.)	1,222,018	1,520,571
National Treasury	482	450
BNDES	1,155,450	1,435,506
Finame	66,086	84,615
Other liabilities	28,755,883	26,638,378
FNE (Note 16.f)	24,585,592	22,599,975
FDNE	697,939	730,837
Merchant Marine Fund (FMM)	102,906	102,098
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)	2,369,446	2,205,468
Total	30,044,055	28,338,882

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

Specification	12.31.2018	12.31.2017
Liabilities		
Post-employment benefits - Capef DB Plan (Notes 16.i and 25.g.1.1)	606,070	411,216
Post-employment benefits - Camed Natural Plan (Notes 16.i and 25.g.2)	1,474,370	1,354,238
Post-employment benefits - Life insurance (Notes 16.i and 25.g.3)	147,161	134,567
Total	2,227,601	1,900,021

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

Specification	2nd half/2018	12.31.2018	12.31.2017
Loans - refinancing with the Federal Government	-	-	36,708
Time deposits - FAT	(55,539)	(110,794)	(65,894)
National Treasury	(15)	(33)	(7)
BNDES	(60,634)	(125,881)	(111,742)
Finame	(2,177)	(4,276)	(3,069)
FMM	(3,929)	(15,804)	(9,891)
FNE	129,350	294,381	(37,694)
FDNE	13,801	26,348	29,290
Debt instruments eligible to capital	(112,030)	(173,481)	(193,014)
Subordinated debts eligible to capital	(86,842)	(163,979)	(192,594)
Post-employment benefit - Capef DB Plan	(25,827)	(51,125)	(49,375)
Post-employment benefits - VC I Plan	(30,420)	(55,453)	(52,980)
Post-employment benefit - Camed Natural Plan	(72,984)	(145,976)	(91,892)
Post-employment benefits - life insurance	(8,076)	(13,576)	(9,715)

b) Key management personnel compensation

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

Specification	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017
Fees	2,370	4,707	3,789
Executive Board	2,066	4,081	3,230
Board of Directors	159	329	303
Supervisory Board	145	297	256
Other	634	1,440	1,815
Variable compensation (RVA) ⁽¹⁾	274	1,136	494
Total short-term benefits	3,278	7,283	6,098
Post-employment benefits	147	286	226
Total	3,425	7,569	6,324

⁽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 periods, 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	2nd half/2018	01.01 to 12.31.2018	01.01 to 12.31.2017 (restated)
Net income	493,685	725,503	716,385
Other Comprehensive Income	(158,998)	(99,831)	(302,714)
Equity adjustment to available-for-sale securities	228,356	122,388	87,432
Tax effect on Equity adjustment to available-for-sale securities	(92,150)	(54,063)	(33,835)
Revaluation reserve realized	-	322	4,882
Tax effect on revaluation reserve realized	-	(145)	(2,160)
Actuarial gains (losses)	(467,034)	(280,554)	(598,389)
Tax effect on Actuarial Gains or Losses	171,830	112,221	239,356
Comprehensive income	334,687	625,672	413,671

Note 31 - Other Information

- a) On 10.08.2018, the Bank's Board of Directors approved a Voluntary Dismissal Program ("PID") intended for employees who, up to 12.31.2017, were retired or in a position to apply for retirement, in accordance with the National Institute of Social Security (INSS) rules. The period from 11.29 to 12.05.2018 was established for adherence to PID by employees who meet the conditions established in the Program's regulations. The expense recognized in 2018 amounted to R\$58,667, within the budgeted limit for the PID (R\$63,216).

b) Statement of compliance

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

c) Approval of financial statements

The financial statements were approved by the Board of Directors at the meeting held on March 12, 2019.

Fortaleza (CE), March 12, 2019.

The Executive Board

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

Independent auditor's report on financial statements

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

Opinion

We have audited the accompanying financial statements of Banco do Nordeste do Brasil S.A. ("Bank"), which comprise the balance sheet as at December 31, 2018, and the related statements of income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at December 31, 2018, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

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

Restatement of corresponding figures

As mentioned in Note 2, the information relating to the balance sheet, statements of income, of changes in equity, of cash flows and of value added as well as explanatory information has been changed in relation to the previously disclosed financial statements for the year ended December 31, 2017, for the reasons mentioned in the referred to Note and, therefore, is being restated as provided for in CPC 23 - Accounting Policies, Change in Estimates and Errors. Our opinion is not qualified in respect of this matter.

Key audit matters

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

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including 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 of the financial statements. The results of our procedures, including those performed to address the matters stated below, provide the basis for our audit opinion on the Bank's financial statements.

1. Contingencies

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

How our audit addressed this matter

Among other procedures, we obtained confirmations regarding ongoing lawsuits directly from the Bank's legal advisors and crosschecked the likelihood of loss and amounts attributed against the Bank's operational controls and accounting records. For the most relevant lawsuits, we tested the calculation of amounts recorded and disclosed and analyzed the reasonableness of the estimates in relation to well-known case law and legal theses. We also analyzed communications received from regulators related to lawsuits and tax assessments to which the Bank is party, and the sufficiency of disclosures related to issues arising from contingencies and provisions recorded.

Based on the results of the audit procedures performed on the contingency balance, which is consistent with management's assessment, we consider that the criteria and assumptions for assessment of loss estimates associated with contingencies adopted by management, as well as the respective disclosures in Note 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.

How our audit addressed this matter

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

Based on the results of the audit procedures performed on the post-employment benefit plans, which is consistent with management's assessment, we consider that the criteria and assumptions for assessment of actuarial obligations adopted by management, as well as the respective disclosures in Note 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 tax base, mainly arising from expenses related to the allowance for loan losses (credit losses); post-employment benefits; expenses related to other provisions for contingencies; and market value adjustments of marketable securities, swap and Eurobonds 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.

How our audit addressed this matter

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

Based on the results of the audit procedures performed on tax credits, which is consistent with management's assessment, we consider that the criteria and assumptions regarding the study related to their realization, including deferred income projections, prepared by Bank management, as well as the respective disclosures in Note 25, 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.

How our audit addressed this matter

Our audit procedures included, among other, 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 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.

How our audit addressed this matter

We performed, among other tests, an analysis of the economic and financial assessment carried out by the Bank upon classifying the customer's risk level, through a sample selected for test, and recalculated the allowance for loan losses based on the parameters established by CMN Resolution No. 2682. We also analyzed the sufficiency of disclosures in the notes to financial statements.

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

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.

How our audit addressed this matter

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

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

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

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

Other matters

Statement of value added

The individual and consolidated Statement of Value Added (SVA) for the year ended December 31, 2018, prepared under the responsibility of the Bank management and presented as supplementary information for the purposes of accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil, was submitted to the same audit procedures performed for audit of the Bank's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement CPC 09 and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

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

In connection with 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 the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report on this matter.

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

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

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

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

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken 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 a material misstatement when it exists. 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 the risks of material misstatement 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 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 (SP), March 12, 2019.

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 year ended December 31, 2018, which were approved, on the date hereof, by the Board of Directors.

Based on the examination conducted, the information and clarifications received during the year, and on the unqualified Independent Auditor's Report of ERNST & YOUNG AUDITORES INDEPENDENTES S.S., issued on the date hereof, the Supervisory Board's opinion is that the Management Report and the Financial Statements are in a position to be referred for deliberation at the Annual General Meeting.

Fortaleza (CE), March 12, 2019.

Supervisory Board

I. SUMMARY OF AND CONCLUSIONS ON 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 CMN Resolution No. 3198/2004. The statutes and electronic address of BNB's Audit Committee are made available on the internet at www.bnb.gov.br, under "*Institucional - Sobre o Banco - Relação com os Acionistas - Comitê de Auditoria*".

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

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

In accordance with applicable standards, the External Audit is responsible for assessing the quality and adequacy of the internal control system, and issuing an opinion, based on procedures and standards set forth in standards governing the exercise of the profession, on the Financial Statements.

Internal Audit is responsible for monitoring, evaluating and independently assessing the quality of the Bank's internal control system and risk management, as well as certifying compliance with applicable legal requirements.

2 - Activities

In compliance with its duties and responsibilities, the Committee held monthly meetings with the Board of Directors and the Supervisory Board, in addition to various regular meetings with the Capital and Risk Committee, with the Executive Board and senior Executives and managers of the Bank's key areas. On these occasions, the key matters related to each area were addressed, including, among others, matters related to internal control, accounting aspects, loan portfolio, provisions, risk management, actuarial result, transactions with related parties, ethnic, and recommendations of internal audit and of external supervisory agencies. Recommendations for improvement were provided, when applicable. Regular meetings were held with the Internal and External Auditors, when their respective planning and results of the main work carried out, among other, were evaluated.

3 - Conclusions

Based on the activities carried out within the scope of its competencies, the Audit Committee concluded that:

Internal Control System

The Internal Control System of Banco do Nordeste do Brasil is, as a general rule, able of identifying adverse factors and is appropriate to the size and complexity of the Bank's business. The referred to system continues to be subject to improvements, although there are measures that will require additional time and permanent monitoring to achieve the proposed results.

Bank management continues to work on the review of the model for meeting the Information Technology demands, considering the potential impacts on the Bank's operations and results, as well as the need for timely compliance with the recommendations of internal audit and of external supervisory agencies.

The culture of controls and integrity continues to evolve, including in relation to the policy of consequences. Regarding this matters, it is worth highlighting the improvement achieved in the Product Compliance Average Ratios (*Índices Médios de Conformidade dos produtos - IMC*).

The evolution of the performance of the second layer is required in relation to the internal control actions, including to take into consideration the improvement needs already identified internally and by supervisory and control agencies. It should be noticed, as appropriate, that the matter is being referred by the Executive Board.

With regard to the cycle "process inventory - identification of critical processes - identification of risks - establishment of control issues", progress regarding the mapping of processes was verified, including with definition of a specific methodology for determining the Bank's critical processes. Attention is currently focused on the required arrangements to ensure that process mapping is integrated with risk identification; the establishment of control issues; and on ensuring compliance with laws, regulations and internal standards.

Internal Audit

Internal Audit performs its functions with independence, objectivity, quality and effectiveness. Its performance has shown improvements, while additional measures have been implemented, such as procedures related to optimization and standardization of processes, methodologies and systems for improvement of the quality of the work and for strengthening of internal controls. The scope of activities comprises determinations arising from legal and regulatory requirements.

External audit

No significant events have been detected that could impair effectiveness of the performance, objectivity and independence of Ernst & Young Auditores Independentes S/S.

Financial Statements

The Financial Statements for the 2nd half of 2018 were prepared in accordance with the applicable corporation law and rules set forth by the National Monetary Council (“CMN”), Central Bank of Brazil (“BACEN”), and Brazilian Securities and Exchange Commission (“CVM”).

Fortaleza (Ceará State), March 12, 2019.

Audit Committee



MINISTÉRIO DA
ECONOMIA



FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE
Managed by Banco do Nordeste do Brasil S.A.

Financial Statements

F N E

In thousands of reais (R\$)

Position: 12.31.2018

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

(Law No. 7827 of 09.27.1989)

BALANCE SHEETS

Years ended December 31, 2018 and 2017

(Amounts in R\$ thousand)

ASSETS				LIABILITIES AND EQUITY			
		12.31.2018	12.31.2017			12.31.2018	12.31.2017
CURRENT ASSETS		38,305,319	34,485,070	CURRENT LIABILITIES		100	39
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	15,332,039	16,718,997	Other liabilities		100	39
FUNDS COMMITTED WITH LOANS	(Note 4.b.1)	9,243,890	5,871,579	Accrued liabilities payable		100	39
AMOUNTS RECEIVABLE - CEF - EQUALIZATION OF BONUS FOR TIMELY PAYMENT - PROFROTA		68	55				
LINKED CREDITS		222	349	EQUITY	(Note 4.c)	82,046,352	74,501,501
Rural Credit - Proagro receivable		222	349	TRANSFERS FROM GOVERNMENT			
ONLENDING DEBTORS		60,660	47,511	In the year	(Note 8.a)	7,480,547	6,959,318
Onlending Debtors - Other institutions		60,660	47,511	In prior years		75,483,627	68,524,309
LOANS	(Note 14.b.2 and Note 6)	13,658,646	11,836,851	INCOME FROM PRIOR YEARS		(1,017,151)	(1,096,070)
Financing		6,801,680	5,571,892	INCOME FOR THE YEAR		99,329	113,944
Export financing		162,821	92,281				
Infrastructure and development financing		298,878	345,184				
Agribusiness financing		242,902	197,754				
Rural Financing		6,659,003	6,180,743				
(Allowance for loan losses)		(506,638)	(551,003)				
OTHER CREDITS	(Note 4.b.4)	9,663	9,399				
Rights on Assets Received in Loan Transactions		9,663	9,399				
OTHER ASSETS	(Note 4.b.5)	131	329				
PROAGRO Securities		4	4				
Agrarian Debt Bonds (TDAs)		127	325				
LONG-TERM RECEIVABLES		43,741,133	40,016,470				
LINKED CREDITS		10,266	454				
Rural Credit - PROAGRO receivable		10,266	454				
ONLENDING DEBTORS		2,478,692	2,346,414				
Onlending Debtors – Banco do Nordeste – Law No. 7827 - article 9-A	(Note 7)	2,369,446	2,205,467				
Onlending Debtors - Other institutions		109,246	140,947				
LOANS	(Note 14.b.2 and Note 6)	41,251,821	37,669,081				
Financing		17,388,384	19,200,087				
Export financing		13,401	-				
Infrastructure and development financing		7,727,559	3,779,094				
Agribusiness financing		710,772	823,219				
Rural Financing		15,411,705	13,866,681				
OTHER ASSETS	(Note 4.b.5)	354	521				
Agrarian Debt Bonds (TDAs)		436	633				
(Provision for devaluation of securities)		(82)	(112)				
TOTAL ASSETS		82,046,452	74,501,540	TOTAL LIABILITIES AND EQUITY		82,046,452	74,501,540

INCOME STATEMENTS

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018
(Amounts in R\$ thousand)

	2nd half of 2018	Year/2018	Year/2017
REVENUES			
From Loans	591,104	1,324,285	972,484
From Remuneration of Cash and Cash Equivalents	770,333	1,507,275	1,801,879
From Reversal of Operating Provisions	-	112	229
EXPENSES			
From Management	(646,599)	(1,351,140)	(1,391,864)
From Remuneration of Cash and Cash Equivalents	(88,473)	(88,473)	-
From PRONAF – compensation of the financial agent / performance bonus	(209,247)	(406,678)	(372,322)
From Allowance for loan losses	(423,230)	(885,932)	(896,332)
From Audit	(65)	(120)	(130)
INCOME FOR THE SIX-MONTH PERIOD/YEAR	(6,177)	99,329	113,944

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018
(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	6,959,318	-	6,959,318
Prior Years' Adjustments	-	(309)	(309)
Income for the year	-	113,944	113,944
BALANCES at 12.31.2017	75,483,626	(982,125)	74,501,501
CHANGES FOR THE YEAR	6,959,318	113,635	7,072,953
BALANCES at 12.31.2017	75,483,626	(982,125)	74,501,501
Transfers from Federal Government in the year	7,480,547	-	7,480,547
Prior Years' Adjustments	-	(35,025)	(35,025)
Income for the year	-	99,329	99,329
BALANCES at 12.31.2018	82,964,173	(917,821)	82,046,352
CHANGES FOR THE YEAR	7,480,547	64,304	7,544,851
BALANCES at 06.30.2018	79,558,324	(876,730)	78,681,594
Transfers from Federal Government in the six-month period	3,405,849	-	3,405,849
Prior Years' Adjustments	-	(34,914)	(34,914)
Loss for the six-month period	-	(6,177)	(6,177)
BALANCES at 12.31.2018	82,964,173	(917,821)	82,046,352
CHANGES IN THE SIX-MONTH PERIOD	3,405,849	(41,091)	3,364,758

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017 and six-month period ended December 31, 2018

(Amounts in R\$ thousand)

	2nd half of 2018	Year/2018	Year/2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the Six-Month Period/Year	(6,177)	99,329	113,944
Non-cash Revenues (Expenses):			
Allowance For Loan Losses	423,230	885,932	896,332
Provision for devaluation of securities	17	30	-
Reversal of Allowances for Loans	-	(112)	(229)
Accrued liabilities payable	64	61	7
Adjusted Income for the Six-Month Period/Year	417,134	985,240	1,010,054
Linked Credits	(9,951)	(9,685)	5,833
Onlending Debtors	(77,619)	(145,427)	(177,769)
Loans	(5,065,602)	(6,290,385)	(1,871,862)
Amounts receivable – CEF – Equalization of bonus for timely payment Profrota.....	216	(13)	43
Other Credits	(16)	(264)	(183)
Other Assets	113	365	154
Prior Years' Adjustments	(34,914)	(35,025)	(309)
CASH USED IN OPERATING ACTIVITIES	(4,770,639)	(5,495,194)	(1,034,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers from Federal Government	3,405,849	7,480,547	6,959,318
CASH PROVIDED BY FINANCING ACTIVITIES	3,405,849	7,480,547	6,959,318
Increase/(Decrease) in Cash and Cash Equivalents	(1,364,790)	1,985,353	5,925,279
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS			
At beginning of six-month period/year	25,940,719	22,590,576	16,665,297
At end of six-month period/year	24,575,929	24,575,929	22,590,576
Increase/(Decrease) in Cash and Cash Equivalents	(1,364,790)	1,985,353	5,925,279

NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017
Amounts expressed in thousands of reais, unless otherwise stated

Contents - Notes to Financial Statements

Note 1 – History	Note 6 – Financing transactions, onlending and allowance for loan losses
Note 2 - Basis of Preparation and Presentation of Financial Statements	Note 7 – Onlending to BNB under article 9-A of Law No. 7827 of 09.27.1989
Note 3 - Management	Note 8 - Equity
Note 4 - Significant accounting practices	Note 9 - Registration with the Federal Government Integrated Financial Management System (Siafi)
Note 5 - Supervisory agencies	Note 10 - Approval of financial statements

NOTE 1 - History

Fundo Constitucional de Financiamento do Nordeste - FNE was established by the Federal Constitution of 1988 (Article 159, item I, letter “c”), and is regulated by Law No. 7827 of 09.27.1989 and subsequent amendments, the most recent of which is Law No. 13682 of 06.19.2018. The purpose of the FNE is to foster the economic and social development of the Northeast region, through Banco do Nordeste do Brasil S.A., by offering financing to production sectors, in conformity with regional development plans, giving priority to activities developed by small farmers, small companies and staple food producers, and to irrigation projects. Non-refundable aid is prohibited. In view of the provisions in article 15-J, of Law No. 13530 of 12.07.2017, FNE may invest funds in the scope of the Student Funding Program established by article 15-D of that Law, intended for funding non-tuition-free higher education students, with positive evaluation in the processes conducted by the Ministry of Education, according to its own regulation, and that will also addresses the income bracket covered by this type of Fies.

NOTE 2 - Basis of Preparation and Presentation of Financial Statements

The Financial Statements were prepared in accordance with the provisions of 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: applying funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil, observing the guidelines established by the Ministry of National Integration, reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including renegotiating and settling debts, pursuant to Articles 15-B, 15-C, and 15-D of Law No. 7827 of 09.27.1989.

NOTE 4 - Significant Accounting Practices

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

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

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

IV) Regional Development Coefficient (CDR);

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

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

VII) Fixed interest rate ("JM") calculated and disclosed in accordance with CMN Resolution No. 4600 of 09.25.2017.

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 06.28.2005.

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

VII) 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; yielding payable to the Bank on the Fund's cash and cash equivalents; the additional administration fee; yielding payable to the Bank on financing under Pronaf A, A/Microcredit, B, A/C, Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 - Group B, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Group B, Drought-2012-Costing - Other Groups, and other Pronafs with shared risk; yielding payable to the Bank on disbursement under Pronaf A/Microcredit, B, Semiarid, Forest and other Pronafs with shared risk; performance Premium on reimbursement under PRONAF Groups A, A/Microcredit, B, A/C, Semiarid, Forest, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Other Groups and other PRONAFs with shared risk; allowance for loan losses recognized pursuant to Interministerial Administrative Ruling No. 11 of 12.28.2005, of the Ministry of Finance and Ministry of National Integration; and the engagement of independent audit services, in addition to bonuses and discounts established by legislation.

The administration fee paid to the Bank is appropriated on a monthly basis, according to the percentages below, as defined in article 17-A of Law 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 04.05.2003 of the Ministry of National Integration, and of the balances of investments under Pronaf addressed by article 6 of Law No. 10177 of 01.12.2001, and the Program regulation (MCR-10) (groups A/Microcredit, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Funding):

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

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 yielding on cash and cash equivalents, may be increased up to 20% (twenty percent) based on the timely-payment factor for loans with operational risk fully assumed by FNE or with risk shared between the Bank and 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 yielding 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. The calculation and appropriation system of administration fee was regulated in Decree No. 9290 of 02.21.2018, as amended by Decree No. 9539 of 10.24.2018.

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

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	12.31.2018	12.31.2017
Cash and cash equivalents	15,332,039	16,718,997
Funds committed to loan transactions	9,243,890	5,871,579
Total cash and cash equivalents	24,575,929	22,590,576

- 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 Laws No. 13465 of 07.11.2017, No. 13606 of 01.09.2018 and No.13729 of 11.08.2018, authorizes the settlement and rescheduling of rural credit debts taken out until 12.31.2011 with FNE funds and mixed funds from other sources with FNE, 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.

Specification	12.31.2018	12.31.2017
Rights on assets received in loan transactions	9,663	9,399
Total other receivables	9,663	9,399

- 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.

Specification	12.31.2018	12.31.2017
PROAGRO indemnity insurance	4	4
Agrarian Debt Securities (TDAs)	563	958
(Provision for devaluation of securities)	(82)	(112)
Total other receivables and assets	485	850

c) Equity (Note 8.a)

The Net Assets of FNE are 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 yields from its applications; and
- yields from FNE’s temporarily not applied cash, 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 as amended.

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	12.31.2018			12.31.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	23,409,986	780,079	24,190,065	24,036,066	735,913	24,771,979
Export financing	174,502	1,720	176,222	91,487	794	92,281
Infrastructure and development financing	8,026,258	179	8,026,437	4,124,278	-	4,124,278
Agribusiness financing	893,779	59,895	953,674	949,287	71,686	1,020,973
Rural financing	21,307,436	763,271	22,070,707	19,180,321	867,103	20,047,424
Subtotal	53,811,961	1,605,144	55,417,105	48,381,439	1,675,496	50,056,935
Onlending to BNB	2,369,446	-	2,369,446	2,205,467	-	2,205,467
Onlending to other institutions	131,465	38,441	169,906	188,458	-	188,458
Total portfolio	56,312,872	1,643,585	57,956,457	50,775,364	1,675,495	52,450,860
Allowance	(71,034)	(435,604)	(506,638)	(97,378)	(453,625)	(551,003)
Total, net ⁽¹⁾	56,241,838	1,207,981	57,449,819	50,677,986	1,221,871	51,899,857

a.2) Full risk portfolio for BNB

Financing	12.31.2018			12.31.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	989	2	991	5,656	1,975	7,631
Agribusiness financing	1,804	-	1,804	1,676	-	1,676
Rural financing	157,454	7,714	165,168	194,343	9,786	204,129
Subtotal	160,247	7,716	167,963	201,675	11,761	213,436
Onlending to BNB	2,369,446	-	2,369,446	2,205,467	-	2,205,467
Onlending to other institutions	126,684	-	126,684	140,422	-	140,422
Total portfolio	2,656,377	7,716	2,664,093	2,547,564	11,761	2,559,325
Total, net⁽¹⁾	2,656,377	7,716	2,664,093	2,547,564	11,761	2,559,325

a.3) Shared risk portfolio

Financing	12.31.2018			12.31.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	23,311,911	773,504	24,085,415	23,923,208	725,856	24,649,064
Export financing	174,502	1,720	176,222	91,487	794	92,281
Infrastructure and development financing	8,026,258	179	8,026,437	4,124,278	-	4,124,278
Agribusiness financing	827,207	55,411	882,618	884,982	66,344	951,326
Rural financing	13,591,656	423,084	14,014,740	11,731,527	470,192	12,201,719
Subtotal	45,931,534	1,253,898	47,185,432	40,755,482	1,263,186	42,018,668
Total portfolio	45,931,534	1,253,898	47,185,432	40,755,482	1,263,186	42,018,668
Allowance	(41,983)	(300,678)	(342,661)	(38,577)	(294,780)	(333,357)
Total, net⁽¹⁾	45,889,551	953,220	46,842,771	40,716,905	968,406	41,685,311

a.4) Full risk portfolio for FNE

Financing	12.31.2018			12.31.2017		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	97,086	6,573	103,659	107,202	8,082	115,284
Agribusiness financing	64,768	4,484	69,252	62,629	5,342	67,971
Rural financing	7,558,326	332,473	7,890,799	7,254,453	387,125	7,641,576
Subtotal	7,720,180	343,530	8,063,710	7,424,284	400,549	7,824,831
Onlending to other institutions	4,781	38,441	43,222	48,036	-	48,036
Total portfolio	7,724,961	381,971	8,106,932	7,472,320	400,549	7,827,867
Allowance	(29,051)	(134,926)	(163,977)	(58,801)	(158,845)	(217,646)
Total, net⁽¹⁾	7,695,910	247,045	7,942,955	7,413,519	241,704	7,655,221

⁽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 12.31.2018	Total at 12.31.2017
Rural	309,111	437,097	319,732	1,229,605	3,239,700	14,324,619	19,859,864	7,513,563
Manufacturing	141,189	153,261	166,810	511,718	955,571	11,667,899	13,596,448	12,159,728
Government	5,198	5,198	5,198	11,992	31,188	252,951	311,725	248,784
Other services	98,731	115,098	109,343	347,232	640,944	8,371,730	9,683,078	7,922,110
Trade	204,942	220,667	220,946	673,619	1,225,894	3,306,738	5,852,806	5,306,966
Financial brokers	-	-	-	-	10	189	199	-
TOTAL	759,171	931,321	822,029	2,774,166	6,093,307	37,924,126	49,304,120	43,151,151

⁽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 12.31.2018	Total at 12.31.2017
Rural	35,506	42,999	54,805	132,088	278,230	1,742,933	2,286,561	2,769,795
Manufacturing	24,916	26,121	24,450	70,247	127,536	804,691	1,077,961	1,312,885
Other services	14,344	14,764	13,633	39,008	69,566	450,029	601,344	671,342
Trade	25,841	27,721	25,487	72,326	121,577	329,955	602,907	556,288
TOTAL	100,607	111,605	118,375	313,669	596,909	3,327,608	4,568,773	5,310,310

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 12.31.2018	Total at 12.31.2017
Rural	6,377	71,642	91,603	67,026	178,509	366,814	568	782,539	878,948
Manufacturing	11,242	13,340	29,069	27,934	81,744	158,342	413	322,084	313,199
Other services	5,197	9,176	16,107	15,004	46,015	97,899	-	189,398	190,217
Trade	8,792	15,141	24,968	22,380	63,429	115,476	5	250,191	213,110
TOTAL	31,608	109,299	161,747	132,344	369,697	738,531	986	1,544,212	1,595,474

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 from 12.01.1998:

- in financing under Programa da Terra, the risk lies with FNE;
- in transactions under Pronaf, Groups A, A/Microcredit, B and A/C, and Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- in onlending to Banco do Nordeste whose funds are used in BNB's own lending operations, the risk is fully assumed by Banco do Nordeste;
- in onlending to other institutions authorized to operate by Bacen, contracted after Administrative Ruling No. 616 of 05.26.2003 (current Administrative Ruling No. 147 of 04.05.2018) becomes effective, the risk lies totally with 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 in the year are as follows:

Specification	12.31.2018	12.31.2017
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 year	885,850	896,220
Allowance for loan losses - expenses	885,850	896,220
. Full FNE risk	294,976	317,693
. Allowance for past due payment/rescheduling	299,400	338,313
. Allowance adjustments due to discounts	(4,424)	(20,620)
. Shared risk	590,874	578,527
. Allowance for past due payment/rescheduling	582,120	586,755
. Adjustments of provision for operations indicating irregularities	8,754	(8,228)
(-) Loans written off as loss for the year	930,215	1,058,120
. Full FNE risk	348,646	408,003
. Shared risk	581,569	650,117
(=) Closing balance of Allowance for loan losses	506,638	551,003
. Full FNE risk	163,976	217,646
. Shared risk	342,662	333,357

e) At 12.31.2018, the amount of R\$40,620 (R\$31,866 at 12.31.2017) is recorded as Allowance for Loan Losses, related to an extraordinary allowance to cover the Fund's risk on loan transactions 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 supplementing those that already recorded provision for past due payments under Interministerial Administrative Ruling No. 11 of 12.28.2005.

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

Specification	2nd half 2018	12.31.2018	12.31.2017
Income from loans ⁽¹⁾	2,007,007	4,010,463	3,981,344
Del credere commission of Banco do Nordeste	(704,334)	(1,361,113)	(1,283,268)
Del credere commission of Other Institutions	(1,464)	(3,019)	(3,347)
Expenses on negative monetary restatement	(16,027)	(16,977)	(38,067)
Expenses on rescheduling discounts granted ⁽¹⁾	(112,948)	(200,542)	(539,037)
Expenses on rebates/bonuses for timely payment - contracted by Banco do Nordeste	(533,975)	(1,036,013)	(1,011,965)
Expenses on rebates/bonuses for timely payment-onlending - Law No. 7827, article 9-A	(6,470)	(11,023)	(8,136)
Expenses on rebates/bonuses for timely payment-onlending to other institutions	(755)	(1,533)	(1,732)
Expenses on other BNB transactions - rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013	(6,758)	(11,365)	(98,006)
Expenses with FNE operations honored by the Bank - rebate Laws No. 12249 and No. 12844, of 06.11.2010 and 07.19.2013	(33,172)	(44,593)	(25,301)
Adjustment of amounts arising from disposal of assets	-	-	(1)
Total	591,104	1,324,285	972,484

⁽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\$1,048,569, corresponding to 26.2% of income from loan transactions. In 2017, this expense reached R\$1,021,833, equivalent to 25.7% of income earned.

The ratio of bonus for timely payment/income from loan transactions is not correlated with the percentage of bonus for timely payment (15%) defined in current legislation, therefore various bonus ranges are applied in FNE transactions, such as 25% on Semiarid and 15% for other than Semiarid, applied in older transactions, in addition to other rates defined in specific legal instruments.

The bonuses for timely payment were granted under Constitutional Financing Funds legislation, basically as a result of the payment by the borrowers of principal and interest charges on the contractually agreed dates, covering the FNE loan transactions, the operations resulting from onlending to the institutions based on Administrative Ruling No. 147 of 04.05.2018, and BNB's onlending operations based on article 9-A of Law No. 7827 of 09.12.1989, as follows:

Specification	12.31.2018	12.31.2017
Timely payment bonus - FNE loan transactions	1,036,005	1,011,948
Timely payment bonus - Other Institutions	1,533	1,732
Timely payment bonus - BNB's Onlending Operations - article 9 of Law No. 7827	11,023	8,136
Timely payment bonus - Rescheduled transactions	8	17
TOTAL	1,048,569	1,021,833

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 g.1 above.
- g.3)** Over the year, BNB returned to FNE the amount of R\$ 590,116 (R\$ 664,613 in 2017), related to BNB's share of risk in transactions that were written off as loss, as follows:

Specification	12.31.2018	12.31.2017
Interministerial Administrative Ruling No. 11 of 12.28.2005 - shared risk	581,601	650,118
Interministerial Administrative Ruling No. 11 of 12.28.2005 - Bank full risk	8,515	14,495
Total	590,116	664,613

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	12.31.2018	12.31.2017
Funds available	1,379,634	1,734,734
Funds invested	989,812	470,733
Total onlending to Banco do Nordeste	2,369,446	2,205,467

The line Funds available records amounts temporarily not applied by the BNB in loan transactions, and remunerated at extra-market interest rate disclosed by Bacen. This yielding is accounted for under Funds Available, matched against the specific account of income from Yielding from Funds Available-Onlending Law No. 7827 - article 9-A.

The line "Funds Applied" corresponds to the amounts released by Banco do Nordeste to the borrowers of the financing agreements, restated based on contractual indices, as set forth by legislation and the Subordinated Debt Instrument entered into. These charges are accounted for under Funds Applied, matched against interest income from Onlending to Banco do Nordeste-Law No. 7827 - article 9-A.

In 2018, yielding from funds temporarily not applied, based on the extra-market rate, reached R\$91,330 (R\$143,299 in 2017), while yielding from funds applied, based on the costs agreed with the borrowers, totaled R\$72,648 (R\$49,294 in 2017), as follows:

Specification	12.31.2018	12.31.2017
Funds Available Yielding	91,330	143,299
Funds Applied Yielding	72,648	49,294
TOTAL	163,978	192,593

Note 8 - Equity

- a)** Transfers from the Federal Government in the year totaled R\$7,480,547 (R\$6,959,318 in 2017);
- b)** In 2018, the net negative adjustment of R\$35,027 (R\$309 in 2017) refers to recalculations of charges on loan transactions (R\$3,548) and amounts paid by FNE to the Bank due to rebates/bonus (R\$31,479) granted in the settlement/rescheduling of transactions carried out with mixed funds from FNE and other sources, under Law No. 13340 (amended by Laws No. 13606 and No. 13729).

Specification	12.31.2018	12.31.2017
Transfer From Federal Government in the year	7,480,547	6,959,318
Transfer From Federal Government in prior years	75,483,627	68,524,309
Prior-Years' Results	(1,017,151)	(1,096,070)
Income (loss) for the year	99,329	113,944
Total equity	82,046,352	74,501,501

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 Banco do Nordeste's Board of Directors at a meeting held on March 12, 2019.

Fortaleza (Ceará State), March 12, 2019.

The Executive Board

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

Independent auditor's report on financial statements

The Management of

Fundo Constitucional de Financiamento do Nordeste - FNE

(Administered by Banco do Nordeste do Brasil S.A.)

Opinion

We have audited the accompanying financial statements of Fundo Constitucional de Financiamento do Nordeste ("Fund"), which comprise the balance sheet as at December 31, 2018, and the related statements of income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as at December 31, 2018, its financial performance and its cash flows for the year then ended, in accordance with accounting practices described in Notes 2 and 4.

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 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 and 4 to the financial statements, which describe their basis of preparation. 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 and 4, and for such internal control as management determined 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 taken 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 a material misstatement when it exists. 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 the risks of material misstatement 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 (SP), March 12, 2019.

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 – Ricardo Soriano de Alencar – Romildo Carneiro Rolim – Sérgio Brilhante de Albuquerque Júnior – Sérgio Ricardo Calderini Rosa

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) – Antônio Rosendo Neto Júnior (Director of Business) – Claudio Luiz Freire Lima (Director of Management and Director Financial and Credit) – Nicola Moreira Miccione (Director of Control and Risk) – Perpétuo Socorro Cajazeiras (Director of Planning)

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

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

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

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