Banco do Nordeste
O Banco de Desenvolvimento do Nordeste

FINANCIAL STATEMENTS

Bank and FNE

Position: 30.06.2017

1. A WORD FROM THE CEO

Banco do Nordeste responds robustly to the challenges faced in a still adverse economic scenario. In the first half of 2017, Banco do Nordeste contracted 2.4 million transactions and injected R$ 11.2 billion in the economy in the northeast region of Brazil, which corresponds to an increase by 3.6% as compared with the first half of 2016. This was mostly directed to investments of a rural, industrial, agro-industrial, infrastructure, sales and services nature, in the amount of R$ 6.7 billion referring to long-term operations, which corresponds to approximately 60% of the total transactions contracted.

In the first half of 2017, R$ 4.85 billion financed urban and rural micro entrepreneurs providing long and short-term credit, by means of the largest microcredit-oriented programs in Latin America, Crediamigo and Agroamigo. Key instruments for reducing inequalities and that constitute a way out of poverty, these programs allocate to the northeast region approximately 67% of the amount invested in the Brazilian monthly family stipend program [*Bolsa Família],* provide inclusion, social development and make a difference in people's lives.

In the first six months of the year, the Bank recovered R$ 2.6 billion unpaid receivables, 237.88% above the amount recovered in the first half of 2016. Over 100 thousand transactions were regularized, most of which deriving from the benefits of Law No. 13340/16, which allows rural debts to be renegotiated.

The Bank held the I Fórum BNB de Infraestrutura [*I BNB Infrastructure Forum*], an event that gathered market agents and public managers from all over the Northeast region to map projects that can be financed by the FNE Infraestrutura Program. This initiative meets the requirements of FNE Application Plan for 2017, which establishes that R$ 11.4 billion should be applied in specific programs for financing economic infrastructure projects.

As the first federal public institution to create an innovation hub, Hubine, BNB entered into a partnership with Coca-Cola Brasil, by means of which BNB will allocate R$ 20 million to innovation projects that make drinking water accessible in low-income rural and urban communities. BNB also participated in an exchange program in Israel, a country that is a world reference in innovation, in order to discuss projects for better living in the Semiarid, including participation of startups located in the northeast region.

Aiming at building a governance platform for the forty major medium-sized cities located in its area of operation, BNB launched Fórum Banco do Nordeste de Médias Cidades [*BNB Medium-sized Cities Forum*]. G20+20 intends to create synergy in order to enable technical, technological and managerial capabilities, exchange experiences and share successful practices, thus generating a business structuring environment in these municipalities.

The Bank also launched two technological innovation invitations to bid funded by the Fund for Economic, Scientific, Technological and Innovation Development (Fundeci), amounting to R$ 7 million and aimed at research institutions and private entities. In connection with In connection with Fundeci Invitation to Bid referring to economic grant for innovation in companies of the northeast region, in the amount of R$ 4 million, the Bank will for the first time select private companies for receiving these funds.

In short, Banco do Nordeste prioritizes investment programs and projects that allow for social and private returns, generate positive external effects for society and meet the objectives of reducing regional inequalities and providing sustainable development for the Region.

This is how, preparing for tomorrow's challenges, BNB celebrates its 65th anniversary – 65 years of hard work, whose result reflects the effort of the Bank's employees, who enthusiastically have the goal of making a difference in the next 65 years.

Marcos Costa Holanda
CEO

2. BUSINESS MODEL

Banco do Nordeste (BNB) invests funds in the region through loan and financing transactions, and offers financial products and services to economic agents, in order to produce results that will ensure corporate sustainability and the development of its core operations. The FNE, the main source of funds used by the Bank, has public resources intended for the financing of productive activities and contributing to the economic and social development of the Northeast region and the north of the states of Minas Gerais and Espírito Santo.

Identified as Brazil's development bank, BNB's greatest challenge and main target is a more effective participation of the Northeast region in the Brazilian social and economic scenario, which drives its business model to a diversified credit assistance, adapted to the needs of the various production segments, by means of service channels that are in syntony with Brazil's competitive national bank market.

Therefore, from urban and rural informal entrepreneurs, relying on the productive microcredit-oriented methodology, to long-term financing transactions for large corporate projects, including infrastructure projects are supported by loans and financing granted by BNB. In addition, Banco do Nordeste adopts non-reimbursable strategies to support and promote scientific and technological development, innovation and territorial development. These mechanisms provide conditions for modernization, expansion and sustainability of the regional production capacity.

In view of the current scenario faced by the bank segment, which presses financial institutions to urgently optimize human and financial resources in order to obtain sustainable results, Banco do Nordeste conducted an evaluation of its business units. This study indicated the need to adapt its branch network, seeking to maintain operational efficiency, preserving the presence of the Bank in its area of activity and matching the best use of its human capital to its clients' and society's demands. .

The activities of 19 branches located in 17 municipalities were closed down because of this adjustment. The undeployment of these units occurred in locations that had more than one branch, which prevented the credit assistance and service provision for those communities from ceasing. The Bank's network counts on 292 branches, located in the Northeast region, and north of the states of Minas Gerais and Espírito Santo.

The Bank offers the following face-to-face, online and digital service channels, in addition to its branch network, to consolidate BNB's presence in its area of activity, intensifying and improving customer relationships, leveraging the fulfillment of its mission, vision and expanding its business:

- Mobile branch;
- Service Unit (PA);
- Roving FNE;
- Agroamigo and Crediamigo service unit;
- ATMs using own network or network shared with Tecnologia Bancária (Tecban) and Banco do Brasil;
- Internet Banking and Mobile Banking;
- Citizen Information and Customer Relations Center (CRCIC);
- Ombudsman.

2.1 Regional Development

In order to promote sustainable regional development actions, the Bank has the Technical Office for Economic Studies of Northeastern Brazil (Etene), which plays a prominent role in the preparation, promotion and diffusion of studies, research and socioeconomic information, in the evaluation of policies and programs, and in conducting studies, producing and publishing technical work and other work of interest to the Bank, in partnership with institutions linked to regional development.

In the first half of 2017, in addition to continuing with Etene periodicals – Diário Econômico, Caderno Setorial, Boletim Setorial, Cenário Bancário and Conjuntura Econômica - Etene launched another publication, named Conjuntura em Números e Gráficos, which presents the international macroeconomic scenario and the economy performance in Brazil and in the northeast, through charts and graphs on the level of activity in farming and stock breeding, industrial manufacturing, retail, services, tourism, foreign trade, labor market, government finance and financial brokerage, including data per state.

In the first half of 2017, Etene structured the Fórum Banco do Nordeste de Médias Cidades [Banco do Nordeste Medium-sized Cities Forum], namely G20+20, an initiative whose purpose is to build a governance platform for 40 medium-sized cities located in the Bank’s area of activity, create synergy in order to render technical, technological and managerial capabilities feasible, exchange experiences and share successful practices, creating a business structuring environment and identifying sources of funds for investments, especially those linked to urban infrastructure.

As regards econometric models, in the first half of the year, we stress the default forecasting models for the Bank’s micro and small companies, aimed at improving the efficiency of management actions and loan recovery.

In sector studies and research, 11 analyses were carried out on economic activities of interest to the Bank, among which we highlight infrastructure (solar and wind power) and civil construction.

We also highlight the following works of Etene in the first half of 2017.

- Assessment of the impact caused by FNE on the economic growth of the municipalities in which it operates, which identified that FNE is positively related to *per capita* GDP, generation of jobs and overall salaries.
- Construction of the Baseline for milk cattle in the territories of Sobral-CE, Limoeiro do Norte-CE and Seridó-RN, as part of the Territorial Development Program;
- Development of a project to determine the factors responsible for concentration of Agroamigo (Pronaf B) financing on livestock activities.

2.2 Scientific, Technological and Development Funds

As part of its role to foster regional development, Banco do Nordeste supports technical studies, research projects, technological diffusion and innovation by granting non-reimbursable funds from the Economic, Scientific, Technology and Innovation Development Fund (Fundeci) and the Regional Development Fund (FDR).

In the first half of 2017, Banco do Nordeste supported, with funds from Fundeci, 8 (eight) agreements, totaling R$ 1.0 million, with the following research highlights: a) support to business incubators of Parque de Desenvolvimento Tecnológico (Padetec) and to development of innovative products that may be patented; b) monitoring of agrochemical waste in Serra da Ibiapaba municipalities and dissemination of agro-ecological production methods; c) assessment of technologies for treating the Organic Fraction of Urban Solid Waste (Forsu); and d) validation and diffusion of technology for water treatment in the Semiarid.

Additionally, aiming at increasing the number of research, development and innovation (PD&I) projects in the northeast region of Brazil, Banco do Nordeste made R$ 7.0 million available through the following invitations to bid:

01/2017 Fundeci Invitation to Bid – ECONOMIC GRANT: Economic grant for Innovation in companies of the Northeast region of Brazil – Amount: R$ 4.0 million;

02/2017 Fundeci Invitation to Bid – PRODUCTIVITY AND COMPETITIVENESS: Technology and organizational innovations for increasing productivity and competitiveness in production sectors - Amount: R$ 3.0 million;

These invitations to bid will select projects whose amounts range from R$ 50 thousand to R$ 500 thousand.

In connection with Fundeci Invitation to Bid referring to economic grant for innovation in companies of the northeast region, in the amount of R$ 4 million, the Bank will for the first time select private companies for receiving these funds. These companies must join the Science, Technology and Innovation Institution (ICT). This strategy adopted by the Bank seeks to foster partnership between companies and research institutes in order to develop innovation projects. Economic grants consist of financial, human, material or infrastructure resources granted to Brazilian companies in order to expand research and the development of innovative products, services and/or processes, to meet the requirements of Brazilian technology and industry policies, as well as to increase competitiveness of Brazilian companies and economy.

2.3 Sustainability

Since 2010, Banco do Nordeste has prepared a Sustainability Report annually, with a view to sharing significant information on our activity, concern about sustainable development and social and environmental responsibility actions with all our stakeholders (customers, employees, suppliers, government, the bank industry, development institutes, investors, society and the community). This report is prepared in line with version G4 of the sustainability report guidelines issued by the Global Reporting Initiative (GRI).

In the first half of 2017, Banco do Nordeste developed a number of social and environmental responsibility actions related to its Development Bank activity, i.e. both the granting of financing for the sustainable development of the Region where it operates, and activities related to the operation of the Bank itself. Main actions are highlighted below:

- Continuity of implementation of Banco do Nordeste's Social and Environmental Responsibility Policy (PRSA), through development of constant actions in specific projects that are part of the Institution's strategic planning and respective Action Plan, in compliance with BACEN Resolution No. 4327, dated April 25, 2014, and with FEBRABAN SARB Regulation No. 14, of August 28, 2014. Banco do Nordeste PRSA is available on BNB's website at: http://www.bnb.gov.br/politica-de-responsabilidade-socioambiental;

- Contracting of 5,678 financing operations related to the environment and innovation, totaling R$ 129.7 million through environmental programs FNE Verde, Pronaf

Semárido, Pronaf Floresta, Pronaf Eco and Pronaf Agroecologia, in addition to R$ 36.5 million invested with funds from the FNE Innovation program in the first half of 2017 (Table 1);

Table 1 - FNE – Environmental and Innovation Programs

(In R$ million)

Program	*2016		*2017		Variation Amount
	Number	Amount	Number	Amount	
FNE Verde	37	67,3	148	33,5	-50,2%
PRONAF	4.917	80,5	5.511	96,2	19,5%
FNE Inovação	8	97,9	19	36,5	-62,7%
Total	**4.962**	**245,7**	**5.678**	**166,2**	**-32,4%**

Source: Control and Risk Board – Superintendence of Financial Control
* This data refers to the first half of each year.

- Commemoration of a year of launching of the FNE Sol Program, which is a financing line for the acquisition of micro and distributed energy mini generation systems based on renewable sources, with funds from the Northeast Constitutional Financing Fund (FNE);
- Contracting of 104 financing operations for energy distributed micro and mini generation, through FNE Sol, totaling R$ 15.7 million intended for the sector in the first half of 2017, contributing to the formation of a cleaner energy matrix in its area of operation. (Source: Department of Financial Control of Credit Operations).

2.4 Territorial Development Policy

The strategy adopted by the Territorial Development Program (BNB Prodeter) to promote local and regional development is to increase competitiveness of the Region's economic activities. The goals of Prodeter are to strengthen production chains and incorporate technology innovations in production activities, enhancing participation of local economic agents in the preparation of Development Plans for such activities. These goals allow for the structured financing of farming and stock breeding activities, which renders it possible to minimize the risks of default and improve the living conditions of regional population.

The first phase of Prodeter began in 2016 with the preparation of Action Plans for production activities in 21 territories in all states where BNB operates. In each territory, Management Committees for the activities selected were formed. These committees coordinate institutional players and production chain stakeholders, prepare the Territorial Action Plan (PAT) and act, through local partners, to resolve problems in this chain. In the nine states of the Northeast, and in the states of Minas Gerais and Espírito Santo, approximately 2,000 producers participate in the Action Plans developed.

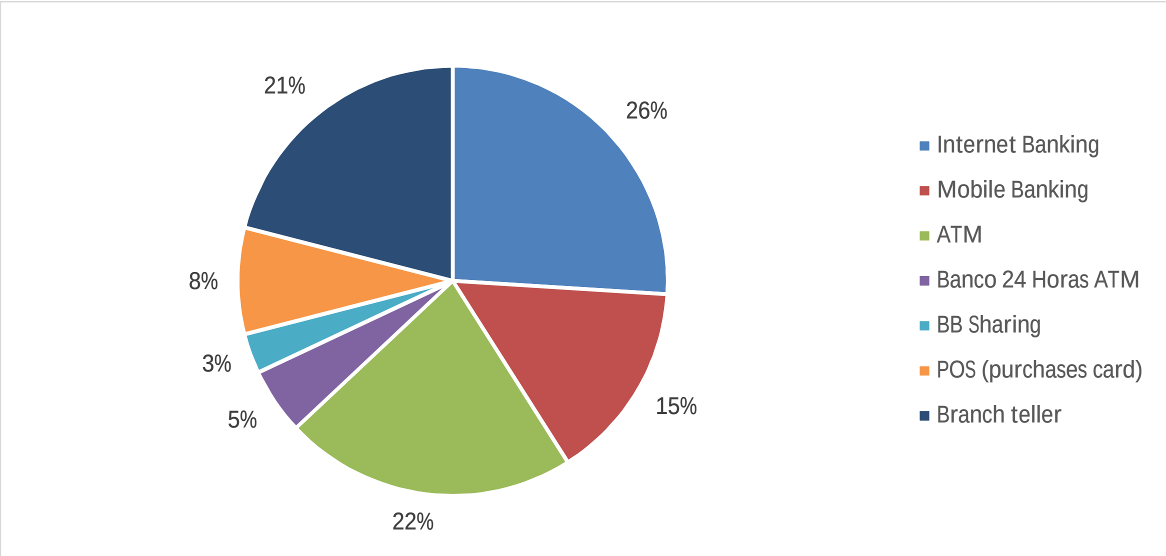
In the first half of 2017, 50 new territories were included in Prodeter. This significant expansion was approved as a Project belonging to the Bank's Strategic Plan for 2017. The Rural Cisterns Program is another activity in the sphere of Territorial Development Policy. This Program began to be operated by Banco do Nordeste in 2013 through a service agreement with the Brazilian Department of Social Development and Fight against Hunger (MDS) for the construction of

30,133 cisterns, 28,483 of which were for human consumption (first water) and 1,650 (second water) - in 37 municipalities in the states of Bahia, Ceará, Minas Gerais and Paraíba. This Program was closed in 2016, having enabled a total 24,680 families and built 20,996 cisterns, 19,647 of which first water and 1,349 of which second water.

2.5 Information and Communication Technology (ICT)

Information and Communication Technology (ICT) plays an important role in Banco do Nordeste's business model, and is the link between the corporate strategy and the products and services made available to customers. The amount invested in ICT in the first half of 2017 totaled R$ 125.6 million. The modernization through ICT investments has led the Bank to constantly improve and expand its customer service with the implementation of new and more modern digital relationship channels. Thus, in the first half of 2017, out of the Bank's total volume of transactions, approximately 80% was conducted via alternative channels (Figure 1). This represents an improvement, as compared with the same period of the prior year, when 76.5% of the transactions were conducted via alternative channels.

Figure 1 – Percentage of Banking Transactions by Channel



Source: Management Board - Superintendence of Information Technology

Volume of transactions also increased by 8.18%, considering alternative channels instead of using of the branches, as compared with the same period of the prior year, which corresponds to an increase of 1.4 million transactions.

Finally, other actions and projects performed by the Superintendence of Information Technology in the first half of 2017 to be highlighted are as follows: modernization of the infrastructure for supporting critical applications, implementation of a software continuous integration platform, in the development perimeters and systems tests, and implementation of new technology solutions (analysis of the investor's profile, Crediamigo 3.0, Agroamigo, automation of Debt Regularization Proposals (PRD) and back office central, among others).

3. BUSINESS STRATEGY

3.1 Corporate Planning

BNB planning is guided by assumptions on corporate vision, direction clarity, management for results, participation, continuity and flexibility.

Management for Results (GpR) is the corporate planning model adopted by the Bank. One of the main presuppositions of this method is the need to listen to society in order to build reality and the strategy to be adopted by the company, as well as the commitment of everyone in the organization for achieving these goals.

Therefore, the Bank prioritizes results in all its actions, which are closely related to the development of its area of activity, and reflected in the Bank's mission and vision:

> Mission: "Acting as the Development Bank of the Northeast Region".
>
> Vision: "Being the preferred Bank of the Northeast, recognized for its capacity to promote the well-being of families and the competitiveness of companies in the Region".

The implementation and success of the Bank's strategy are sustained by the principles that permeate its planning, which are Meritocracy, Focus on Customers and Results, Innovation and Integrity.

In order to comply with Law No. 13303, of 06/26/2016, which provides for the legal statute of government entities and mixed-capital publicly-held entities, the period considered for BNB's planning proposal changed from four to five years (2017-2021).

Accordingly, BNB's corporate planning for 2017-2021 comprised the following: reflexive analysis of the results achieved in the prior year, identifying opportunities for improvement; analysis of legal and regulatory aspects to which the Bank is subject; internal and external surveys; scenario studies and designs, with definition and analysis of the strategies' risk profiles.

The business strategies were defined based on analysis of the risks foreseen in the possible scenarios designed for Brazil and for the area of activity of Banco do Nordeste.

The survey findings indicated the major problems in the Region, as well as the requirements for the Bank's operation in view of the challenges in the scenarios analyzed.

Validated by external surveys, the following aspects were considered for BNB's strategic direction: supporting infrastructure modernization, promoting financial inclusion and entrepreneurship, encouraging innovation and competitiveness in the companies, promoting innovation for sustainable development, strengthening government management aimed at development and diffusion of economic intelligence.

Also validated by internal surveys, the following requirements were considered, as BNB characteristics: actively participating in the development of production chains, inducing improvement of the population's well-being, being sustainable and efficient in performing its operations, being innovative and responsive in granting credit, and disseminating new production techniques.

In its strategic planning, Banco do Nordeste also considered the agenda formulated during the United Nations Summit on Sustainable Development, having aligned its results and impacts with the six Sustainable Development Goals (ODS):

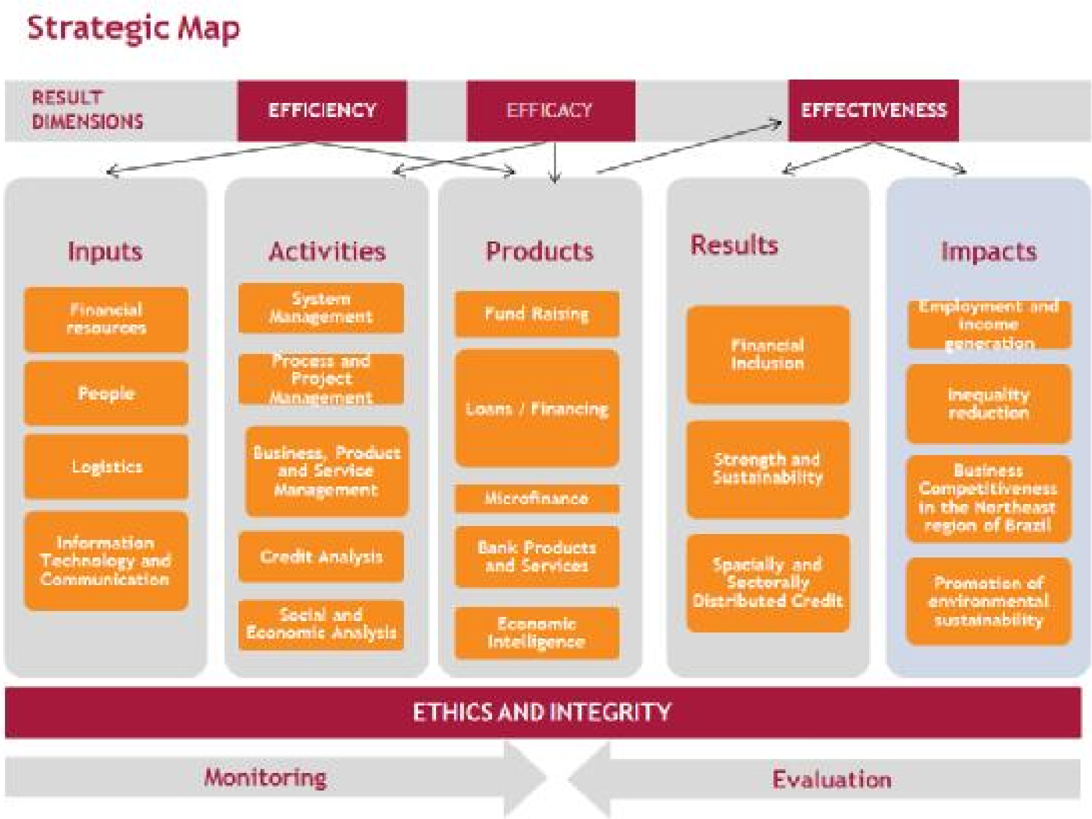
Chart 1 – Alignment of Results and Impacts with ODS

Result/Impact	**ODS objectives**
Financial Inclusion	Eradication of poverty
Solidity and Sustainability	Goal-driven partnerships
Credit distributed by geography and industry	Decent employment and economic growth
Employment and income generation	Decent employment and economic growth
Reduction of inequality	Reduction of inequality
Competitiveness of companies located in the northeast of Brazil	Industry, Innovation and Infrastructure
Environmental sustainability	Sustainable cities and communities

Source: Planning Board – Superintendence of Strategy and Organization

For communicating its strategy and involving everyone, the Bank adopts the Strategy Map, a graphic representation of its strategy, which takes into consideration the result dimensions in terms of efficiency, efficacy and effectiveness, the strategic elements of inputs, activities, products, results and impacts, and ethics, integrity, monitoring and evaluation on which this strategy is based.

Figure 1 – Strategy Map



Source: Planning Board – Superintendence of Strategy and Organization

Strategy is translated for the Bank into performance indicators and into projects, which are systematically monitored and evaluated. These results and evaluation are reported to senior management.

BNB has 17 (seventeen) projects under development, among which we highlight: New Loan Granting Process, Digital MPE, Crediamigo 3.0, Academia Banco do Nordeste and Branch Model Implementation.

In order to allow every Unit to clearly identify its effective contribution to the results and impacts sought, the agreement of result was implemented. Through this system, the professionals in charge commit to the results and the means by which such results will be obtained. The Bank also works to attract investment, supports studies and research with non-reimbursable resources, and structures development through high-impact projects. More than an agent of financial intermediation, the Bank proposes to provide integrated services to those who decide to invest in their area of activity, providing a knowledge base about the Northeast and the best investment opportunities in the Region.

3.2 Results – 1st Half of 2017

In 2017, as established in the business plan, effective results were achieved measured by the following aspects:

- Financial Inclusion: promoting financial inclusion with 1.73 million operations performed with customers by Pronaf; 1.15 million active customers in the Agroamigo Program and 1.96 million customers served by Crediamigo.

- Credit distributed by geography and industry:

    i. Level of Credit Concentration by Geography: the indicator presented a result of 14.6% in the six-month period, which demonstrates a low level of fund concentration in the states where the Bank operates;
    ii. Level of Credit Concentration by Industry: the indicator presented a result of 29.9% in the six-month period, which demonstrates a reasonable level of fund concentration in three sectors mostly (sales, livestock and services).

- Solidity and Sustainability directing efforts for efficiency gains and return on net worth, monitoring how the Bank stands relative to other public banks.

    i. Index of Return on Shareholders' Equity Average (IRPL): 18.3%. IRPL closed 2016 at 24.3%.
    ii. Efficiency Ratio (IEF): 76.6% performance 5.5 percentage points below the percentage achieved in the same position in 2016 (71.1%), since for this indicator "the lower, the better".[1]
    iii. Efficiency Index in relation to the Efficiency Index of Public Banks: 82.6%, performance 3.1 percentage points above the percentage of 85.7% achieved in the same position in 2016, since for this indicator "the lower, the better".

[1] In computing the efficiency ratio, expenses with PIS/COFINS are no longer considered for calculating Financial Margin, nor is ISS considered for calculating Administrative Expenses, due to reclassification of Tax Expenses in a specific item, compatible with corporate Statement of Profit or Loss.

3.3 2017 Challenges

For 2017, FNE Application Plan approved by Sudene Decision-making Board (Condel/Sudene) provides resources amounting to R$ 26.1 billion, of which R$ 11.4 billion as specific programs for financing economic infrastructure projects and R$ 14.7 billion as standard sector-level programs, with the projection of financing by state and sector of activity presented in Table 2.

Table 2 - FNE 2017: Financing Projection by Sate and Sector of Activity (R$ million)

STATE/INDUSTRY	Agriculture (1) (2)	Cattle raising (2) (3)	Industrial Manufacturing (1)	Agribusiness (2) (4)	Tourism	Sale & Services (1)	Infrastructure (4)	TOTAL	[%] State
AL	130.0	120.0	190.0	20.0	100.0	140.0	-	**700.0**	**4.8**
BA	1.180.0	525.0	600.0	30.0	140.0	850.0	-	**3,325.0**	**22.6**
CE	200.0	365.0	770.0	15.0	110.0	760.0	-	**2,220.0**	**15.1**
ES	65.0	50.0	170.0	15.0	10.0	60.0	-	**370.0**	**2.5**
MA	440.0	435.0	245.0	20.0	25.0	290.0	-	**1,455.0**	**9.9**
MG	200.0	250.0	100.0	5.0	5.0	230.0	-	**790.0**	**5.4**
PB	50.0	190.0	200.0	20.0	95.0	275.0	-	**830.0**	**5.7**
PE	255.0	300.0	450.0	100.0	170.0	505.0	310.0	**2,090.0**	**14.2**
PI	590.0	205.0	30.0	15.0	115.0	325.0	-	**1,280.0**	**8.7**
RN	75.0	170.0	140.0	15.0	55.0	300.0	220.0	**975.0**	**6.6**
SE	110.0	125.0	130.0	20.0	30.0	200.0	50.0	**665.0**	**4.5**
SUB TOTAL	**3,295.0**	**2,735.0**	**3,025.0**	**275.0**	**855.0**	**3,935.0**	**580.0**	**14,700.0**	**100.0**
[%] Sector	**22.4**	**18.6**	**20.6**	**1.9**	**5.8**	**26.8**	**3.9**	**100.0**	
SUB TOTAL SPECIFIC INFRASTRUCTURE PROGRAMS								**11,400.0**	
TOTAL FNE PROGRAMS								**26,100.0**	

Source: Planning Board– Superintendence of Development Policy (FNE Programs for 2017 - Banco do Nordeste).

The 2017 scenario remains challenging, renewing the need for expanding BNB actions concerning e.g. publicity to and proximity with potential customers, to increase the demand for credit, as well as the update of financing programs and credit products to adjust them to the economic context.

Demand for credit, however, is dependent upon the trust and willingness of producers and companies to invest in the production sector, which in turn is inserted in the economic situation sphere and economic, political and especially social environment perspectives.

It is therefore essential that public and private entities act to promote conditions favorable to production in areas such as promotion of investments, government programs, government procurement, concession arrangements and Public-Private Partnerships (PPP), management support and qualification, development of new markets and technology modernization.

4 Corporate governance

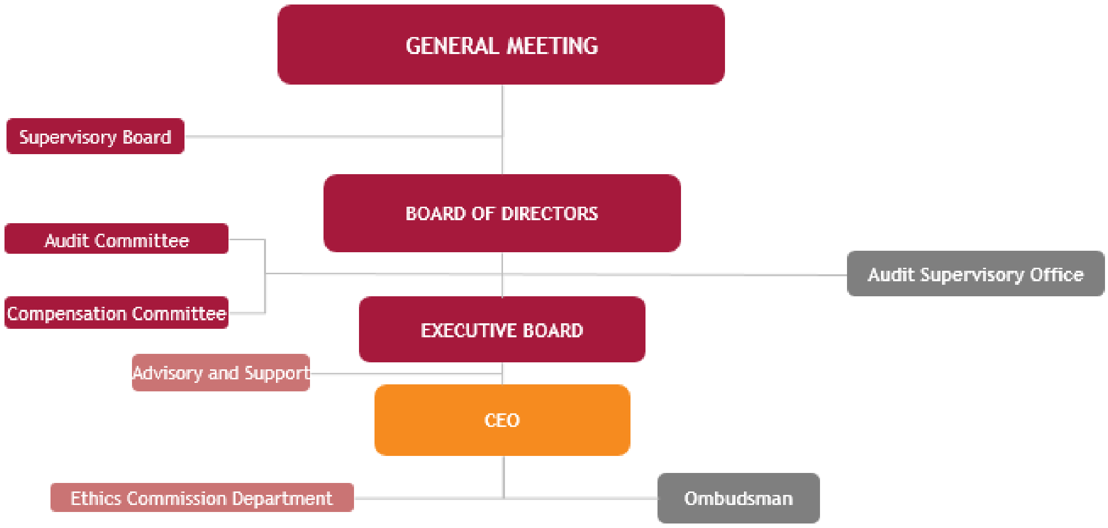
4.1 Statutory structure

Banco do Nordeste's corporate governance structure (Figure 2) includes the General Meeting, the Management Board - made up of six members, advised by the Audit Internal Audit

Committees - and the Executive Board, made up of the Chairman and six statutory officers. Banco do Nordeste also has a permanent Supervisory Board.

BNB corporate governance structure also includes the Superintendence of Auditing, which aims at evaluating the processes of risk management, controls and governance, in order to add value to the organization and reports the effectiveness of the internal control system to senior management. This office uses the process audit methodology focused on risk, through which it has deepened its knowledge of the Bank's processes and, consequently, increased its ability to assess the risks relating to these processes and their respective control structure, independently and objectively.

Figure 2 –Banco do Nordeste Corporate Governance Structure



Source: Planning Board – Superintendence of Strategy and Organization

In addition to its bylaws, the Bank has the Internal Rules of Procedures of the Executive Board, the Supervisory Board and the Audit Committee, as a guide for the actions and practices of their Statutory Governance Bodies. These documents are in line with other prevailing regulations and laws and are key corporate governance instruments to the extent that they strengthen the Bank's decision-making process and administrative and operational dynamics.

Institutional relations established by the Bank are subject to the Code of Ethical Conduct of Banco do Nordeste, available on the internet for all interested parties. This code stands out as the main guiding instrument for business ethics at the Bank. In line with two of the Bank's basic values, access and transparency of information, its organizational architecture is also standardized, including its organizational units, reporting levels, duties, organizational structure, and distribution of the number of jobs. The Bank has management mechanisms that adopt best corporate governance practices, ensuring effectiveness and independence in managing risks and internal controls.

For demonstrating that the elements of a risk management process and controls have a good degree of maturity and well defined responsibilities and maintaining a continuity plan in implementation, Banco do Nordeste received the Public Governance and Management Brazil Merit Award granted by Brazilian Federal Audit Court (TCU). The award is an incentive for public managers to adopt best practices and return the taxes paid by society as good public services.

4.2 Committees and Commissions

In line with the practices adopted in the market and in order to involve all managers in defining strategies and approving proposals for the different businesses, Banco do Nordeste has standardized the definitions regarding administrative spheres, and composition and operating rules of all its non-statutory bodies, responsible for administrative decisions, maintaining the following decision-making bodies:

a) Corporate Committees: multidisciplinary bodies responsible for the deliberation of strategic matters;

b) Strategic Commissions: bodies created with a specific purpose and defined term of operation, closed after reaching the objective that motivated their creation;

c) Subcommittees: bodies with multidisciplinary composition, created to provide support and follow the implementation of the guidelines established by the Corporate Committees to which they report;

d) Unit Management Committees: bodies in all units of the Bank, composed of management members (CEO and Officers) and managers of the main management and intermediate management areas, according to current regulations, responsible for managing the units and for the performing the roles and decisions related to their area of performance.

As a federal government company, Banco do Nordeste plans, implements and maintains IT governance practices including IT tactic level and strategic level governance bodies, in compliance with the rules set out by Brazil's Interministerial Committee of Corporate Governance and Management of Equity Interests (CGPAR).

In consonance with Law No. 12846, of August 01, 2013, regulated by Decree No. 8420 of March 18, 2015, the Executive Board approved the creation of the Committee for Administrative Proceedings on Accountability (Compar) – a non-statutory committee, by delegation of the Bank's CEO, whose objective is to hand down decisions on establishment and judgment of administrative proceedings concerning legal entity accountability, provided for in referred to law and decree.

4.3 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 competence and with ample transparency; organizational structure that ensures the segregation of duties and allows the adequate delegation of authority and attributions; in addition to policies and practices relating to management of internal control risks.

The Bank's control structure is based on a model comprised of three defense spheres, which are segregated and clearly identified in order to offer senior governance reasonable assurance that the corporate objectives are being strongly sought. These three defense lines aim at: (1) safeguarding the assets of the organization; (2) attesting the reliability and integrity of the process and the information produced; and (3) supervising / evaluating compliance with laws, regulations, policies, procedures and agreements.

1st Line of Defense - performs operational duties: Operational managers are responsible for managing risks and are "owners" of their processes; have the obligation of implementing corrective actions and processes and controls; and are responsible for ensuring that the activities (of the professionals coordinated by them) are performed in accordance with objectives and goals.

2nd Line of Defense – management duties: These professionals apply risk management techniques; assist the “owners” in defining mechanisms to mitigate risks; help senior governance (AG) define risk exposure; report to AG information relating to risks to which the Bank is subject; and help achieve compliance with laws, regulations and procedures. And most importantly: these professionals may intervene in order to modify or develop internal control.

3rd Line of Defense – independent valuation duties: These professionals assess all elements of the organization’s control and risk management structure, including with respect to the manner in which the 1st and 2nd lines of defense are working. These professionals also assess the efficiency of governance in relation to existing internal control and risk management.

The General Meeting of Shareholders, the Management Board, assisted by the Audit Committee and the Internal Audit, together with the Supervisory Board, constitute the top level of Banco do Nordeste (BNB) Governance. In the master plan, the Collegiate Board is the managing body of the Internal Control Structure, and the Chief Control and Risk Officer is responsible to the national monetary authority and other external control agencies (such as the Brazilian SEC (CVM) and the National Association of Open Market Institutions (ANBIMA), for risk management and internal controls. Decision and/or evaluation committees are also essential components of the management structure of controls and risks, which are specialized in a variety of subjects.

The Committee of Ethics of Banco do Nordeste, whose role is to promote the Code of Ethical Conduct and to represent the citizen (customer) within the business environment, including mediating conflicts and acting for the improvement of processes, is also a part of the various specialized committees of the Bank.

Segregation of duties is also applied in order to comply with the principles set out in best corporate governance practices and the regulation requirements, without prejudice to the integration of processes. In this sense, it is important to note that: a) management of third-party resources totally detached from the Bank’s resource management actions; b) the credit operation control activities are developed in a department distinct from and independent of the business area; c) risk assessment duties are segregated from those relating to the granting of credit; d) preparation/renewal of customer records, instruction of concession proposals and credit renegotiation are separated from the business area; e) the Bank’s treasury activities are separated from the Investment Fund management activities; and f) the activities relating to creation of models and methods for managing credit, market, liquidity and operational risks are separated from business management activities.

Controllership and accounting activities are segregated, which allows a better definition for the exercise of controllership, tax planning and budget duties, as well as better adjustment of activities related to accounting and financial management of FNE resources.

Banco do Nordeste (BNB) Internal Control Structure also includes the set of policies, standards and procedures that formalize decisions and administrative acts, as well as guidance for the performance of activities at different levels of the organization, which is widely accessible by the Bank’s employees.

Banco do Nordeste also differs from the other financial institutions in the country because of its mission: “to act as the Development Bank of the Northeast Region”. Therefore, it is essential to disseminate its principles of integrity, ethics and transparency among our customers, suppliers, partners and other stakeholders.

As a Bank that manages public resources, Banco do Nordeste also has a commitment to society to guide its actions in the market in a socially and environmentally responsible manner, avoiding the occurrence of fraud and corruption. To this end, the Bank develops Integrity and Ethics actions, which act as instruments of good governance, involving: ethical posture, vigilant practice of internal controls, sustainability, transparency and integrity of the organization, of its employees and partners.

The set of all policies and guidelines therefore guide Banco do Nordeste in its quest for transparency with shareholders, the market and society, for compliance with laws, standards and regulations of the national financial system and for the institutional management carried out in models that guarantee the accomplishment of its mission, continuity of the organization and generation of favorable and sustainable results.

4.4 Relationships

Customer Relationship

Banco do Nordeste excels at the quality of its relationship with its customers, providing several relationship channels as informed below:

The Citizen Information Service (SIC), created by the Access to Information Law, provides assistance through active transparency, available at http://www.bnb.gov.br/acesso-a-informacao, and for passive transparency, available at http://www.bnb.gov.br/acesso-a-informacao/servico-de-informacao-ao-cidadao-sic.

The Citizen Information and Customer Relations Center provided 1,442,434 services in the first half of 2017, referring to all channels and services: a) 167,322 requests for services provided to citizens and customers by telephone (SAC and CAC) and 47,369 by multimedia channels (SIC, email, web social networks, consumidor.gov, complaints web sites); b) 49,802 payment slips issued in response to requests for the issue of payment slips to customers; and c) 1,177,941 active services with customers providing the following services: business guidance, credit and insurance administration, monitoring of business and relationship opportunities, monitoring of bank safety, insurance renewal and electronic management services.

Ombudsman - acts as the ultimate instance to the demands of customers and users of its products and services, as well as of citizens. It is the communication channel between this public and the Institution, mediating conflicts and issuing Ombudsman Recommendations to other areas of the Bank, aiming at improving or correcting deficiencies in processes, products and services, based on the analysis of the protests received, in accordance with the provisions of Central Bank of Brazil Resolution No. 4433.

According to the Central Bank of Brazil, Banco do Nordeste is the Bank with the lowest number of complaints among banks with over four million customers. The ranking is made of claims registered by people and considers commercial banks, multiple, cooperative and investment banks, foreign bank branches, savings and loans banks, credit financing and investment entities (SCFI) and financing pool administrators.

Relationship with Society

Sponsorship - The Bank's sponsorship actions, guided by transparency and good management practices, have reconciled Federal Government guidelines to institutional and marketing interests, aiming at broadening relationships, disseminating products, expanding business and strengthening its brand. Out of the total resources earmarked for the projects sponsored in the first half of 2017, 57.6% referred to cultural actions and 42.4% to institutional/marketing projects. A total 34 cultural projects amounting to R$ 1,272,497.00 were supported, 31 of which based on Rouanet Law, and 64 of which were institutional-marketing projects. In the first half of 2017, the amount of R$ 936,914.88 (Table 3) was paid.

Table 3 – Sponsorship – 1st half of 2017

Type	Source:	Projects	Sponsorship (R$)	%
Culture and Audiovisual		**34**	**1,272,497.00**	**57.6**
Cultural Public Notice	Rouanet Law	25	884,305.00	40.0
Direct Choice	Rouanet Law	6	338,192.00	15.3
Direct Choice	Budget resources	3	50,000.00	2.3
Institutional - market-related		**64**	**936,914.88**	**42.4**
Market-related public notice	Budget resources	23	355,000.00	16.1
Direct Choice	Budget resources	41	581,914.88	26.3
Grand total		**98**	**2,209,411.88**	

Source: CEO Office – Superintendence of Marketing and Communication

Culture – For BNB, culture forms an integral part of development, by means of support to artistic and cultural activities, production, fruition, artistic and cultural education and circulation, and the granting of credit to economic activities related to the cultural production chain. Its three cultural centers located in Fortaleza and Cariri, in Ceará, and Sousa, in Paraíba offer the community a democratic space of accessibility to the various areas of arts, through free artistic and cultural agendas, promoting the formation of audiences and professional development of local and regional cultural agents. In the first half of 2017, cultural events reached an estimated audience of 177 thousand people, in the areas of performing arts (theater), visual arts, cinema, literature, music, training workshop, children's activities and cultural tradition.

Relationship with Employees

Banco do Nordeste closed the first half of 2017 with 7,187 employees, 376 high school scholars, 731 higher education scholars and 431 young apprentices in its workforce. 16,288 qualification opportunities were offered, 13,674 of which referred to Comunidade Virtual de Aprendizagem (distance education), 2,502 face-to-face courses and 112 formal education opportunities.

In addition, the electronic attendance control was implemented, a tool that allows both Bank and employees to automate and control the work journey. This initiative derives from a specific collective agreement signed by the employee representation entities (Contraf and Contec). Finally, in March 2017, the Bank promoted the change (rotation) of 103 main managers, observing the competencies and qualities of these employees in view of the challenges presented. This rotation process, based on meritocracy, allows employees to have new experiences, which adds value to their professional career and personal qualification.

5. RISK MANAGEMENT

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

The organizational structure for risk management, internal controls and corporate security is unified at the strategic level and specific as regards the Bank's business and support units, observing the principle of segregation of activities. The units and their basic responsibilities relating to risk management, internal controls and corporate security are described as follows:

- Management Board - Approve policies on risks, internal controls and corporate security;
- Executive Board - Define policies on risks, internal controls and corporate security and submit them to the Management Board; approve operating limits and risk management methodologies;
- Control and Risk Office - Coordinate the implementation of policies on risks, internal controls and corporate security; monitor the performance of areas that manage risks, internal controls and corporate security;
- Risk Management Committee - Analyze risk management issues and submit them to higher levels;
- Risk Management Tactical-Operational Subcommittee - Make decisions that are tactical-operational in nature to support the Risk Management Committee;
- Superintendence of Internal Controls, Security and Risk Management - Coordinate the operational management of risks, internal controls and corporate security, as well as monitor related results;
- Risk Management Department - Manage credit, market, liquidity and operational risks at the corporate level; propose the definition of credit, market, liquidity and operational risk management methodologies and models; promote the risk management culture dissemination at the Bank;
- Managing units of products, services, systems and processes exposed to credit, market, liquidity and operational risks - Manage risks relating to products, services, systems and processes under their oversight, and related internal controls based on defined methodologies and models.

In the management of credit risk, the following procedures are highlighted: a) Use of own credit risk management model; b) Establishment and monitoring of maximum exposure limits per client/economic group; c) Monitoring the Loan Portfolio risk concentration; d) Stress test of the loan portfolio; w) Application of the loss measurement model in accordance with the *International Financial Reporting Standards* (*IFRS*); f) Updating of the Real Estate Adjustment Index (IRBI); g) Monitoring of operations approved by the State Committees specifically with a view to maintaining at least 80% of the credit portfolio at risk levels from "AA" to "C"; H) Monitoring of the movement between rating classes of the credit portfolio (mobility and stability indexes); and i) Monitoring of the credit risk of the portfolio of investment funds managed by the Bank.

As regards operational risk management, the following activities are highlighted: a) Identification of operational risks in the institution's processes and request for the implementation of mitigating actions; b) Application of Self-Assessment of Risks and Controls in the Institution's business and support processes; c) Qualification of operational loss events observing the current Organizational Architecture; d) Realization of the calculation of the Parcel of Capital Allocation - Basic Model BIA; and e) Follow-up on the Implementation of the Response Plan - Actions Mitigating operational risks in the Institution's processes.

The following measures were adopted for market and liquidity risk management:

a) Daily control over exposures and limits of funds managed by the Treasury department;

b) Prudential adjustments to the pricing of BNB assets, pursuant to Central Bank's regulations; and

c) Monitoring the market and liquidity risks of investment fund portfolios managed by Banco do Nordeste.

The risk management area also prepares the calculation of periodic indicators and reporting for the Senior Management of Banco do Nordeste and for the Central Bank of Brazil, which addresses the following issues: a) Value of exposures to market risk in the Bank; b) Market risk plots for risk-weighted assets (RWA) and bank portfolio interest rate risk (RBAN) used in calculating minimum capital requirement; c) Bank liquidity indicators; and d) Stress tests, sensitivity analyses and adherence tests of the models used in the management of market and liquidity risks.

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

6. PERFORMANCE

6.1 Economic and financial performance

Total Assets

At the end of the first half of 2017, Banco do Nordeste's total assets were up 18.6%, as compared with the end of the first half of 2016, reaching the volume of R$ 50.6 billion. The Bank's assets also include FNE available funds (R$ 14.5 billion) as well as funds committed to FNE's loan transactions, i.e. relating to loans taken out pending drawdown (R$ 6.4 billion). The growth of Bank's asset balances from June 2016 to June 2017 is mainly due to the increase in the balance of cash and cash equivalents, interbank investments and marketable securities, mostly deriving from the increase in the inflow of FNE funds and the increase in time deposits obtained.

Table 4 shows that the total balances of FNE assets, as at 06/30/2017, were up 12.0%, as compared with the end of the first half of 2016. In the first half of 2017, FNE equity received a total R$ 3.8 billion vis-à-vis R$ 3.5 billion in the same period of 2016. In comparing these positions as at 06/30/2016 and 06/30/2017, there was a 1.7% increase in the balance of FNE loan transactions and a 46.7% increase in the balance of cash and cash equivalents and committed loans.

Table 4 – Total Assets (R$ Million)

Cash and cash equivalents,(*) interbank investments and marketable securities	27,135.4	35,584.5		8,749.8	14,451.3
Restricted loan operations	0.0	0.0		5,457.7	6,398.2
Interbank accounts	316.0	575.1		2,104.6	2,317.9
Loan operations	11,413.7	10,154.4		47,149.1	47,941.4
Other loans	3,550.2	4,073.0		8.8	8.9
Other assets	35.1	22.8		1.0	0.8
Permanent assets	230.3	204.9		0.0	0.0
Total	**42,680.7**	**50,614.7**		**63,471.0**	**71,118.5**

(*) BNB cash and cash equivalents include available funds and funds restricted to FNE's loan transactions

Source: Control and Risk Board – Superintendence of Financial Control

Marketable securities

The marketable securities portfolio balance at 06/30/2017 amounts to R$ 25.1 billion.

Abiding by Bacen Circular No. 3068, of 11/08/2002, Banco do Nordeste prepared a projected cash flow for securities portfolio classification purposes. This cash flow evidences that there are sufficient available funds to fulfill all obligations and loan extension policies without the need of selling securities classified as "Securities Held to Maturity". In view of this, the senior management of the Bank declares that the Institution has the financial capacity and the intent of holding the securities in this category until maturity.

Cash and cash equivalents – FNE

The balance of FNE cash and cash equivalents was up from R$ 8.8 billion in June 2016 to R$ 14.5 billion at June 2017. The balance of commited loans increased 16.4%, from R$ 5.5 billion in June 2016 to R$ 6.4 billion in June 2017. The increase in cash and cash equivalents refers to the fact that investments were less than new inflows and refunds due to the decrease in the economic activity. In the first half of 2017, new inflows and refunds amounted to R$ 9.1 billion and were up by 3.4% the volume de inflows and refunds in the first half of 2016, which amounted to R$ 8.8 billion.

Fundraising

At June 30, 2017, Banco do Nordeste reported funds raised that amounted to R$ 8.9 billion, a nominal increase of 0.8% (R$ 68.5 million) as compared with December/2016. Noteworthy is product Time Deposits, amounting to R$ 6.3 billion and an increase of 3.6% in the first six months of 2017.

Agribusiness Credit Bills (LCA) - In the first half of 2017, the balance of agribusiness-related bills presented a 30.8% decrease, deriving mostly from the decrease in fundraising in the period.

Detailed information on deposits and LCA amounts at June/2017 and December/2016 is as follows:

Table 5 – Fundraising (R$ million)

Fundraising activities	Jun/17	Dec/16	Variation
Cash deposits	288.9	346.0	(16.5%)
Savings-account deposits	2,117.4	2,113.3	0.2%
Time deposits	6,252.6	6,038.0	3.6%
Agribusiness Credit Bills	209.6	302.7	(30.8%)
Total	**8,868.5**	**8,800.0**	**0.8%**

Source: Control and Risk Board – Superintendence of Financial Control (Financial Statements System/Financial Transactions Department)

Investment fund management

In the first half of 2017, net worth of investment funds totaled R$ 5,755.85 million, up 6.16% from the balance at the end of 2016. At that date, Banco do Nordeste managed 22 investment funds with 66.206 shareholders, a 0.67% hike over the previous year. Revenue from fund management fees totaled R$ 16.28 million, up 6.76% from 2016.

Equity and Net Income

Banco do Nordeste's equity balance at June 30, 2017 amounted to R$ 3.3 billion. Capital amounted to R$2.8 billion, comprising 86,371,464 registered, paid-in common shares with no par value. Return on average equity in the first half of 2017 was 18.3% p.a.

Net Income for the first half of 2017, in the amount of R$ 298.0 was 32.1% higher than the same period in 2016, representing earnings of R$ 3.451 per share. Concerning performance improvement, the increase of R$ 86.9 million in revenues from services rendered is to be highlighted. FNE recorded equity amounting to R$ 71.1 billion in June 2017.

Equity adequacy ratio

It is worth noting at the end of 2016 that the Central Bank of Brazil authorized Banco do Nordeste to consider the Novation and Acknowledgment of Debt Agreement, in the amount of R$ 1 billion, executed between the Bank and the Federal Government, to be classified in Level I of Base Capital, as Principal Capital. As a result, there was a significant improvement with respect to compliance with minimum capital requirements stipulated in Basel III, which guarantees the

Bank a good margin to continue to expand its business. The Bank situation in relation to these requirements at June 30, 2017 can be seen in Table 6.

Table 6 – Minimum Capital Requirements (R$ million)

Specification	30.06.2016	30.06.2017
Base capital (PR)	**4,648**	**5,958**
. Level I	2,802	3,861
. Level II	1,846	2,097
Risk Weighted Assets (RWA)	**36,973**	**38,731**
RBAN value	**2,396**	**2,996**
Margin on Required ACP	353	1,053
Basel indexes:		
. Principal Capital Index (Minimum 4.5%)	7.58%	9.97%
. Level I Index (Minimum 6.0%)	7.58%	9.97%
. Basel Index (Minimum 9.25%) (*)	12.57%	15.38%
. Basel index including RBAN	11.81%	14.28%

(*) Basel index minimum was 9.875% at June/2016.

Source: Control and Risk Board– Superintendence of Financial Control

6.2 Operating performance

Volume of Transactions

In the first half of 2017, Banco do Nordeste conducted approximately 2.4 million long-term financing and short-term loan transactions. These transactions amounted to R$ 11.2 billion, an increase of 3.6% as compared with the prior year. Out of this amount, R$ 6.7 billion (59.8%) refer to long-term transactions and encompass rural, industrial, agro-industrial, infrastructure, trade and services investments. Information on amounts and number of long and short-term transactions is as follows:

Table 7 – Loan Transactions (R$ million)

Type	1st half of 2016		1st half of 2017		Variation
	Number	Amount	Number	Amount	
Long term	280,028	5,790.6	296,082	6,748.4	16.5%
Short term	2,240,950	5,035.7	2,063,693	4,469.6	-11.2%
Total	**2,520,978**	**10,826.3**	**2,359,775**	**11,218.0**	**3.6%**

Source: Control and Risk Office – Financial Control Supervisory Office

Transactions with funds from the Northeast Financing Constitutional Fund (FNE) represented 94.6% of long-term transactions and amounted to R$ 6.4 billion, up 19.2% as compared with the first half of 2016. (Table 8)

Table 8 – Long-term Transactions (R$ million)

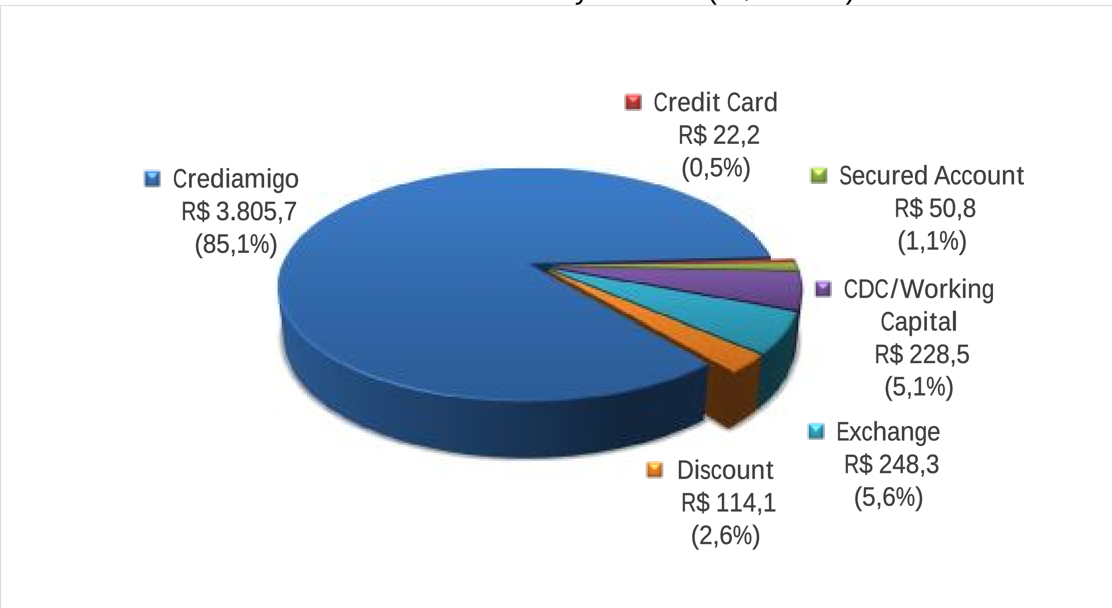
Source:	1st half of 2016		1st half of 2017		Variation
	Number	Amount	Number	Amount	
FNE	270,902	5,358.7	286,294	6,387.0	19.2%
Other	9,126	431.9	9,788	361.4	-16.3%
Total	**280,028**	**5,790.6**	**296,082**	**6,748.4**	**16.5%**

Source: Control and Risk Board – Superintendence of Financial Control

Short-term loans amounted to R$ 4.5 billion (39.8% of total loan transactions) and comprised the following products: Direct Credit to Consumer (CDC), Working Capital, Credit Card, Secured Account, Foreign Exchange and Discount, as well as Crediamigo, which was responsible for 85.1% of the amount contracted, with a volume of R$ 3.8 billion. Other highlights were Foreign Exchange transactions (R$ 248.3 million) and Direct Credit to Consumer/Working Capital (R$ 228.5 million).

Short-term loans by product are presented as follows:

Figure 2 – Short-term loan transactions
in the first half of 2017 by Product (R$ million)



Source: Control and Risk Board – Superintendence of Financial Control

Concerning loans per size, small-sized customers corresponded to 99.2% of the number of transactions in the first half of 2017, totaling R$ 7.8 billion. Large-sized totaled R$ 2.4 billion, a 23.8% increase as compared with the same period in 2016, and medium-size customers amounted to R$ 1.1 billion, a 10.2% increase, as follows:

Table 9 – Loan Transactions by size (R$ million)

Size	1st half of 2016		1st half of 2017		Variation
	Number	Amount	Number	Amount	
Small	2,500,336	7,941.9	2,340,393	7,778.8	-2.1%
Medium	15,303	972.8	14,605	1,072.5	10.2%
Large	5,339	1,911.6	4,777	2,366.7	23.8%
Total	**2,520,978**	**10,826.3**	**2,359,775**	**11,218.0**	**3.6%**

Source: Control and Risk Board – Superintendence of Financial Control

Northeast Constitutional Financing Fund (FNE)

The FNE, which is the main source of funds used by the BNB, is provided for in the Federal Constitution and regulated by Law No. 7827/1989.

Formed by 1.8% of Federal VAT (IPI) and Income Tax (IR) amount collected, FNE is intended for the financing of productive activities and aims to contribute to the economic and social development of the Northeast region and the North of Minas Gerais and Espírito Santo, its basic area of activity.

As the financial institution managing the FNE, Banco do Nordeste consolidates its role as a development bank in the Northeast region, supporting production projects and government policies focused on sustainable development.

The application of FNE funds is governed by specific regulations, directing support to priorities for regional development, and constitutes a public financing policy, with annual implementation programming prepared by Banco do Nordeste in a process involving the participation of productive sectors, support and government entities in the states. Thus, the allocation of resources in terms of public, area and economic sector is linked to the achievement of the objectives of the Fund, the demands of the states and the expected results of the action of the Bank as operator and administrator of this source of resources.

Financing implementation is also conditioned by the economic situation, which remains restrictive in 2017 and has a negative impact on the demand for credit, with the effects of the prolonged drought in the Northeast region, with postponement of investments in the Region reflecting in the different approaches to financing transaction results.

For 2017, Banco do Nordeste defined FNE Application Plan as a specific program for infrastructure projects and standard programs, which comprise the other sectors. In the first half of 2017, FNE financing totaled R$ 6.3 billion.

Due to the characteristics of infrastructure projects, notably of large size, subject to strong government regulations and presenting technical complexity, the period for preparing and analyzing the project, as well as for the procedural steps to be followed until contracting is relatively larger.

In this context, concerning the specific infrastructure program, financing in the first half of 2017 amounted to R$ 1.1 billion, relating to projects in the energy segment. The loan proposals under negotiation and following internal due process project for the end of the year an unprecedented volume in the history of FNE financing for the sector.

As part of the program for other sectors, R$ 5.2 billion in financing were contracted in the first half of 2017, a result which, although presenting a 1.5% decrease in relation to the same period in 2016, represents a 5.7% increase in number of transactions, with 286,288 financing transactions contracted, and demonstrates that BNB credit in the Region is more dispersed.

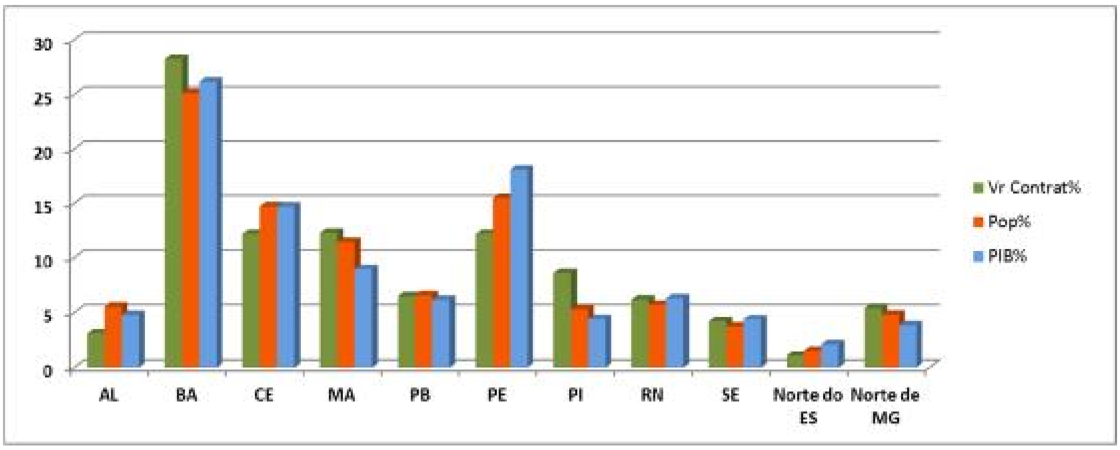
The contracts included financing to rural producers, individual entrepreneurs and companies from all 1,983 municipalities in the FNE-eligible area, covering 99.6% of the regional area of operation, with an average amount per operation of R$ 18.4 thousand and distribution by state, as shown in Table 10 and Figure 3 below.

Table 10 - BNB/FNE 2017: Financing*, Total and by State (R$ million) from Jan to Jun

State	Amount contracted (R$ thousand)	Variation contracted - %	2016 Population estimate	Pop%	2014 GDP (R$ thousand)	GDP - %
AL	164,360.5	3.1	3,358,963	5.5	40,974,994	4.8
BA	1,485,594.2	28.2	15,276,566	25.1	223,929,966	26.2
CE	642,468.5	12.2	8,963,663	14.7	126,054,472	14.7
MA	651,435.7	12.3	6,954,036	11.4	76,842,028	9.0
PB	342,204.6	6.5	3,999,415	6.6	52,936,483	6.2
PE	646,130.2	12.2	9,410,336	15.5	155,142,648	18.1
PI	453,514.9	8.6	3,212,180	5.3	37,723,497	4.4
RN	326,524.3	6.2	3,474,998	5.7	54,022,584	6.3
SE	219,048.7	4.2	2,265,779	3.7	37,472,432	4.4
North of ES	59,808.1	1.1	941,404	1.5	18,298,397	2.1
North of MG	285,239.9	5.4	2,925,653	4.8	32,765,542	3.8
Grand total	**5,276,329.6**	**100.0**	**60,782,993**	**100.0**	**856,163,043**	**100.0**

Sources: Control and Risk Board – Superintendence of Financial Control / Planning Board – Superintendence of Development Policies
(*) Except the infrastructure sector

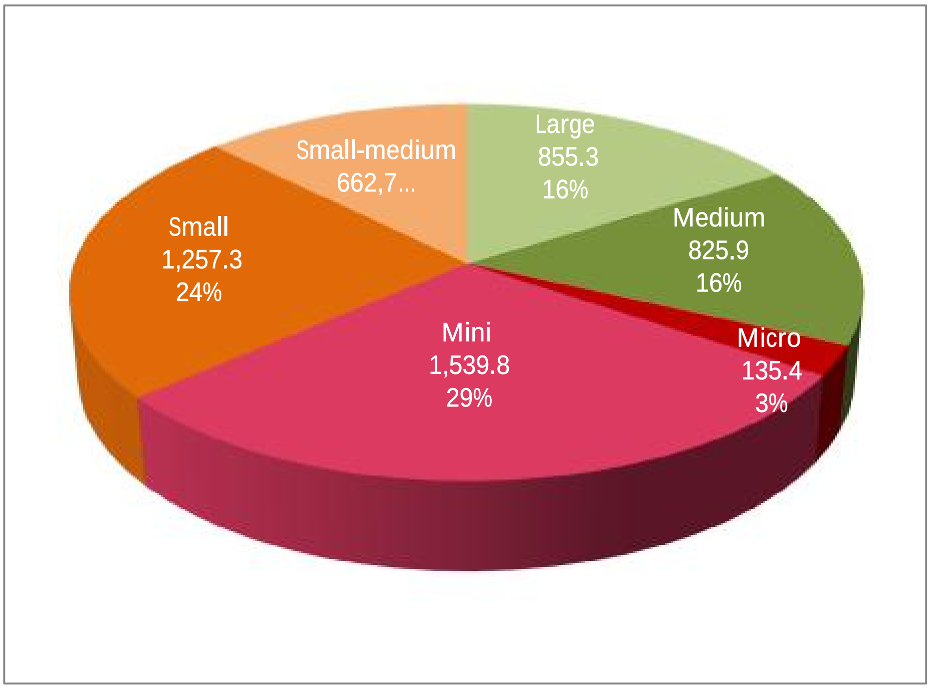
Figure 3 - BNB/FNE 2017: Financing by State (R$ million) from Jan to Jun



Sources: Control and Risk Board – Superintendence of Financial Control / Planning Board – Superintendence of Development Policies
(*) Except the infrastructure sector

Mini, micro, small and medium-sized enterprises, rural and urban, accounted for 68% of the total amount of financing contracted in the six-month period, as shown in Figure 4. In this group, highlight is given to the participation of Family farmers (also called pronafianos) and micro and small enterprises (SMEs), expressing the importance of these segments in the regional economic dynamics. Also noteworthy is the nominal growth above 50% in all smaller-size segments, as compared with the same period of the prior year, especially small and medium-sized companies, with a 198.1% increase of the total contracted.

Figure 4 - BNB/FNE 2017: Financing by size of beneficiary (R$ million) from Jan to Jun



Source: Planning Board – Superintendence of Development Policy

FNE sector distribution in the first half of 2017 highlights the volume of funds contracted in the rural sector (total agriculture and livestock, including family agriculture) and Trade and Services, which mobilized 88.8% of the financing volume.

As compared with the first half of 2016, there were severe restraining effects of the economic context, with decreases in the rural, industrial manufacturing and tourism sectors, which recorded a decrease of 23.7, 24.5% and 43.6% respectively, in relation to referred to period. On the other hand, Trade and Service activities recorded a significant increase in the volume contracted, by 73.3%. (Table 11)

Table 11 – 2017 FNE: Transactions by Economic Sector (except Infrastructure)

Sector	2016 (Jan-Jun)		2017 (Jan-Jun)		Variation Amount/Number [%] 2017/2016
	Number	Amount (R$ thousand)	Number	Amount (R$ thousand)	
Rural	257,342	3,324.5	270,807	2,537.6	-23.7
Trade and Services	11,799	1,279.3	13,670	2,217.1	73.3
Industrial Manufacturing	1,465	500.9	1,551	378.4	-24.5
Tourism	296	254.1	260	143.3	-43.6
Total	**270,902**	**5.358,7**	**286,288**	**5.276,4**	**- 1.5**

Source: Control and Risk Office – Superintendence of Financial Control
Preparation: Planning Office/Development Policy Supervisory Office

Among the rural segments, noteworthy is the volume contracted by family farmers of the Pronaf program (R$ 1.3 billion), public served using the production microcredit-oriented methodology; and contracting related to Agriculture, which increased over 100% in relation to the same period in 2016, especially as a result of livestock financing, with highlight to restoration of cattle affected by the draught and the expected climate improvement as from 2017.

In terms of the FNE financing deconcentration in the first half of by Banco do Nordeste, highlight is given not only to the significant results in support to the smaller-sized entities and the credit in almost all the municipalities covered by the Fund, but also to the approach of priority spaces, the support to sub-regional spaces, defined in the National Policy for Regional Development (PNDR), aiming at reducing regional inequalities and promoting equality in access to development opportunities.

In this regard, R$ 2.0 billion was contracted for semi-arid enterprises, which accounts for 51.1% of the annual target defined for this sub-region, an amount 1.52% higher than in the same period of 2016, growth generated mainly by raising financing to family farmers, business farmers and MPEs, in this order.

The volume of financing in priority micro regions (Low Income, Stagnant, Dynamic) in the National Policy on Regional Development (PNDR) reached a total amount of R$ 4,058.5 million, 76.9% of total FNE financing for the year. Integrated Development Regions (RIDEs) are also special attention areas in PNDR, and totaled R$ 198.7 million financing, or 52.7% of the annual goal.

To facilitate access to credit by smaller-sized companies, the Bank carries out Roving FNE, a series of meetings for the publicity, promotion and business service to micro and small enterprises (MPEs) and individual micro-entrepreneurs (MEIs), prioritizing inland municipalities in line with the National Development Policy (PNDR) criteria. The Ministry of National Integration (MI) and the Northeast Development Supervisory Office (Sudene), as institutional partners, as well as the Brazilian Micro and Small Enterprises Support Services (Sebrae), City Halls and, according to the reality of each locality, other entities, such as the Chamber of Storeowner Management (CDL) and the Regional Accounting Council (CRC) participate in those meetings.

Since its first edition, in 2010, over 800 Roving FNE events were held in the eleven financeable states. From January to June 2017, 54 events were held particularly in inland municipalities and cities with poor credit service to the production sector.

Operating Efficiency

In the first half of 2017, in comparing joint management of financial intermediation margin and revenue from services rendered, balanced against administrative expenses, performance 5.5% below the percentage obtained in the same period of the prior year is identified (76.6% in 2017, to 71.1% in 2016)

Despite the adverse macroeconomic scenario, the Bank posted positive service revenues, which reached R$ 1,194.6 million in the first half of 2017, an increase of R$ 87.0 million in relation to the same period in 2016.

Administrative expenses in the period increased by 9.0% as compared to the same period in 2016. This increase was due to annual salary adjustments, marginal increases deriving from granting of one-year length of service bonuses and promotions for time of service and merit, in personnel-related headings; and by inflation adjustments in service agreements in other administrative expenses. This combination of factors resulted in an efficiency ratio below the ratio obtained in the first half of 2016.

6.3 Performance by Segment

Family Farming

National Family Farming Strengthening Program (Pronaf) is a Federal Government program supporting family farming. Banco do Nordeste is the main financial agent of PRONAF in the Northeast region, with a loans portfolio of R$ 8.37 billion, or 1.73 million loan transactions.

In the first half of 2017, the Bank entered into 267.2 thousand financing transactions with family farmers, amounting to approximately R$ 1.31 billion, which reached 105.2% of the goal for the period. Out of this total, 68% was allocated to financing for the semi-arid region. Such information includes transactions under the Agroamigo (Rural Microcredit) program. Comparing the results achieved in 2017 with those in 2016, there was a 9.1% increase in the amount of funds invested in the segment, and the number of transactions increased by 5.5%.

Rural Property Financing Program

Banco do Nordeste operates as a Federal Government financial agent in financing for the acquisition of rural properties to family farmers that are not land owners or with temporary title to land through financing programs for the Fight against Rural Poverty (CPR) and Family Farming Consolidation (CAF), both belonging to the National Rural Property Financing Program managed by the Ministry for Agrarian Development (MDA), managed by the Special Department of Family Farming and Agrarian Development (SEAD), which reports to the Ministry of Federal Government Affairs.

The Fighting Rural Poverty program is comprised of two subprojects: the Land Acquisition Subproject (SAT), which finances the acquisition of rural property, and the Community Investment Subproject (SIC), which funds non-reimbursable community investments complementary to the association of farmers contemplated with the SAT. The Consolidating Family Agriculture Program (CAF) finances the acquisition of rural property including the existing improvements, as well as investments in basic and production infrastructure.

In the first half of 2017, through the CAF program, 156 operations were conducted, involving resources of approximately R$ 5.6 million of SAT and R$ 2.4 million, corresponding to 15 financing transactions of SIC. In the CAF program, seven operations were conducted, in the total amount of R$ 408.8 thousand (Table 12).

Worth mentioning, these credit programs are suspended as from April/2017, as established by Sead, the Program manager, considering that changes to these credit programs are currently under analysis.

Table 12 – Rural Property Financing (R$ million)

Subproject/Program	operations	Amount (R$million)
Sub-Project for Land Acquisition (SAT)	156	5.6
Community Investment Subproject (SIC)	15	2.4
Family Farming Consolidation (CAF)	7	0.4
Total	**167**	**8.4**

Source: Business Board – Superintendence of Family Farming and Micro-finance

Small and Mini Farmers

In the first half of 2017, Banco do Nordeste conducted 3,140 credit operations with customers from the Small and Mini Farmers Segment, individuals.

Funds invested, from the FNE, correspond to R$ 538.1 million, which represents 103.5% of the target set for the period. This result derived from the negotiation efforts, daily monitoring of transactions performed in the branches and Credit Centrals, as well as various improvements relating to process simplification.

Financing distributed by state is shown in Table 13 below, with highlight to the states of Bahia and Maranhão, which account for 26% and 21% of the total funds applied in the first half of 2017.

Table 13 – Distribution of FNE PMPR funds applied per state (R$ million)

STATE	QUANTITY TRANSACTIONS	PARTIAL GOAL (JAN TO JUN/2017)	AMOUNTS CONTRATED	% ACHIEVED	% PARTICIPATION
	185	20,000	20,470	102.35%	4%
BA	522	127,500	139,328	109.28%	26%
CE	371	55,000	36,856	67.01%	7%
MA	510	95,000	114,729	120.77%	21%
MG/ES	221	60,000	64,087	106.81%	12%
PB	153	17,500	17,894	102.25%	3%
PE	256	42,500	37,020	87.11%	7%
PI	255	40,000	31,092	77.73%	6%
RN	138	17,500	13,938	79.64%	3%
SE	529	45,000	62,687	139.30%	12%
TOTAL	**3140**	**520,000**	**538,100**	**103.48%**	**100%**

Source: Control and Risk Board – Superintendence of Financial Control

Rural Micro entrepreneurs - Agoramigo

The Agroamigo rural microcredit program of Banco do Nordeste, launched in 2005, assumes extension of oriented and monitored loans to family farmers, using internal methodology, adjusted to rural environment conditions, through Pronaf.

In the first half of 2017, Banco do Nordeste financed R$ 1.05 billion through the program, up 5.56% as compared with the amounts contracted in the first half of 2016. The Program closed 255.5 thousand transactions with an active portfolio totaling R$ 3.79 billion and over 1.3 million transactions. Out of the universe of 1.15 million customers, approximately 94% hold a checking account in the Bank. Agroamigo serves family farmers through two modalities: Agroamigo Crescer, aimed at the customers of Pronaf Group B and Agroamigo Mais, to serve other Pronaf groups, in operations of up to R$ 15 thousand, except for Groups A and A/C. Approximately 60% of customers served by Agroamigo are beneficiaries of the Brazilian monthly family stipend program [Bolsa Família].

Amounts and number of transactions conducted by Agroamigo are contained in the information related to the Family Farming segment.

Urban Micro entrepreneurs – Crediamigo

Banco do Nordeste operates in the urban microfinance segment through the Crediamigo Program, which offers financial services integrated with corporate advisory services. In order to render the program operational, BNB uses a credit granting method based on joint guarantee, contributing to the development of microenterprises and ensuring new employment and income opportunities in a sustainable, timely, appropriate and accessible manner.

This program is present in 1,989 municipalities of the northeast region, north of the states of Minas Gerais and Espírito Santo, and has 460 units and service units. Until June 2017, R$ 3.8 billion were disbursed, having benefitted two million customers with active loans. In this universe, 67%, i.e. approximately 1.3 million are women entrepreneurs in the area where the program operates. Additionally, 49% of the beneficiaries have family income of up to R$ 1 thousand and 43% are also Bolsa Família beneficiaries. In this period, 4.2 million transactions were conducted. Crediamigo operational capacity reached the average of 15.6 thousand disbursement per day. Default, represented by loans in arrears for more than 90 days in relation to the active portfolio, stood at 1.89%. Concerning production activity sectors, 90% refers to trade, 9% to services and 1% to industrial manufacturing.

Micro and Small Companies

In the first half of 2017, Banco do Nordeste conducted 13,232 transactions with micro and small enterprises (segment whose revenue reaches R$3.6 million), representing the amount of R$ 1,072.3 million financed with FNE resources, which corresponds to a 12.5% increase as compared with the same period of the prior year. Using FNE and Recin funds, R$ 1,217.3 million were contracted in the first six months of the year, serving 11,746 micro and small companies in 27,376 loan transactions.

The trade sector was the most favored, with loans of R$ 646.6 billion, or 60.3% of total FNE funds 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), 6,347 loans were taken out only with FNE funds, representing 47.8% of total loan transactions.

Facing the challenge of being recognized as the Bank that is the partner to Micro and Small Companies in the northeast of Brazil *[“Banco parceiro das Micro e Pequenas Empresas nordestinas”]* and of becoming the leading services provider to this important segment of the Brazilian economy, in 2017, Banco do Nordeste continues seeking to offer innovative solutions to MPE’s, through initiatives that aim at providing entrepreneurs with more accessible agile services. One of these initiatives was GIRO BNB DIGITAL – automated pre-approved revolving credit, made possible through partnership with wholesalers, who will provide guarantees for retailers upon loan transactions, thus facilitating inventory replacement. This product is among the initiatives of the MPE Digital Project, which aims at offering various digital instruments until the end of 2017, in order to support small businesses.

In the first half of 2017, the MPE Digital Project provided simulators of the various credit products on the internet; application MPE na Mão and Consultor Virtual are other tools that were made available, to support portfolio management by business managers; and the range of services provided by the Customer Relationship Central was increased, which in many cases reduced the need for customers to go to the branches.

Business

The Business segment comprises small-medium, medium and large-sized companies, covering corporate entities whose annual revenues range from R$ 3.6 million up to R$ 200.0 million. At the end of the first half of 2017, in relation to customers included in the Business and Customer Service Portfolios, the Bank reached a total of 8,297 customers, an 8% increase as compared with the existing customer base at the end of 2016.

Until June 2017, the Business Segment portfolios presented the following results: contracting of short-term credit and foreign trade in the amount of R$ 510.0 billion; specialized credit contracts, including operations with FNE and FNE Infrastructure funds in the amount of R$ 2.35 billion. As regards investment operations, in the position until the May/17, the segment reached an average balance of R$ 2.76 billion.

Corporate

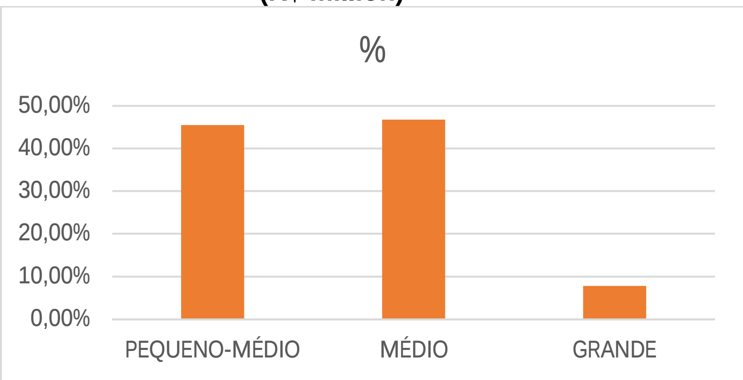
The Corporate segment comprises 656 customers with annual revenue in excess of R$ 200 million. The segment closed the first half of 2017 with investments of approximately R$ 671.8 million. Long-term loans amounted to R$ 436.1 million with FNE funds. Short-term credit operations (Internal and External Resources) amounted to R$ 235.7 million. In the scope of investment activities, average fundraising was maintained at R$ 3.4 billion (average balance), position until May/2017. In comparing transactions funded by FNE in the 1st half of 2017 with the same period in 2016, we note a 43% increase in the total volume of transactions, mostly due to the decrease in FNE fee for large-sized customers, which are rather sensitive to changes in the economy.

Agribusiness - Individuals

BNB activity is outstanding in supporting Agribusiness, strongly contributing to the sector increase and consolidation. The type of financing offered in the Planta Nordeste program (revolving costing) is a key differential in terms of operational tools, since besides mitigating risk, this tool provides agility in cost operation contracting, including cattle raising and fattening.

In the first half of 2017, BNB contracted R$ 399.6 million loan transactions funded by FNE in segment Agribusiness - Individuals. Over 92.2% of the funds applied were allocated to small-medium and medium-sized rural producers (Figure 5), which demonstrates commitment with the Bank's mission as development bank of the northeast region.

Figure 5 – Distribution of funds applied in FNE Agribusiness per type of customer (R$ million)



Source: Control and Risk Board – Superintendence of Financial Control

Taking into consideration the seasonal nature of Agribusiness in the northeast region of Brazil and the various partnerships entered into, an increase in the volume of transactions is expected in the second half of 2017.

Individuals

The Individuals Segment, intended to meet the demands of salaried individuals, and partners and employees of companies that are Bank customers, ended the first half of 2017 with an average balance of R$ 248 million in Commercial Credit operations and reached R$ 1.6 billion as average balance of financial investments.

In the first half of 2017, the credit process was improved and tools were made available to the network of branches, such as Consultor Virtual and Análise Evolutiva of portfolios, which help manage portfolios in the search for better results.

Government

Banco do Nordeste, as the Agent of the Federal Government, operates as a custodian of agreement funds, and as an authorized representative of the Government in pass-through arrangements arising from Voluntary Transfers of the Federal Government General Budget (OGU) for states, municipalities and nongovernmental entities. Therefore, Government segment customers comprise public administration agencies, both direct and indirect, with all their respective bodies, except for companies pertaining to indirect public administration, called non-dependent companies, according to current legislation.

At the end of the first half of 2017, the government portfolio, comprising 1,941 customers, reached R$ 1.32 billion in debt balance of credit operations and an average balance of R$ 1.01 billion in financial investments.

6.4 Recovery of Loans

Amounts received in the first half of 2017 in connection with the recovery of loans were over R$ 2.6 billion, with some R$ 352.9 million received in cash. From this total regularized, 92,106 FNE-sourced transactions and 12,976 non-FNE-sourced transactions.

The total recovered was 237.88% above the amount recovered in the first half of 2016. The significant increase in the volume recovered derived mostly from Law No. 13340/16, which allows rural producers to settle or renegotiate the transactions contracted until 2011. From this amount recovered, over R$ 1.3 billion was effectively performed under referred to law.

7. SOCIAL SECURITY AND EMPLOYEES' HEALTH CARE ENTITIES

7.1 Camed

Banco do Nordeste Employees' Health Care (Camed Saude), created in 1979, is a member of the Camed Group, together with Camed Administradora e Corretora de Seguros Ltda. and Creche Paulo VI. Camed Saúde has a portfolio of 38,525 beneficiaries and is present in the Northeast and Southeast regions, north of Minas Gerais, besides the Federal District. Camed

Saúde's accumulated operating revenue in the first half of 2017 is R$ 99 million, a 6% increase when compared with the same period in 2016, which represents an increase by R$ 5.6 million.

Camed Corretora, which is present throughout Brazil, through the Bank's Branches, ends the first half of 2017 with the expected amount of R$ 18 million in insurance commission revenues, representing a growth of 9% in relation to the same period of the prior year.

7.2 Capef

Caixa de Previdência dos Funcionários do Banco do Nordeste (Capef) is a closed-end Private Pension Plan Entity (EFPC) organized in 1967 that administers equity of R$ 4.19 billion at June 30, 2017.

Capef has 12,053 participants and beneficiaries, relating to two private pension plans, namely a Defined Benefit (DB) plan that is now closed for the admission of new members, and the Variable Contribution plan (VC I), organized in 2010.

In the first half 2017, the DB Plan had 1,729 active members, 3,643 retirees and 1,213 pensioners, and yield of 4.83% equivalent to 126.44% of its actuarial target of 3.82% (INPC + 5.50% p.a.).

The VC I plan is in the capitalization phase. Until June 2017, the VC I plan attained yield of 4.88% or 125.45% of its actuarial target of 3.89% (IPCA + 5.50% p.a.). At the end of the first half of 2017, the plan had 5,343 active members, 95 retirees and 30 pensioners.

8. LEGAL INFORMATION

In relation to Brazilian Securities and Exchange Commission (CVM) Rule No. 381/03, dated January 14, 2003, Banco do Nordeste informs hereby that *Ernst & Young* Auditores Independentes S/S, engaged as Independent Auditor, did not provide, in the first half of 2017, any services other than independent audit services.

Financial Statements

B A N K

In thousands of reais (R$)

Position: 30.06.2017

BALANCE SHEETS

Six-month periods ended June 30, 2017 and 2016

General Management and Branches in Brazil

(Amounts in R$ thousand)

A S S E T S

		06.30.2017	06.30.2016
CURRENT ASSETS		**20.926.941**	**19.129.631**
CASH AND CASH EQUIVALENTS	(Note 5)	154.448	233.478
INTERBANK INVESTMENTS	(Note 6.a)	10.355.437	8.477.049
Open market investments		10.136.676	8.477.049
Interbank deposits		218.761	-
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	3.805.816	2.464.678
Own portfolio		2.876.787	1.091.224
Linked to repurchase agreements		929.029	1.083.347
Linked to guarantees given		-	290.107
INTERBANK ACCOUNTS		518.520	254.110
Unsettled payments and receipts		98.106	71.716
Restricted Credits:			
Central Bank Deposits	(Note 8.a)	419.101	179.888
Interbank Onlending		-	1.552
Correspondents		1.313	954
INTERDEPARTMENTAL ACCOUNTS		-	150
Internal transfer of funds		-	150
LOANS		4.253.908	4.891.572
Loans	(Note 9.a)	4.847.785	5.378.613
Public sector		247.750	227.438
Private sector		4.600.035	5.151.175
(Allowance for loan losses)	(Note 9.a)	(593.877)	(487.041)
OTHER CREDITS		1.815.953	2.773.463
Exchange portfolio	(Note 10.a)	389.452	604.342
Income receivable	(Note 10.b)	19.127	13.640
Securities trading	(Note 10.c)	12	12
Other	(Note 10.d)	1.680.747	2.348.463
(Allowance for other loan losses)	(Note 10.e)	(273.385)	(192.994)
OTHER ASSETS		22.859	35.131
Other assets		14.785	14.363
(Valuation allowance)		(624)	(615)
Prepaid expenses		8.698	21.383
LONG-TERM RECEIVABLES		**29.482.876**	**23.320.715**
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	21.268.755	15.960.204
Own portfolio		20.537.326	15.513.625
Linked to repurchase agreements		2.968	48.554
Derivative financial instruments		430.233	374.454
Linked to guarantees given		298.228	23.571
INTERBANK ACCOUNTS		56.586	61.673
Restricted Credits:			
National Housing System (SFH)	(Note 8.a)	56.586	61.673
LOANS		5.900.521	6.522.087
Loans	(Note 9.a)	6.401.171	7.045.634
Public sector		1.072.368	1.190.372
Private sector		5.328.803	5.855.262
(Allowance for loan losses)	(Note 9.a)	(500.650)	(523.547)
OTHER CREDITS		2.257.014	776.751
Income receivable	(Note 10.b)	-	18.048
Other	(Note 10.d)	2.285.502	805.662
(Allowance for other loan losses)	(Note 10.e)	(28.488)	(46.959)
PERMANENT ASSETS	(Note 12)	**204.886**	**230.330**
INVESTMENTS		1.912	1.898
Other investments		7.215	7.201
(Provision for losses)		(5.303)	(5.303)
PROPERTY AND EQUIPMENT IN USE		183.071	211.373
Property and equipment in use		169.752	170.087
Revaluation of property and equipment in use		107.131	107.628
Other property and equipment in use		289.236	280.289
(Accumulated depreciation)		(383.048)	(346.631)
INTANGIBLE ASSETS		19.903	17.056
Intangible assets		19.903	17.056
DIFERRED CHARGES		-	3
Organization and expansion costs		-	284
(Accumulated amortization)		-	(281)
TOTAL ASSETS		**50.614.703**	**42.680.676**

BALANCE SHEETS

Six-month periods ended June 30, 2017 and 2016

General Management and Branches in Brazil

(Amounts in R$ thousand)

L I A B I L I T I E S A N D E Q U I T Y

		06.30.2017	06.30.2016
CURRENT LIABILITIES		**18.979.256**	**14.272.806**
DEPOSITS	(Note 13.b)	5.882.463	5.556.136
Demand deposits		288.938	328.953
Savings deposits		2.117.379	1.866.819
Interbank deposits		1.479.247	1.086.619
Time deposits		1.996.899	2.273.745
OPEN MARKET FUNDING	(Note 13.c)	989.906	1.156.103
Own portfolio		928.451	1.082.848
Third-party portfolio		61.455	73.255
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	217.641	271.844
Funds from real estate, mortgage, credit and similar notes		209.646	264.087
Liabilities for foreign marketable securities		7.995	7.757
INTERBANK ACCOUNTS		45.011	55.105
Unsettled payments and receipts		45.011	55.105
INTERDEPARTMENTAL ACCOUNTS		21.388	5.619
Third-party funds in transit		21.271	5.561
Internal transfers of funds		117	58
BORROWINGS	(Note 14.b)	493.379	606.818
Foreign borrowings		493.379	606.818
DOMESTIC ONLENDING – OFFICIAL INSTITUTION	(Note 14.c)	160.759	152.824
National Treasury		186	250
National Bank for Economic and Social Development (BNDES)		136.221	126.332
FINAME		24.352	26.242
FOREIGN ONLENDING	(Note 14.d)	143.349	139.111
Foreign onlending		143.349	139.111
OTHER LIABILITIES		11.025.360	6.329.246
Collection of taxes and other contributions	(Note 16.a)	21.481	43.894
Exchange portfolio	(Note 16.b)	9.277	10.557
Social and statutory	(Note 16.c)	89.754	70.220
Tax and social security	(Note 16.d)	247.456	423.966
Securities trading	(Note 16.e)	153	693
Financial and development funds	(Note 16.f)	7.414.405	3.394.496
Other	(Note 16.i)	3.242.834	2.385.420
LONG-TERM PAYABLES		**28.346.925**	**25.372.675**
DEPOSITS	(Note 13.b)	5.082.000	4.538.156
Interbank deposits		60.306	141.985
Time deposits		5.021.694	4.396.171
OPEN MARKET FUNDING	(Note 13.c)	2.928	48.034
Own portfolio		2.928	48.034
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	1.012.333	960.008
Liabilities for foreign marketable securities		1.012.333	960.008
DOMESTIC ONLENDING – OFFICIAL INSTITUTION	(Note 14.c)	1.446.551	1.565.859
National Treasury		261	194
BNDES		1.367.019	1.462.390
FINAME		79.271	103.275
FOR FOREIGN ONLENDING	(Note 14.d)	561.997	681.304
Foreign onlending		561.997	681.304
OTHER LIABILITIES		20.241.116	17.579.314
Financial and development funds	(Note 16.f)	14.378.737	11.785.391
Subordinated debt eligible to capital	(Note 18)	2.118.431	1.898.225
Debt instruments eligible to capital	(Note 16.g)	1.000.000	1.000.000
Other		2.743.948	2.895.698
EQUITY	(Note 19)	**3.288.522**	**3.035.195**
CAPITAL		2.844.000	2.844.000
Domiciled in Brazil		2.844.000	2.844.000
REVALUATION RESERVES		12.829	15.556
INCOME RESERVES		1.379.691	771.046
EQUITY ADJUSTMENTS		(947.998)	(595.407)
TOTAL LIABILITIES AND EQUITY		**50.614.703**	**42.680.676**

INCOME STATEMENT

Six-month periods ended June 30, 2017 and 2016

General Management and Branches in Brazil

(Amounts in R$ thousand)

		1st half of 2017	1st half of 2016
INCOME FROM FINANCIAL INTERMEDIATION		**2.784.436**	**2.545.252**
Loans	(Note 9.a.2)	949.780	1.041.458
Gains (losses) on marketable securities transactions	(Note 7.b)	1.764.113	1.695.757
Gain (loss) on Derivative financial instruments	(Note 7.d)	8.952	(255.902)
Foreign exchange gains (losses)	(Note 11.b)	62.507	43.137
Compulsory deposit gains (losses)	(Note 8.b)	(916)	20.802
EXPENSES FROM FINANCIAL INTERMEDIATION		**(2.157.368)**	**(1.935.107)**
Open Market Funding	(Note 13.d)	(626.455)	(686.500)
Borrowings and onlending	(Note 14.e)	(1.154.511)	(907.285)
Allowance for loan losses	(Note 9.e)	(376.402)	(341.322)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		**627.068**	**610.145**
OTHER OPERATING INCOME/EXPENSES	(Note 20)	**(338.090)**	**(273.228)**
Income for services provided		1.156.523	1.073.029
Income from bank fees		32.763	29.345
Personnel expenses:		(916.557)	(857.602)
Personnel expenses		(816.452)	(764.359)
Post-employment benefits		(100.105)	(93.243)
Other administrative expenses		(597.357)	(534.661)
Tax expenses		(147.801)	(142.768)
Other operating income		854.079	1.320.787
Other Operating expenses		(719.740)	(1.161.358)
OPERATING INCOME (EXPENSE)		**288.978**	**336.917**
NON-OPERATING INCOME (EXPENSE)		**(2.393)**	**205**
INCOME BEFORE INCOME TAXES AND PROFIT SHARING		**286.585**	**337.122**
INCOME AND SOCIAL CONTRIBUTION TAXES	(Note 21)	**30.487**	**(96.367)**
Provision for income tax		(18.600)	(88.424)
Provision for social contribution tax		(15.027)	(69.868)
Deferred tax asset		64.114	61.925
STATUTORY PROFIT SHARING		**(19.031)**	**(15.191)**
NET INCOME		**298.041**	**225.564**
INTEREST ON EQUITY	(Note 19.d)	**(69.233)**	**(54.012)**
Number of shares (in thousands)		86.371	86.371
Basic/diluted earnings per share (in R$)		3,45	2,61

STATEMENT OF CHANGES IN EQUITY

Six-month periods ended June 30, 2017 and 2016

General Management and Branches in Brazil

(Amounts in R$ thousand)

EVENTS	PAID-IN CAPITAL	REVALUATION RESERVE	INCOME RESERVE		EQUITY ADJUSTMENTS	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
	CAPITAL	OWN ASSETS	LEGAL	STATUTORY			
BALANCES AT 12.31.2015	**2.844.000**	**16.621**	**200.726**	**397.703**	**(615.864)**	**-**	**2.843.186**
EQUITY ADJUSTMENTS:							
Marketable securities adjustment					117.384		117.384
Actuarial gains (losses)					(96.927)		(96.927)
OTHER EVENTS:							
Revaluation of assets:							
Reserves realized (net of tax effects)		(1.065)				1.065	-
NET INCOME FOR THE SIX-MONTH PERIOD						225.564	225.564
Allocations:							
Reserves			11.278	161.339		(172.617)	-
Provision for dividends/IOE						(54.012)	(54.012)
BALANCES AT 06.30.2016	**2.844.000**	**15.556**	**212.004**	**559.042**	**(595.407)**	**-**	**3.035.195**
CHANGES FOR THE SIX-MONTH PERIOD	**-**	**(1.065)**	**11.278**	**161.339**	**20.457**	**-**	**192.009**
BALANCES AT 12.31.2016	**2.844.000**	**14.491**	**237.329**	**920.622**	**(653.947)**	**-**	**3.362.495**
PRIOR YEARS' ADJUSTMENTS:							
Positive						2.898	2.898
Negative						(12.035)	(12.035)
EQUITY ADJUSTMENTS:							
Marketable securities adjustment					30.659		30.659
Actuarial gains (losses)					(324.710)		(324.710)
OTHER EVENTS:							
Revaluation of assets:							
Reserves realized (net of tax effects)		(1.662)				2.069	407
NET INCOME FOR THE SIX-MONTH PERIOD						298.041	298.041
Allocations:							
Reserves			14.902	206.838		(221.740)	-
Provision for dividends/IOE						(69.233)	(69.233)
BALANCES AT 06.30.2017	**2.844.000**	**12.829**	**252.231**	**1.127.460**	**(947.998)**	**-**	**3.288.522**
CHANGES FOR THE SIX-MONTH	**-**	**(1.662)**	**14.902**	**206.838**	**(294.051)**	**-**	**(73.973)**

CASH FLOW STATEMENTS
Six-month periods ended June 30, 2017 and 2016
General Management and Branches in Brazil
(Amounts in R$ thousand)

	06.30.2017	06.30.2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Period	**298.041**	**225.564**
Adjustments to Net Income:		
Depreciation and Amortization Expenses	20.215	21.397
Provision for impairment of other assets	11	(10)
Net Allowance for loan losses	275.342	338.833
Net Allowance for Losses on Other Receivables	101.060	2.489
Net Provision for Financial Guarantees provided (FNE Risks)	390.384	427.395
Net Provision for Financial Guarantees provided (FDNE Risks)	75	17
Net Provision for contingencies	16.396	72.000
Net Provision for other contingencies	6.808	21.456
Net Provision (Post-Employment Benefits)	99.452	92.813
Provision for Debt Instruments Eligible to Capital	45.018	67.050
Monetary Restatement of Judicial Deposits	26.012	34.156
Deferred Tax Asset	64.115	61.925
(Reversal of) Provision for Losses on Restricted Credits-SFH	(11.706)	14.544
Setup (Reversal of) Other operating provisions	-	(185)
Adjusted net income	**1.331.223**	**1.379.444**
Interbank investments	(455.586)	(5.484)
Interbank and Interdepartmental accounts	(217.544)	(58.828)
Loans	708.635	447.418
Other Credits	(87.754)	297.658
Other assets	9.314	(3.036)
Deposits	331.131	(690.611)
Open Market Funding	23.197	(467.106)
Funds from acceptance and issue of securities	(68.896)	(187.620)
Loans and onlending obligations	(265.231)	(644.495)
Derivative financial instruments	(26.745)	236.021
Other liabilities	3.686.930	2.603.393
Income and Social Contribution Taxes Paid	(93.348)	(212.107)
Available-for-Sale Securities	(4.168.291)	(6.216.247)
Prior periods' adjustment	(9.137)	-
Reversal of Revaluation Reserve	407	-
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	**698.305**	**(3.521.600)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(3)	(32)
Addition to property and equipment in use	(17.184)	(20.663)
Addition to intangible assets	-	(446)
Addition to assets not for own use	(399)	(153)
Disposal (write-off) of property and equipment in use	6.655	3.903
Disposal of assets not for own use	15	63
CASH USED IN INVESTING ACTIVITIES	**(10.916)**	**(17.328)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends and interest on equity paid	(69.021)	(17.722)
Hybrid debt/equity instruments	-	(393.390)
Debt Instruments Eligible to Principal Capital	(213.928)	-
CASH USED IN FINANCING ACTIVITIES	**(282.949)**	**(411.112)**
Increase/(decrease) in cash and cash equivalents	**404.440**	**(3.950.040)**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
At beginning of period	9.429.229	12.587.311
At end of period	9.833.669	8.637.271
Increase/(decrease) in cash and cash equivalents	**404.440**	**(3.950.040)**

STATEMENTS OF VALUE ADDED

Six-month periods ended June 30, 2017 and 2016

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2017	%	06.30.2016	%
REVENUES	**3.729.267**		**3.465.938**	
Financial intermediation	2.784.436		2.545.252	
Services rendered and bank fees	1.189.286		1.102.374	
Allowance for loan losses	(376.402)		(341.322)	
Other income/expenses	131.947		159.634	
EXPENSES FROM FINANCIAL INTERMEDIATION	**(1.780.966)**		**(1.593.785)**	
INPUTS ACQUIRED FROM THIRD PARTIES	**(557.510)**		**(494.581)**	
Materials, energy and other expenses	(45.373)		(42.050)	
Third-party services	(271.485)		(257.971)	
Other	**(240.652)**		**(194.560)**	
Data processing and telecommunications	(142.937)		(111.252)	
Advertising, promotions and publications	(12.918)		(6.712)	
Transportation	(13.608)		(13.360)	
Security	(30.075)		(26.778)	
Travel	(6.919)		(6.710)	
Other	(34.195)		(29.748)	
GROSS VALUE ADDED	**1.390.791**		**1.377.572**	
RETENTIONS	**(20.215)**		**(21.397)**	
Depreciation, Amortization and Depletion	(20.215)		(21.397)	
NET VALUE ADDED PRODUCED BY THE ENTITY	**1.370.576**		**1.356.175**	
TOTAL VALUE ADDED TO BE DISTRIBUTED	**1.370.576**		**1.356.175**	
DISTRIBUTION OF VALUE ADDED	**1.370.576**		**1.356.175**	
PERSONNEL	**805.078**	**58,7**	**753.576**	**55,6**
WORK COMPENSATION	**568.687**	**41,5**	**527.929**	**38,9**
Salaries	549.656		512.738	
Profit sharing	19.031		15.191	
BENEFITS	**193.925**	**14,1**	**186.655**	**13,8**
Provisions (post-employment benefits)	100.106		93.243	
Benefits - Other	93.819		93.412	
FGTS	**42.466**	**3,1**	**38.992**	**2,9**
TAXES, RATES AND CONTRIBUTIONS	**247.825**	**18,1**	**358.352**	**26,4**
Federal	232.664		344.436	
State	31		17	
Municipal	15.130		13.899	
THIRD-PARTIES CAPITAL REMUNERATION	**19.632**	**1,4**	**18.683**	**1,4**
Rent	19.632		18.683	
EQUITY REMUNERATION	**298.041**	**21,7**	**225.564**	**16,6**
INTEREST ON EQUITY (IOE)	**69.233**	**5,1**	**54.012**	**4,0**
Federal Government	35.309		27.546	
Other	33.924		26.466	
RETAINED PROFITS IN THE PERIOD	**228.808**	**16,7**	**171.552**	**12,6**

NOTES TO FINANCIAL STATEMENTS
Six-month periods ended June 30, 2017 and 2016
Amounts expressed in thousands of reais, unless otherwise stated

Contents - Notes to Financial Statements

NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará, Brazil, and its mission is: "to operate as the Development Bank for the Brazilian Northeast Region". Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, except mortgage loan portfolio. 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 from the Brazilian Corporation Law, as amended by Laws No. 11638 and No. 11941 of 12.28.2007 and 05.27.2009, respectively, and regulations of the National Monetary Council (*Conselho Monetário Nacional - CMN*), the Central Bank of Brazil (*Banco Central do Brasil - BACEN*), and the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários - CVM*), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional - Cosif*).

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

- CPC 00 (R1) - The Conceptual Framework for Financial Reporting (CMN Resolution No. 4144 of 09.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566 of 05.29.2008);
- CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements (CMN Resolution No. 640 of 10.07.2010);
- CPC 03 - Cash Flow Statement - (CMN Resolution No. 3604 of 08.29.2008);
- CPC 05 - Related-Party Disclosures (CMN Resolution No. 3750 of 06.30.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557 of 11.12.2008);
- CPC 12 - Present Value Adjustment (CVM Rule No. 564 of 12.17.2008);
- CPC 22 - Segment Reporting (CVM Rule No. 582 of 07.31.2009);
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors (CMN Resolution No. 4007 of 08.25.2011);
- CPC 24 - Subsequent Events (CMN Resolution No. 3973 of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823 of 12.16.2009);
- CPC 26 (R1) - Presentation of Financial Statements (CVM Rule No. 760 of 12.22.2016);
- CPC 27 - Property, Plant and Equipment (CVM Rule No. 583 of 07.31.2009);
- CPC 32 - Income Taxes (CVM Rule No. 599 of 09.15.2009);
- CPC 33 (R1) - Employee Benefits (CMN Resolution No. 4424 of 06.25.2015); and
- CPC 41 - Earnings per Share (CVM Rule No. 636 of 08.06.2010).

NOTE 3 - Summary of Significant Accounting Practices

a) Functional Currency

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

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

At the end of each period, monetary assets and liabilities denominated in foreign currency are restated by the average exchange rate, and any variations are recorded in P&L 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 marketable securities immediately convertible into cash or with original maturity equal to or less than ninety days, with an insignificant risk of change in their market value.

e) Interbank Investments

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

f) Marketable Securities

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

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

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

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

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 income or expense accounts. The rates disclosed by B3 S.A.are used to calculate the market value of these transactions.

Hedge Accounting

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

Changes in the market value of derivatives designated as hedging instruments and the market value adjustment of the hedged item (recorded as part of its book value) are recognized in P&L for the period. If the hedging instrument expires or is sold, 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 receivables with loan features and allowance for loan losses

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

Income from loans over 59 days past due, regardless of the risk level, is only recognized as income when realized.

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 statements of financial position.

Renegotiated operations are kept at least at the same level into which they were classified.

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

i) Prepaid expenses

These refer to funds used in prepayments, whose benefits or service rendering will occur in coming years.

j) Permanent assets

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

Property and equipment in use: include depreciation calculated by the straight-line method at the following annual rates: Buildings - 4%; data processing systems and vehicles - 20%; tractors and motorcycles - 25%; and other items - 10%. Real properties in use include the revaluation amount.

Intangible assets comprise disbursements for acquisition of ***software*** rights that are currently in the implementation phase, the useful lives of which are estimated within 10 years, from the date of their availability for use, and will be amortized on a straight-line basis. When applicable, intangible assets will be adjusted for impairment losses.

k) Taxes

Corporate Income Tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R$240 for the year), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 20% (until 12.31.2018, in compliance with Law No. 13169 of 10.06.2015), after adjustments in corporate profit defined

in tax legislation. Deferred tax assets and liabilities are calculated on temporary differences between accounting and tax bases, arising from allowances for loan losses, provisions for post-employment benefits, mark-to-market of marketable securities, derivative financial instruments, and hedged item.
Pursuant to current legislation, the expected realization of tax credits is based on future taxable profits projections and on technical studies carried out every six months.
The federal contribution taxes on gross revenue for Public Service Employee Savings Program (PASEP) and for Social Security Financing (COFINS) are calculated at the rates of 0.65% and 4.00%, respectively.

l) Employee benefits

The Bank grants its employees short-term and post-employment benefits. Short-term benefits are recognized and measured at their original amounts (excluding the effect of the discount to present value or actuarial calculation), on an accrual basis.
Post-employment benefits refer to “defined benefit” and “variable contribution” pension plans, a defined benefit health care plan and defined benefit group life insurance.
For “defined benefit” plans and for the portion of unplanned benefits of the variable contribution plan, which has characteristics of defined benefit plan, the net current service cost and net interest on net actuarial liabilities, including interest on the defined benefit asset limit effect, as applicable, are recognized in P&L, whereas actuarial gains and losses and return on plan assets, less amounts considered in net interest, are recognized under “Equity adjustments”, in Equity.
Contributions referring to the portion of defined contribution of the variable contribution plan are recognized in P&L.

m) Deposits and open market funding

Deposits and open market funding are recognized at the amount of liabilities, and related charges, when applicable, are recorded on a *pro rata* day basis.

n) Impairment of assets

Impairment losses are recognized when the carrying amount of an asset exceeds its recoverable amount. Significant nonfinancial assets are reviewed at least at the end of each reporting period, to determine if there is any indication of impairment loss.

o) Provisions, contingent assets, contingent liabilities and legal obligations

Provisions, contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3823 of 12.16.2009, and BACEN Circular 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 by the Banks’s Legal Department, case by case, and are classified according to the likelihood of loss, as probable, possible and remote. Such classification is based on analysis of the following factors: i) reasonableness of the factual and legal arguments of the other party; ii) arguments and legal basis developed by the Bank; iii) history of losses in similar cases; iv) understanding of higher courts and supervisory authorities on the matters in litigation; v) decisions already rendered on each proceeding (decision, award, injunction, interim relief, writ of payment or writ of attachment, etc.); and vi) existence of procedural defects in administrative and legal proceedings.

Contingencies classified as probable losses are accounted for and represented by Civil proceedings (claiming compensation for pain and suffering and property damages, including, among others, protest of notes, return of checks, and provision of information to credit reporting agencies); Labor claims (claiming labor rights, in light of specific professional category legislation, such as overtime pay, salary equalization, job reinstatement, transfer allowance, severance pay, retirement supplementation, including enforcement notices issued by Regional Labor Offices and others); Tax and Social Security proceedings (represented by legal and administrative proceedings involving federal and municipal taxes); and Other proceedings (such as enforcement notices issued by Regional Councils that regulate the exercise of professions). For lawsuits unfavorable outcome of which is possible or remote, provisions are not set up, as provided for in legal and regulatory requirements, except for legal obligations.
Contingent assets and liabilities are not recognized in the financial statements.

Legal obligations derive from tax obligations and a provision in their full amount is recognized in the financial statements, regardless of the likelihood of success in ongoing lawsuits.

p) Subordinated debts

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

q) Interest on Equity (IOE) and Dividends

The shareholders are entitled to receive, as mandatory minimum dividend for each year, 25% (twenty-five percent) of the net income for the year, as established in the Bank's Chart. 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 supplementary pension plans, and life insurance. 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 (loss) separately in order to make decisions on the fund allocation and performance assessment. The performance of each segment is assessed based on the financial margin plus bank fees.

For the periods ended 06.30.2017 and 06.30.2016, no revenue from transactions with one single customer accounted for 10% or more of the Bank's total revenue.

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

Specification	01.01 to 06.30.2017			01.01 to 06.30.2016		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	**1,890,831**	**1,745,291**	**3,636,122**	**2,338,651**	**1,527,593**	**3,866,244**
Income from loans	949,780	-	949,780	1,041,458	-	1,041,458
Gains (losses) on marketable securities transactions	659,022	1,105,091	1,764,113	789,410	906,347	1,695,757
Gains (losses) on derivative financial instruments	8,952	-	8,952	(255,902)	-	(255,902)
Foreign exchange gains (losses)	62,507	-	62,507	43,137	-	43,137
Compulsory investment yield	(916)	-	(916)	20,802	-	20,802
Other income	211,486	640,200	851,686	699,746	621,246	1,320,992
Expenses	**(1,076,396)**	**(1,472,859)**	**(2,549,255)**	**(1,040,798)**	**(1,324,715)**	**(2,365,513)**
Expenses on open market funding	(626,455)	-	(626,455)	(686,500)	-	(686,500)
Expenses on borrowings and onlending	(73,539)	(1,080,972)	(1,154,511)	(12,976)	(894,309)	(907,285)
Allowance for loan losses (Note 9.e)	(376,402)	(391,849)	(768,251)	(341,322)	(428,811)	(770,133)
Other contingent liabilities	-	-	-	-	(947)	(947)
Proagro provision receivable	-	(38)	(38)	-	(648)	(648)
Financial margin	**814,435**	**272,432**	**1,086,867**	**1,297,853**	**202,878**	**1,500,731**
Service revenues	225,146	931,377	1,156,523	205,849	867,180	1,073,029
Income from fees, charges and commissions	32,763	-	32,763	29,345	-	29,345
PASEP and COFINS	**(13,234)**	**(118,841)**	**(132,075)**	**(54,414)**	**(73,870)**	**(128,284)**
Income after fees and commissions	**1,059,110**	**1,084,968**	**2,144,078**	**1,478,633**	**996,188**	**2,474,821**
Administrative expenses			**(1,513,914)**			**(1,392,263)**
Personnel expenses			(916,557)			(857,602)
Depreciation and amortization			(20,215)			(21,397)
Other administrative expenses			(577,142)			(513,264)
Other expenses			**(319,277)**			**(649,993)**
Expenses with provisions, except allowance for loan losses			**(24,302)**			**(95,443)**
Income before taxation and profit sharing			**286,585**			**337,122**
Income and social contribution taxes			30,487			(96,367)
Profit sharing			(19,031)			(15,191)
Net income			**298,041**			**225,564**

NOTE 5 - Cash and Cash Equivalents

Specification	06.30.2017	06.30.2016
Cash and cash equivalents in local currency	117,543	144,423
Cash in foreign currency	36,905	89,055
Total cash and cash equivalents	**154,448**	**233,478**
Interbank investments(1)	9,679,221	8,403,793
Total cash and cash equivalents	**9,833,669**	**8,637,271**

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

NOTE 6 - Interbank investments

a) Breakdown

Specification	06.30.2017	06.30.2016
a) Open market investments	**10,136,676**	**8,477,049**
Resale agreements pending settlement - Self-funded position	10,075,221	8,403,793
Resale agreements pending settlement - Financed position	61,455	73,256
b) Interbank deposits	**218,761**	**-**
Investments in foreign currencies	62,125	-
Interbank investments	156,636	-
Total	**10,355,437**	**8,477,049**
Short-term	10,355,437	8,477,049

b) Income from interbank investments

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
a) Income from open market investments (Note 7.b)	**497,525**	**632,339**
Self-funded position	493,784	627,877
Financed position	3,741	4,462
b) Income from interbank deposits (Note 7.b)	**6,286**	**-**
Total	**503,811**	**632,339**

NOTE 7 - Marketable securities and derivative financial instruments

a) Marketable securities

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

a.1) Marketable Securities and Derivative Financial Instruments

Specification	06.30.2017	06.30.2016
Available-for-sale securities	24,453,120	17,870,579
Held-to-maturity securities	191,218	179,849
Swap differential receivable	430,233	374,454
Total	**25,074,571**	**18,424,882**
Short-term	3,805,816	2,464,678
Long-term	21,268,755	15,960,204

a.2) Available-for-sale securities

Specification	06.30.2017								
	Maturity					Cost value	Market/book value	Market adjustment	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days				
Fixed income securities	**-**	**147,206**	**1,555,240**	**2,064,132**	**20,370,290**	**24,737,231**	**24,136,868**	**(600,363)**	
Financial Treasury Bills (LFT)	-	-	1,555,217	1,108,220	18,017,143	20,670,556	20,680,580	10,024	2017 to 2023
National Treasury Notes (NTN)	-	-	-	-	1,571,916	1,522,547	1,571,916	49,369	2050
Financial Bills	-	147,206	-	938,898	690,777	1,824,716	1,776,881	(47,835)	2017 to 2019
Debentures	-	-	-	16,903	86,203	680,860	103,106	(577,754)	2018 to 2041
Federal government securities - FCVS	-	-	-	-	4,054	4,875	4,054	(821)	2027
Federal government securities - other	-	-	-	-	-	33,233	-	(33,233)	1993
Agrarian Debt Securities (TDAs)	-	-	23	111	197	444	331	(113)	2017 to 2022
Investment fund shares	**358**	**-**	**-**	**-**	**-**	**1,953**	**358**	**(1,595)**	
Social Development Funds (FDS)	-	-	-	-	-	1,595	-	(1,595)	No maturity
Investment Guarantee Fund (FGI)	339	-	-	-	-	339	339	-	No maturity
Operation Guarantee Fund (FGO)	19	-	-	-	-	19	19	-	No maturity
Variable income securities	**17,666**	**-**	**-**	**-**	**-**	**13,025**	**17,666**	**4,641**	
Other tax incentives (FINOR)	118	-	-	-	-	109	118	9	No maturity
Publicly-traded companies shares	17,548	-	-	-	-	12,916	17,548	4,632	No maturity
Security deposits[(1)]	**-**	**-**	**-**	**-**	**298,228**	**298,319**	**298,228**	**(91)**	
Financial Treasury Bills (LFT)	-	-	-	-	280,118	279,464	280,118	654	2020 to 2023
Federal government securities - other	-	-	-	-	-	841	-	(841)	1993
Debentures	-	-	-	-	18,110	18,014	18,110	96	2019
Total of category	**18,024**	**147,206**	**1,555,240**	**2,064,132**	**20,668,518**	**25,050,528**	**24,453,120**	**(597,408)**	2016
Tax credit (Note 21.b)								273,893	
Provision for deferred taxes and contributions (Note 21.c)								(28,698)	
Total market value adjustment								**(352,213)**	

Specification	06.30.2016								
	Maturity					Cost value	Market/book value	Market adjustment	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days				
Fixed income securities	**-**	**-**	**175,076**	**1,980,745**	**15,382,330**	**18,240,735**	**17,538,151**	**(702,584)**	
Financial Treasury Bills (LFT)	-	-	17,812	1,853,037	12,279,627	14,162,108	14,150,476	(11,632)	2016 to 2022
National Treasury Notes (NTN)	-	-	-	-	1,466,176	1,504,102	1,466,176	(37,926)	2050
Financial Bills	-	-	141,023	127,603	1,555,667	1,870,108	1,824,293	(45,815)	2016 to 2019
Debentures	-	-	16,216	-	75,199	665,613	91,415	(574,198)	2016 to 2035
Federal government securities - FCVS	-	-	-	-	5,342	5,323	5,342	19	2027
Federal government securities - other	-	-	-	-	-	32,882	-	(32,882)	1993
Agrarian Debt Securities (TDAs)	-	-	25	105	319	599	449	(150)	2016 to 2022
Investment fund shares	**302**	-	-	-	-	**1,829**	**302**	**(1,527)**	
Social Development Funds (FDS)	-	-	-	-	-	1,527	-	(1,527)	No maturity
Investment Guarantee Fund (FGI)	291	-	-	-	-	291	291	-	No maturity
Operation Guarantee Fund (FGO)	11	-	-	-	-	11	11	**-**	No maturity
Variable income securities	**18,448**	**-**	**-**	**-**	**-**	**8,745**	**18,448**	**9,703**	
Other tax incentives (FINOR)	62	-	-	-	-	163	62	(101)	No maturity
Publicly-traded companies shares	18,386	-	-	-	-	8,582	18,386	9,804	No maturity
Security deposits[(1)]	**-**	**-**	**25,333**	**264,774**	**23,571**	**314,324**	**313,678**	**(646)**	
Financial Treasury Bills (LFT)	-	-	-	264,774	3,522	268,297	268,296	(1)	2017 to 2020
Federal government securities - other	-	-	-	-	-	832	-	(832)	1993
Debentures	-	-	-	-	20,049	19,888	20,049	161	2019
Financial Bills	-	-	25,333	-	-	25,307	25,333	26	2016
Total of category	**18,750**	**-**	**200,409**	**2,245,519**	**15,405,901**	**18,565,633**	**17,870,579**	**(695,054)**	
Tax credit (Note 21.b)								299,661	
Provision for deferred taxes and contributions (Note 21.c)								(4,886)	
Total market value adjustment								**(400,279)**	

(1) Breakdown: Guarantees on stock exchange transactions R$244,380 (R$215,669 at 06.30.2016); guarantees on clearing house association transactions R$2,780 (R$2,450 at 06.30.2016); guarantees on legal proceedings R$25,901 (R$73,330 at 06.30.2016); and other guarantees R$25,167 (R$22,229 at 06.30.2016).

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$(597,408) ((R$695,054) at 06.30.2016) was recorded in Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to R$(352,213) ((R$400,279) at 06.30.2016).

a.3) Held-to-maturity securities

Specification	06.30.2017							
	Maturity					Cost/book value	Market value[1]	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
Fixed income securities	-	-	**11,047**	**10,167**	**170,004**	**191,218**	**130,537**	
National Treasury Notes (NTN) - P	-	-	-	-	161,750	161,750	101,070	2030
Investment Fund Shares - Criatec	-	-	11,047	-	-	11,047	11,046	2017
Investment Fund Shares - Criatec II	-	-	-	-	7,990	7,990	7,990	2023
Investment Fund Shares - Criatec III	-	-	-	-	234	234	234	2025
FIP Brasil Agronegócios	-	-	-	10,167	-	10,167	10,167	2018
Nordeste III FIP	-	-	-	-	30	30	30	2022
Total of category	-	-	**11,047**	**10,167**	**170,004**	**191,218**	**130,537**	

Specification	06.30.2016							
	Maturity					Cost/book value	Market value[1]	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days			
Fixed income securities	**-**	**-**	**-**	**-**	**179,849**	**179,849**	**130,013**	
National Treasury Notes (NTN) - P	-	-	-	-	150,126	150,126	100,290	2030
Investment Fund Shares - Criatec	-	-	-	-	10,676	10,676	10,676	2017
Investment Fund Shares - Criatec II	-	-	-	-	6,297	6,297	6,297	2023
FIP Brasil Agronegócios	-	-	-	-	12,547	12,547	12,547	2018
Nordeste III FIP	-	-	-	-	203	203	203	2022
Total of category	**-**	**-**	**-**	**-**	**179,849**	**179,849**	**130,013**	

[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.4) In the 1st half of 2017, there were no reclassifications of marketable securities into the categories above, and no held-to-maturity securities were sold.

a.5) The criteria below are used to obtain market value, according to the following order of priority:

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

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

3rd - Calculation of probable realizable value based on own pricing model.

a.6) Bank Management states that the institution has the financial capacity and the intention to keep these securities held under this category until maturity.

b) Gain (loss) on marketable securities

Specification	**01.01 to 06.30.2017**	**01.01 to 06.30.2016**
Open market investments (Note 6.b)	497,525	632,339
Interbank deposits (Note 6.b)	6,286	-
Fixed income securities	1,259,770	1,062,910
Variable income securities	532	508
Total	**1,764,113**	**1,695,757**

c) Derivative financial instruments

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

At 06.30.2017, the Bank had swap transactions registered with B3 S.A. and the notional value of these transactions is recorded in memorandum accounts (notional value) while the related book value is recorded under the captions 'Differential payable' and 'Differential receivable', as shown below:

Breakdown at 06.30.2017								
Specification	**Notional value**	**Market value**		**Curve value**		**Market adjustment**		**Market adjustment, net**
		Differential receivable	**Differential payable**	**Differential receivable**	**Differential payable**	**Positive**	**Negative**	
Long position								
Foreign currency (dollar)	578,615	430,233	-	410,243	-	19,990	-	19,990
Short position								
Fixed rate	-	-	-	-	-	-	-	-
Total	**578,615**	**430,233**	**-**	**410,243**	**-**	**19,990**	**-**	**19,990**
Tax credit (Note 21.b)								-
Provision for deferred taxes and contributions (Note 21.c)								7,996

Breakdown at 06.30.2016								
Specification	**Notional value**	**Market value**		**Curve value**		**Market adjustment**		**Market adjustment, net**
		Differential receivable	**Differential payable**	**Differential receivable**	**Differential payable**	**Positive**	**Negative**	
Long position								
Foreign currency (dollar)	578,615	374,454	-	377,270	-	16	-	2,832
Short position								
Fixed rate	-	-	-	-	-	-	-	-
Total	**578,615**	**374,454**	**-**	**377,270**	**-**	**16**	**-**	**2,832**
Tax credit (Note 21.b)								1,132
Provision for deferred taxes and contributions (Note 21.c)								6

Specification	**06.30.2017**		**06.30.2016**	
	Differential receivable	**Differential payable**	**Differential receivable**	**Differential payable**
Within 3 months	-	-	-	-
3 to 12 months	430,233	-	374,454	-
1 to 3 years	-	-	-	-
3 to 5 years	-	-	-	-
Total	**430,233**	**-**	**374,454**	**-**

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

Specification	06.30.2017				
Hedging instruments	**Curve value**		**Market value**		**Market value adjustment**
	Assets - dollar	**Liabilities - CDI**	**Assets - dollar**	**Liabilities - CDI**	
Swap - Foreign currency - Long position	999,335	589,092	1,019,325	589,092	19,990
Hedged item	**Curve value(1)**		**Market value(1)**		**Market value adjustment**
Eurobonds - Senior Unsecured Notes		999,456		1,019,329	19,873
Tax credit (Note 21.b)					7,948

(1) Net of tax effects at source on interest from loan of R$999.

Specification	06.30.2016				
Hedging instruments	**Curve value**		**Market value**		**Market value adjustment**
	Assets - dollar	**Liabilities - CDI**	**Assets - dollar**	**Liabilities - CDI**	
Swap - Foreign currency - Long position	969,610	592,340	966,793	592,340	(2,817)
Hedged item	**Curve value(1)**		**Market value(1)**		**Market value adjustment**
Eurobonds - Senior Unsecured Notes		969,728		966,796	(2,932)
Provision for deferred taxes and contributions (Note 21.c)					1,173

(1) Net of tax effects at source on interest from loan of R$969.

Considering the currency risk exposure as well as funding market conditions abroad through Eurobonds - Senior Unsecured Notes, the Bank entered into swap contracts to fully hedge the loans raised and corresponding interest payable, classified according to their nature as market risk hedge. The hedged principal, plus interest expense, is stated at market value, and any changes are recorded as part of the book value, recognized in P&L for the year.
Considering that the financial flow (principal and interest) of hedged item (Eurobonds - Senior Unsecured Notes) and financial flows of financial instruments *(*swaps*)* designated are identical, the expected effectiveness upon the hedging instrument designation and in the course of transaction is in accordance with that established by BACEN. The transactions were assessed as effective under BACEN Circular Letter No. 3082 of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes and of hedging instruments (swap contracts).

d) Gain (loss) on derivative financial instruments

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Swap	8,952	(255,902)
Total	**8,952**	**(255,902)**

NOTE 8 - Interbank accounts - Linked credits

a) Linked credits

Specification	06.30.2017			06.30.2016		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory payments	298,875	-	298,875	84,523	-	84,523
Compulsory reserves - Cash funds	120,226	-	120,226	95,365	-	95,365
National Housing System (SFH)	72,803	(16,217)	56,586	74,642	(12,969)	61,673
National Treasury - Rural credit	**-**	**-**	**-**	**621**	**(621)**	**-**
Total	**491,904**	**(16,217)**	**475,687**	**255,151**	**(13,590)**	**241,561**
Short-term	419,101	-	419,101	180,024	(136)	179,888
Long-term	72,803	(16,217)	56,586	75,127	(13,454)	61,673

b) Compulsory investment yield/loss

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Income from linked credits - Central Bank of Brazil	8,535	3,555
Income from linked credits - SFH	2,222	2,579
Income from linked credits - Rural Credit	33	38
Appreciation (Depreciation) of linked credits	(11,706)	14,630
Total	**(916)**	**20,802**

NOTE 9 - Loan portfolio and allowance for loan losses

a) Loan portfolio and allowance for loan losses

Specification	06.30.2017		06.30.2016	
	Gross amount	Allowance	Gross amount	Allowance
Loans	**11,248,956**	**(1,094,527)**	**12,424,247**	**(1,010,588)**
Short-term	4,847,785	(593,877)	5,378,613	(487,041)
Long-term	6,401,171	(500,650)	7,045,634	(523,547)
Other accounts with loan features	**706,413**	**(273,385)**	**763,399**	**(192,994)**
Short-term	703,961	(273,385)	760,894	(192,994)
Long-term	2,452	-	2,505	-
Total	**11,955,369**	**(1,367,912)**	**13,187,646**	**(1,203,582)**

a.1) Breakdown of loan portfolio

Specification	06.30.2017	06.30.2016
Advances to depositors	470	868
Loans	4,773,251	5,464,910
Discounted notes	43,213	52,387
Financing	2,174,530	2,307,334
Financing in foreign currency	39,288	9,243
Refinancing with the Federal Government (Note 29.a.1)	560,692	524,769
Rural and agroindustrial financing	1,665,434	1,839,855
Real estate financing[1]	243	243
Infrastructure and development financing	1,991,835	2,224,638
Loans subtotal	**11,248,956**	**12,424,247**
Income receivable from advances granted	9,679	33,829
Debtors for purchase of assets	1,873	3,059
Notes and credits receivable	330,042	208,948
Advances on Exchange Contracts (ACC)[2] (Note 11.a)	364,819	517,563
Other accounts with loan features subtotal	**706,413**	**763,399**
Total	**11,955,369**	**13,187,646**

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

a.2) Income from loans

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Loans and discounted notes	498,918	567,021
Financing	312,527	294,191
Rural and agroindustrial financing	97,175	134,420
Recovery of loans written off as losses	41,157	45,738
Other amounts	3	88
Total	**949,780**	**1,041,458**

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	Above 360 days	Total at 06.30.2017	Total at 06.30.2016
Rural	10,225	3,360	17,905	25,534	5,877	1,547,833	1,610,734	1,781,148
Manufacturing	63,366	52,653	59,100	157,140	206,737	1,796,714	2,335,710	2,626,630
Government	16,588	16,587	38,192	49,763	126,602	1,072,368	1,320,100	1,417,811
Other services	132,924	84,689	97,185	273,976	340,709	1,130,090	2,059,573	2,475,737
Trade	685,397	571,079	473,775	833,376	362,917	555,396	3,481,940	3,922,640
Financial brokers	24	17	14	38	73	382	548	239
Housing	70	21	12	32	47	346	528	782
Individuals	27,610	12,641	8,372	14,487	13,772	16,273	93,155	100,278
Total at 06.30.2017	**936,204**	**741,047**	**694,555**	**1,354,346**	**1,056,734**	**6,119,402**	**10,902,288**	**-**
Total at 06.30.2016	**1,196,980**	**809,994**	**722,284**	**1,477,094**	**1,291,945**	**6,826,968**	**-**	**12,325,265**

(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**	**Above 360 days**	**Total at 06.30.2017**	**Total at 06.30.2016**
Rural	1,552	13	34	272	315	3,076	5,262	3,955
Manufacturing	3,010	3,210	2,996	9,019	16,666	70,887	105,788	122,488
Other services	8,185	7,620	7,288	19,195	38,676	127,130	208,094	152,573
Trade	15,678	15,329	12,297	28,641	41,703	82,732	196,380	197,724
Financial brokers	1	1	1	2	5	12	22	-
Individuals	436	410	296	634	906	1,536	4,218	3,921
Total at 06.30.2017	**28,862**	**26,583**	**22,912**	**57,763**	**98,271**	**285,373**	**519,764**	**-**
Total at 06.30.2016	**34,417**	**29,909**	**25,874**	**65,635**	**102,971**	**221,855**	**-**	**480,661**

Past-due installments									
Type of Customer/Activity	**01 to 14 days**	**15 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Above 360 days**	**Total at 06.30.2017**	**Total at 06.30.2016**
Rural	13	79	110	1,506	1,779	44,624	-	48,111	50,800
Manufacturing	1,176	5,726	4,602	3,652	9,665	6,167	-	30,988	39,429
Other services	19,149	4,083	41,685	95,972	122,562	14,600	37	298,088	143,933
Trade	4,509	11,224	19,371	17,144	36,475	52,432	476	141,631	129,087
Financial brokers	1	-	1	1	-	39	-	42	38
Housing	-	6	-	-	6	219	-	231	471
Individuals	65	1,270	1,242	1,473	3,405	6,769	2	14,226	17,962
Total at 06.30.2017	**24,913**	**22,388**	**67,011**	**119,748**	**173,892**	**124,850**	**515**	**533,317**	**-**
Total at 06.30.2016	**9,243**	**32,232**	**93,859**	**33,405**	**73,337**	**94,589**	**45,055**	**-**	**381,720**

c) Breakdown by risk level

Risk level	**06.30.2017**				**06.30.2016**			
	Current loan[1]	**Past-due loan**	**Total portfolio**	**Allowance**	**Current loan[1]**	**Past-due loan**	**Total portfolio**	**Allowance**
AA	4,894,666	-	4,894,666	-	4,820,512	-	4,820,512	-
A	3,827,174	-	3,827,174	(19,136)	4,087,421	-	4,087,421	(20,437)
B	1,007,214	41,789	1,049,003	(10,490)	2,045,846	54,325	2,100,171	(21,002)
C	72,108	69,082	141,190	(4,235)	311,298	165,642	476,940	(14,308)
D	385,299	121,391	506,690	(50,669)	286,087	68,191	354,278	(35,428)
E	46,037	68,169	114,206	(34,262)	107,738	56,322	164,060	(49,218)
F	198,894	54,146	253,040	(126,520)	67,770	64,380	132,150	(66,075)
G	92,721	63,279	156,000	(109,200)	100,406	82,926	183,332	(128,332)
H	378,175	635,225	1,013,400	(1,013,400) [2]	498,186	370,595	868,782	(868,782)
Total	**10,902,288**	**1,053,081**	**11,955,369**	**(1,367,912)**	**12,325,264**	**862,381**	**13,187,646**	**(1,203,582)**

[1] Include loans overdue up to 14 days.
[2] Include provisions to cover the Bank risk on loan transactions with indication of irregularities in the amount of R$230.

d) Changes in the allowance for the period

Specification	**06.30.2017**	**06.30.2016**
Opening balance of Allowance for losses on loan portfolio	1,431,088	1,127,873
(+) Allowance recognized/(reversed) for the period	376,742	341,166
(-) Loans written off as loss for the period	(439,918)	(265,457)
(=) Net Allowance for losses on loan portfolio	**1,367,912**	**1,203,582**
Opening balance of Allowance for losses on other receivables without loan features	28,824	46,804
(+) Allowance recognized for the period	586	287
(-) Reversal of allowance for the period	(922)	(132)
(=) Net allowance for losses on other receivables without loan features (Note 10.e	**28,488**	**46,959**
(=) Balance of allowance for loan losses	**1,396,400**	**1,250,541**

e) Breakdown of the allowance expense balance

Specification	**01.01 to 06.30.2017**	**01.01 to 06.30.2016**
(+) Allowance for loan losses recognized/(reversed)	275,346	321,665
(+) Allowance for losses on other receivables recognized/(reversed)	101,396	19,501
(=) Balance of expenses with allowance for losses on other receivables with loan features	**376,742**	**341,166**
(+) Allowance for losses on other receivables without loan features	549	194
(-) Reversals of allowances for other receivables without loan features	(889)	(38)
(=) Balance of expenses on allowance for loan losses (Note 4)	**376,402**	**341,322**

f) Financial guarantees provided

Specification	06.30.2017		06.30.2016	
	Balance	Allowance	Balance	Allowance
In connection with the International Commodity Trade	3,151	-	-	-
Other bank guarantees	450	-	-	-
Public sector	**20,824,126**	**3,271,346**	**20,341,345**	**2,964,070**
FDNE	123,218	679	115,403	671
FNE	20,699,908	3,270,661	20,222,087	2,962,289
Proagro	1,000	6	3,855	1,110

g) Loan concentration

Specification	06.30.2017		06.30.2016	
	Balance	% of portfolio	Balance	% of portfolio
10 major debtors	2,685,862	22.47	2,652,605	20.11
50 major debtors	4,837,495	40.46	4,955,145	37.57
100 major debtors	5,509,140	46.08	5,733,863	43.48

h) In the 1st half of 2017, receivables that had been written off as loss were recovered in the amount of R$41,156 (R$45,738 at 06.30.2016) and renegotiations amounted to R$384,167 (R$904,098 at 06.30.2016).

NOTE 10 - Other receivables

Specification	06.30.2017	06.30.2016
a) Foreign Exchange Portfolio (Note 11.a)	**389,452**	**604,342**
b) Income receivable	**19,127**	**31,688**
c) Trading and intermediation of securities	**12**	**12**
d) Sundry	**3,966,249**	**3,154,125**
Tax credits - Provisions (Note 21.b)	2,180,758	1,529,713
Tax credits - marketable securities, derivative financial instruments and hedged item (Note 7.a.2., Note 7.c and Note 21.b)	281,841	300,795
Debtors for escrow deposits	718,323	671,390
Taxes and contributions to be offset	62,328	144,911
Tax incentive options	26,748	26,748
Notes and credits receivable (Note 9.a.1)	330,042	208,948
Advances and early salary payment	36,685	33,127
Payments to be refunded	13,463	13,155
Recalculation, discounts, waivers and bonuses in FAT transactions	-	2
Other amounts	316,061	225,336
e) Allowance for losses on other receivables	**(301,873)**	**(239,953)**
Receivables with loan features (Note 9.a)	(273,385)	(192,994)
Receivables without loan features (Note 9.d)	(28,488)	(46,959)
Total	**4,072,967**	**3,550,214**
Short-term	1,815,953	2,773,463
Long-term	2,257,014	776,751

NOTE 11 - Foreign exchange portfolio

a) Breakdown

Specification	06.30.2017	06.30.2016
Assets - Other receivables (Note 10.a)	**389,452**	**604,342**
Foreign exchange purchase pending settlement	371,159	565,781
Rights on foreign exchange sales	8,816	7,457
Advances received in local currency	(201)	(2,724)
Income receivable from advances granted	9,678	33,828
Current assets (Note 10.a)	**389,452**	**604,342**
Liabilities - Other obligations (Note 16.b)	**9,277**	**10,557**
Foreign exchange purchase obligations	365,271	520,842
Foreign exchange sales pending settlement	8,824	7,277
(Advances on exchange contracts - ACC) (Note 9.a.1)	(364,819)	(517,563)
Other amounts	1	1
Current liabilities (Note 16.b)	**9,277**	**10,557**

b) Foreign exchange gains (losses)

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Exchange gains	62,912	43,908
Exchange losses	(405)	(771)
Total	**62,507**	**43,137**

NOTE 12 - Permanent assets

a) Investments

Specification	12.31.2016	01.01.2017 to 06.30.2017			06.30.2017	
	Book balance	Changes		Book balance	Cost value	Book balance
		Additions	Exclusions			
Shares and units of interest	652	-	-	652	652	652
Artworks and valuables	1,257	3	-	1,260	1,260	1,260
Total	**1,909**	**3**	**-**	**1,912**	**1,912**	**1,912**

b) Property and equipment

Specification	12.31.2016	01.01.2017 to 06.30.2017				06.30.2017		
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Book balance
		Additions	Exclusions	Depreciation				
Buildings	82,859	594	(422)	(5,114)	77,917	259,308	(181,391)	77,917
Data processing system	46,757	12,590	(5,623)	(10,385)	43,339	156,073	(112,734)	43,339
Furniture and equipment in use	29,126	3,586	(380)	(2,754)	29,578	78,539	(48,961)	29,578
Land	17,631	(55)	-	-	17,576	17,576	-	17,576
Facilities	5,536	43	(2)	(589)	4,988	20,762	(15,774)	4,988
Communication system	43	22	(6)	(7)	52	305	(253)	52
Security system	7,760	404	(222)	(664)	7,278	19,193	(11,915)	7,278
Transportation system	3,045	-	-	(702)	2,343	14,363	(12,020)	2,343
Total	**192,757**	**17,184**	**(6,655)**	**(20,215)**	**183,071**	**566,119**	**(383,048)**	**183,071**

c) Intangible assets

Specification	12.31.2016	01.01.2017 to 06.30.2017				06.30.2017	
	Book balance	Changes			Book balance	Cost value	Book balance
		Additions	Exclusions	Amortization			
Spending on intangible assets under development	19,903	-	-	-	19,903	19,903	19,903
Total	**19,903**	**-**	**-**	**-**	**19,903**	**19,903**	**19,903**

At 06.30.2017 and 06.30.2016, no impairment losses were recorded on permanent assets.

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

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

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Above 15 years	Total at 06.30.2017	Total at 06.30.2016
Demand deposits	**288,938**	-	-	-	-	-	**288,938**	**328,953**
Demand deposits	288,938	-	-	-	-	-	288,938	328,953
Savings deposits	**2,117,379**	-	-	-	-	-	**2,117,379**	**1,866,819**
Interbank deposits	**656,179**	**823,068**	**60,306**	-	-	-	**1,539,553**	**1,228,604**
Time deposits	**1,225,027**	**771,872**	**2,773,216**	**1,045,541**	**1,179,947**	**22,990**	**7,018,593**	**6,669,916**
Time deposits	408,246	740,740	2,518,345	928,258	1,076,758	22,990	5,695,337	5,381,412
Interest-yielding judicial deposits	557,307	-	-	-	-	-	557,307	492,121
Finor/cash and cash equivalents and reinvestments - Law No. 8167	247,486	-	179,366	59,788	59,787	-	546,427	503,084
FAT - Available funds	2,650	5,932	9,617	6,886	5,385	-	30,470	31,100
FAT - invested funds	9,338	24,885	65,888	50,609	38,017	-	188,737	261,416
Other	-	315	-	-	-	-	315	783
Funds from acceptance and issue of securities	**61,936**	**155,705**	**1,012,333**	-	-	-	**1,229,974**	**1,231,852**
Eurobonds	-	7,995	1,012,333	-	-	-	1,020,328	967,765
Agribusiness Credit Bills (LCA)	61,936	147,710	-	-	-	-	209,646	264,087
Debt instruments eligible to capital	-	-	-	-	-	**1,000,000**	**1,000,000**	**1,000,000**
Subordinated debts	-	-	-	-	-	**2,118,431**	**2,118,431**	**1,898,225**
Total at 06.30.2017	**4,349,459**	**1,750,645**	**3,845,855**	**1,045,541**	**1,179,947**	**3,141,421**	**15,312,868**	-
Total at 06.30.2016	**3,891,666**	**1,936,316**	**2,442,309**	**1,743,016**	**1,261,943**	**2,949,119**	-	**14,224,369**

b) Deposits

Specification	06.30.2017	06.30.2016
Demand deposits	**288,938**	**328,953**
Government deposits	15,997	4,410
Restricted deposits	117,998	176,640
Legal entities	110,592	104,384
Individuals	44,070	41,834
Other amounts	281	1,685
Savings deposits	**2,117,379**	**1,866,819**
Free savings deposits - Individuals	1,425,898	1,323,536
Free savings deposits - Legal entities	690,772	542,474
From related parties and Financial System Institutions	709	809
Interbank deposits	**1,539,553**	**1,228,604**
Time deposits	**7,018,593**	**6,669,916**
Time deposits	5,695,337	5,381,412
Interest-yielding judicial deposits	557,307	492,121
Other time deposits	**765,949**	**796,383**
Interest-yielding special deposits/FAT (Note 27 and Note 29)	**219,207**	**292,516**
Available funds (Note 27)	**30,470**	**31,100**
Proger Urbano	1,226	2,302
Protrabalho	6,575	520
Infrastructure	19,605	23,826
PNMPO	3,064	4,452
Funds invested (Note 27)	**188,737**	**261,416**
Proger Urbano	11,486	14,799
Protrabalho	52,552	69,700
Infrastructure	41,961	79,206
National Program for Production-Oriented Microcredit (PNMPO)	82,738	97,711
Finor/cash and cash equivalents and reinvestments (Law No. 8167/91)	**546,427**	**503,084**
Other amounts	**315**	**783**
Total	**10,964,463**	**10,094,292**
Short-term	5,882,463	5,556,136
Long-term	5,082,000	4,538,156

c) Open market funding

Specification	06.30.2017	06.30.2016
Own portfolio	**931,379**	**1,130,882**
Financial Treasury Bills (LFT)	931,379	1,130,882
Third-party portfolio	**61,455**	**73,255**
National Treasury Notes (NTN)	61,455	73,255
Total	**992,834**	**1,204,137**
Short-term	989,906	1,156,103
Long-term	2,928	48,034

d) Expenses with open market funding

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Funding expenses	**(572,559)**	**(576,081)**
Time deposits	(314,391)	(351,028)
Savings deposits	(51,895)	(55,408)
Judicial deposits	(26,012)	(34,156)
Interbank deposits	(23,380)	(27,068)
Special deposits	(37,337)	(44,890)
Funds from acceptance and issue of securities	(113,242)	(57,599)
Other deposits	(6,302)	(5,932)
Expenses with open market funding	**(53,896)**	**(110,419)**
Third-party portfolio	(3,741)	(4,462)
Own portfolio	(50,155)	(105,957)
Total	**(626,455)**	**(686,500)**

NOTE 14 - Borrowings and onlending

a) Borrowings and onlending by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Above 15 years	Total at 06.30.2017	Total at 06.30.2016
Foreign borrowings	210,196	283,183	-	-	-	-	493,379	606,818
Domestic onlending	40,188	120,571	364,986	373,655	604,671	103,239	1,607,310	1,718,683
Foreign onlending	24,784	118,565	219,891	222,372	119,734	-	705,346	820,415
Total at 06.30.2017	**275,168**	**522,319**	**584,877**	**596,027**	**724,405**	**103,239**	**2,806,035**	**-**
Total at 06.30.2016	**298,241**	**600,512**	**583,179**	**614,366**	**837,187**	**212,431**	**-**	**3,145,916**

b) Borrowings

Specification	Annual restatement rate (%)	06.30.2017	06.30.2016
Foreign borrowings/Foreign currency payables	USD	493,379	606,818
Total		**493,379**	**606,818**
Short-term		493,379	606,818

c) Domestic onlending - official institutions

Specification	Annual restatement rate (%)	06.30.2017	06.30.2016
National Treasury	IGP-DI + 2.00	**447**	**444**
BNDES		**1,503,240**	**1,588,722**
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	Fixed rate 1.50 to 10.50/TJLP + 0.00 to 4.00/IPCA + 9.41/Exc. var. + 2.00 to 4.00	1,111,406	1,201,075
Credit Facility for investment in agriculture		391,834	387,647
Finame		**103,623**	**129,517**
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	Fixed rate 1.50 to 7.00/TJLP + 0.00 to 4.00/Exc. var. + 2.00 to 4.00	81,833	107,952
Agricultural Program		21,790	21,565
Total (Note 29.a.1)		**1,607,310**	**1,718,683**
Short-term		160,759	152,824
Long-term		1,446,551	1,565,859

d) Foreign onlending

Specification	Annual restatement rate (%)	06.30.2017	06.30.2016
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.82	239,947	325,793
BID-Prodetur II	USD + 1.99	458,973	487,433
BID - Other programs	USD + 1.99	6,426	7,189
Total		**705,346**	**820,415**
Short-tem		143,349	139,111
Long-term		561,997	681,304

e) Expenses on borrowings and onlending

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Expenses on onlending	**(115,301)**	**(95,402)**
Domestic onlending - Official institutions in Brazil	**(56,872)**	**(82,012)**
National Treasury	-	(16)
BNDES	(55,374)	(79,051)
Finame	(1,498)	(2,945)
Foreign onlending expenses	**(58,429)**	**(13,390)**
Expenses on onlending with foreign banks	**(48,346)**	**(10,794)**
Expenses on financial and development funds	**(990,864)**	**(801,089)**
Total	**(1,154,511)**	**(907,285)**

NOTE 15 - Funds from acceptance and issue of securities

a) Liabilities for foreign marketable securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 06.30.2017[2]	Market value at 06.30.2017[2]	Market value at 6.30.2016[2]
Eurobonds -Senior Unsecured Notes[1]	05.03.2012	05.03.2019	4.375	300,000	1,000,455	1,020,328	967,765
Total				**300,000**	**1,000,455**	**1,020,328**	**967,765**
Short-tem						7,995	7,757
Long-term						1,012,333	960,008

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

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

b) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (%)	Nominal value	06.30.2017	06.30.2016
Agribusiness Credit Bills (LCA) (1)	81.18 of the CDI	198,049	209,646	264,087
Short-tem			209,646	264,087

(1) Note with average maturity term of 189 days.

NOTE 16 - Other liabilities

Specification	06.30.2017	06.30.2016
a) Collection and transfer of taxes and levies	**21,481**	**43,894**
Funds from Proagro	1,236	364
Federal taxes received	15,248	39,382
IOF payable	1,332	2,575
Other taxes and levies	3,665	1,573
b) Foreign exchange portfolio (Note 11.a)	**9,277**	**10,557**
c) Social and statutory	**89,754**	**70,220**
Dividends and bonuses payable	69,537	54,419
Profit sharing	20,217	15,801
d) Tax and social security	**247,456**	**423,966**
Provision for tax contingencies (1)	**-**	**59,559**
Taxes and contributions	-	1,196
Tax proceedings (Note 22.f.1)	-	58,363
Provision for deferred taxes and contributions	**142,609**	**107,253**
Marketable securities and derivative financial instruments (Note 21.c)	36,694	4,892
Revaluation of buildings and land (Note 21.c)	1,012	3,176
From credits recovered and hedged items (Note 21.c)	104,903	99,185
Provision for income and social contribution taxes (Note 21.a.2)	**25,687**	**167,735**
Income tax	13,589	91,604
Social contribution tax	12,098	76,131
Taxes and contributions payable	**79,160**	**89,419**
e) Securities trading	**153**	**693**
f) Financial and development funds	**21,793,142**	**15,179,887**
FNE (Note 29.a.1)	20,858,342	14,216,345
Other amounts	934,800	963,542
g) Debt instruments eligible to capital (Note 17 and Note 29.a.1)	**1,000,000**	**1,000,000**
h) Subordinated debts eligible to capital (Note 18 and Note 29.a.1)	**2,118,431**	**1,898,225**
i) Other	**5,986,782**	**5,281,118**
Provision for contingencies	**3,655,393**	**3,370,670**
Labor claims (Note 22.f.1.ii)	174,279	222,346
Civil proceedings (Note 22.f.1.iii)	124,681	150,212
Other proceedings (Note 22.f.1.iv)	15,498	760
Tax proceedings (Note 22.f.1.i)	69,589	-
Provision for financial guarantees provided	**3,271,346**	**2,997,352**
FNE (Note 22.f.2.i)	**3,270,661**	**2,962,289**
Onlending	1,184	1,020
Full risk - BNB	148,029	145,556
Shared risk	3,121,448	2,815,713
FDNE (Note 22.f.2.ii)	679	671
Proagro (Note 22.f.2.iii)	6	1,110
Other contingent liabilities	-	33,282
Accrued payments	**1,960,049**	**1,633,226**
Employee benefits	**1,623,324**	**1,199,704**
Retirement and DB pension plan (Note 25.b and Note 29.a.2)	379,762	347,880
Health care plan (Note 25.b and Note 29.a.2)	1,120,145	787,682
Life insurance - Post-employment benefit (Note 25.b and Note 29.a.2)	123,417	64,142
Personnel expenses	229,250	209,494
Other amounts	62,783	46,563
Interest and charges on debt instruments eligible to capital	44,692	72,515
Interest and charges on hybrid instruments eligible to capital	-	104,950
Other amounts	**371,340**	**277,222**
Total	**31,266,476**	**23,908,560**
Short-tem	11,025,360	6,329,246
Long-term	20,241,116	17,579,314

(1) Reclassified to Provision for Tax Contingencies, according to BACEN Circular Letter No. 3782 of 09.19.2016.

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	06.30.2017	06.30.2016
Debt instruments eligible to capital (Notes 16.g and 29.a.1)	1,000,000	Profitability on Equity	01.19.2016	1,000,000	1,000,000
Long-term				1,000,000	1,000,000

NOTE 18 - Subordinated debts

Specification	06.30.2017	06.30.2016
Fundo Constitucional de Financiamento do Nordeste (FNE)(1)	2,118,431	1,898,225
Funds available	1,621,165	1,316,793
Funds applied	497,266	581,432
Total (Notes 16.h and 29.a.1)	**2,118,431**	**1,898,225**

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

NOTE 19 - Equity

a) Capital

The Bank’s capital in the amount of R$2,844,000 (R$2,844,000 at 06.30.2016) is represented by 86,371,464 common, book-entry, paid-in shares with no par value, held as follows:

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

Breakdown at 06.30.2016		
Shareholders	**Number of shares**	**% of Capital**
Federal Government	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,212,568	34.98
BB Investment Fund Shares	6,225,700	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,036,781	2.36
Total	**86,371,464**	**100.00**

b) Revaluation reserve

The amount of R$12,829 (R$15,556 at 06.30.2016) 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 six-month period, the amount of R$2,069 (R$1,065 at 06.30.2016) was transferred to Retained Earnings (Accumulated Losses) and comprised the profit distribution base.

c) Interest on Equity (IOE) for the 1st half of 2017

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

The Executive Board proposes to the Board of Directors the prepayment of dividends as interest on equity in the amount of R$69,233 (R$54,012 at 06.30.2016), of which R$69,020 (R$53,847 at 06.30.2016) are attributed to the dividend amount, corresponding to 25% on net income for the six-month period.
Interest on equity were accounted for under "Expenses", however, for the purposes of disclosure of the financial statements, it was reclassified to "Retained earnings (accumulated losses)". Total interest on equity for the six-month period reduced tax expenses amounting to R$30,324 (R$23,981 at 06.30.2016).

d) Statement of calculation of interest on equity

Specification	06.30.2017	06.30.2016
1. Net income for the six-month period	**298,041**	**225,564**
2. Legal reserve set up	(14,902)	(11,278)
3. Debt adjustments to Retained Earnings (Accumulated Losses)	(12,035)	-
4. Revaluation reserves transferred to retained earnings (accumulated losses)	2,069	1,065
5. Credit adjustments to Retained Earnings (Accumulated Losses)	2,898	-
6. Dividend calculation basis	**276,071**	**215,351**
7. IOE proposed in the six-month period	69,233	54,012
8. Withholding Income Tax on IOE	(213)	(165)
9. Interest on equity attributable to dividends (item 7- tem 8)	69,020	53,847
10. Gross IOE: 25.08% (item 7 on item 6) (25.08% at 06.30.2016)	**69,233**	**54,012**
IOE of R$0.801575959 per share (at 06.30.2016: IOE of R$0.625344509 per share)	69,233	54,012
11. Net IOE: 25.00% (item 9 on item 6) (25.00% at 06.30.2016)	**69,020**	**53,847**

e) Legal reserve

The legal reserve corresponds to 5% on net income calculated in the six-month period and amounts to R$14,902 (R$11,278 at 06.30.2016),

f) Statutory reserve

The Statutory Reserve in the amount of R$206,838 (R$161,339 at 06.30.2016) represents the remaining balance of net income calculated in the six-month period, after establishment of the Legal Reserve and payment of IOE/dividends.

g) Equity adjustment

Specification	06.30.2017	06.30.2016
Marketable securities available for sale	30,659	117,384
Actuarial Gains and Losses (Post-employment Benefits)	(324,710)	(96,927)
Equity Adjustment	**(294,051)**	**20,457**

NOTE 20 - Other operating income (expenses)

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
a) Service revenue	**1,156,523**	**1,073,029**
Investment fund management	16,276	15,082
Fund and program management	943,331	876,146
Services rendered	196,916	181,801
b) Income from bank fees	**32,763**	**29,345**
c) Personnel expenses	**(916,557)**	**(857,602)**
Earnings	(542,681)	(506,346)
Social charges	(195,493)	(185,088)
Retirement and pension plan - DB and VC I Capef Plans	(49,352)	(41,835)
Health care plan - Camed Natural Plan	(45,947)	(49,034)
Life insurance - Post-employment benefit	(4,807)	(2,374)
Benefits, training sessions, fees and compensation of interns	(78,277)	(72,925)
d) Other administrative expenses	**(597,357)**	**(534,661)**
Data processing	(125,786)	(96,530)
Advertising and publicity	(8,749)	(2,901)
Third-party services	(238,493)	(228,794)
Rentals, material and public utilities	(40,336)	(37,651)
Travel	(6,919)	(6,710)
Communications	(17,151)	(14,722)
Depreciation and amortization	(20,215)	(21,397)
Asset maintenance and upkeep	(24,669)	(23,082)
Surveillance, security and transportation	(43,683)	(40,138)
Promotions, public relations and publications	(4,169)	(3,811)
Financial system services	(19,339)	(14,855)
Specialized technical services	(13,653)	(14,322)

Insurance	(1,038)	(1,569)
Court, notary and attorney fees	(22,082)	(21,214)
Worker' union dues and Associations	(1,252)	(1,324)
Condominium fees, catering, kitchen and meals	(3,088)	(2,783)
FUNDECI (Science and Technology Development Fund)	(3,000)	-
Other amounts	(3,735)	(2,858)
e) Tax expenses (Note 21.d)	**(147,801)**	**(142,768)**
COFINS and PIS/PASEP	(132,111)	(128,307)
ISS and IPTU/Improvement tax	(14,260)	(13,012)
Other amounts	(1,430)	(1,449)
f) Other operating income	**854,079**	**1,320,787**
Del credere commission on fund management	643,687	624,904
Exchange loss on borrowings	69,204	344,748
Exchange losses on funding expenses	47,940	230,940
Exchange losses on Development Financial Fund	2,631	12,115
Reversal of operating provisions for risks on FNE transactions	412	1
Reversal of provision for IRPJ and CSLL	-	299
Reversal of operating provisions	7,325	26,448
Recovery of charges and expenses	2,716	3,130
Interest and commissions	2,204	3,610
Monetary restatement	47	2,281
Mark-to-market adjustment	3,604	22,138
FNE - Recovery of amounts settled by the Bank	48,945	28,249
Other amounts	25,364	21,924
g) Other operating expenses	**(719,740)**	**(1,161,358)**
Exchange losses on exchange area	(1,201)	-
Exchange loss on loans granted	(74,611)	(365,516)
Negative monetary restatement of loans	(30,219)	(39)
Discounts granted in renegotiations	(15,565)	(903)
Loan charges	(9,714)	(1,688)
Tax contingencies	(4,687)	(13,479)
Risks on FNE transactions	(391,849)	(428,811)
Risks on FDNE transactions	(75)	(17)
Labor claims	(12,190)	(61,454)
Civil proceedings	(3,280)	(20,470)
Other proceedings	(4,145)	(40)
Other contingent liabilities	-	(947)
Hybrid debt/equity instruments	-	(20,213)
Debt instruments eligible to capital	(45,233)	(72,515)
FNE remuneration - available funds - article 9-A of Law No. 7827	(79,946)	(77,182)
FNE remuneration - invested funds - article 9-A, Law No. 7827	(25,611)	(28,761)
Other amounts	(21,414)	(69,323)
Total	**(338,090)**	**(273,228)**

NOTE 21 - Taxes and contributions

a) Income and social contribution taxes

The Bank is subject to the taxable profit regime whereby taxes are computed based on the Bank's accounting records, and income and social contribution taxes are paid monthly on an estimated basis, and may be suspended or reduced whenever the taxable profit calculation is more favorable to the Bank when compared to the estimate. Income and social contribution tax expenses are as follows:

a.1) Specification of the provision for income and social contribution tax expense	**Income tax**		**Social contribution tax**	
	01.01 to 06.30.2017	**01.01 to 06.30.2016**	**01.01 to 06.30.2017**	**01.01 to 06.30.2016**
Income before income taxes and profit sharing	286,585	337,122	286,585	337,122
Statutory profit sharing	(19,031)	(15,191)	(19,031)	(15,191)
Interest on Equity (IOE)	(69,233)	(54,012)	(69,233)	(54,012)
Income before taxes, less statutory profit sharing and interest on equity	198,321	267,919	198,321	267,919
Permanent additions/exclusions	(14,446)	(9,698)	(14,402)	(9,369)
Temporary additions/exclusions	(123,428)	122,104	(123,428)	122,104
Taxable income	60,447	380,325	60,491	380,654
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(15,099)	(95,069)	(12,098)	(76,131)
Deductions (tax incentives)	1,511	3,464	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	(785)	484	(628)	387
Current IRPJ/CSLL expenses - after tax incentives and revaluation reserve	(14,373)	(91,121)	(12,726)	(75,744)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(4,227)	2,697	(2,301)	5,876
Provision for income and social contribution taxes	(18,600)	(88,424)	(15,027)	(69,868)

IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	52,780	46,109	11,334	15,816
Total IRPJ/CSLL	34,180	(42,315)	(3,693)	(54,052)
Effective rate (%)	(17.23)	(15.79)	(1.86)	(20.17)
a.2) Specification of the provision for IRPJ and CSLL	**Income tax**		**Social contribution tax**	
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**
Provision for income and social contribution taxes	14,374	91,120	12,726	75,744
Provision for taxes on revaluation reserve realized	(785)	484	(628)	387
Provision for income and social contribution taxes (Note 16.d)	13,589	91,604	12,098	76,131
Taxes and contributions recoverable on prepayments, including withholding taxes	(27,041)	(81,297)	(23,206)	(51,732)
Taxes payable (recoverable) for the period	(13,452)	10,307	(11,108)	24,399

b) Tax credits on temporary differences

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

Concerning tax credits arising from Market Value Adjustment, in accordance with BACEN Circular Letters No. 3068 of 11.08.2001 and No. 3082 of 01.30.2002, the Bank recognized tax credits on market value adjustments to marketable securities classified under 'Available-for-Sale Securities' and on Derivative Financial Instruments.

Specification	**06.30.2017**		**06.30.2016**		**06.30.2017**	**06.30.2016**
	IRPJ	**CSLL**	**IRPJ**	**CSLL**	**Total**	
Effect on P&L						
a) Provisions						
Opening balance	1,268,001	864,415	843,438	616,227	2,132,416	1,459,665
Recognition	625,914	500,741	234,452	187,571	1,126,655	422,023
Realization/ reversal	(582,156)	(496,157)	(183,267)	(168,708)	(1,078,313)	(351,975)
Closing balance (Note 10.d)	1,311,759	868,999	894,623	635,090	2,180,758	1,529,713
b) Derivative Financial Instruments						
Opening balance	-	-	-	-	-	-
Recognition	-	-	8,919	5,352	-	14,271
Realization/ reversal	-	-	(8,211)	(4,928)	-	(13,139)
Closing balance (Note 7.c)	-	-	708	424	-	1,132
c) Hedged item						
Opening balance	2,632	1,579	5,786	3,472	4,211	9,258
Recognition	4,335	2,601	16,754	10,052	6,936	26,806
Realization/ reversal	(1,999)	(1,200)	(22,540)	(13,524)	(3,199)	(36,064)
Closing balance (Note 7.c,1)	4,968	2,980	-	-	7,948	-
Effect on equity						
d) Marketable securities						
Opening balance	174,065	110,746	223,773	151,483	284,811	375,256
Recognition	64,703	44,072	361,713	254,495	108,775	616,208
Realization/ reversal	(71,624)	(48,069)	(408,983)	(282,820)	(119,693)	(691,803)
Closing balance (Note 7.a.2)	167,144	106,749	176,503	123,158	273,893	299,661

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

Specification	**Income tax**		**Social contribution tax**	
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**
1. Total temporary differences	6,549,464	5,831,045	6,549,464	5,831,045
2. Tax credits on temporary differences	1,637,366	1,457,761	1,309,893	1,148,022
3. Tax credits recognized in assets on Provisions	1,311,759	894,623	868,999	635,090
4. Tax credits recognized in assets due to marked-to-market of marketable securities, derivative financial instruments and hedged item	172,112	177,213	109,729	123,582
5. Total tax credits recognized in assets (item 3 + item 4) (1)	1,483,871	1,071,836	978,728	758,672
6. Tax credits not recognized in assets (item 2 - item 5) (2)	153,495	385,925	331,165	389,350

(1) Tax credits are recognized in assets under "Other receivables - 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 provisions at 06.30.2017 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**
2017	8.35	197,365	189,608	157,892	151,686	355,257	341,294
2018	8.24	212,316	188,444	169,853	150,755	382,169	339,199
2019	8.50	103,759	84,877	62,255	50,927	166,014	135,804

2020	8.40	122,194	92,212	73,316	55,327	195,510	147,539
2021	8.27	190,895	133,053	114,537	79,832	305,432	212,885
2022	8.27	224,474	144,507	134,684	86,703	359,158	231,210
2023	8.27	63,434	37,718	38,061	22,630	101,495	60,348
2024	8.27	61,574	33,815	36,945	20,289	98,519	54,104
2025	8.27	60,642	30,758	36,385	18,455	97,027	49,213
2026	8.27	51,890	24,309	31,134	14,586	83,024	38,895
From 2026 onwards	8.27	23,216	14,677	13,937	8,811	37,153	23,488
Total		**1,311,759**	**973,978**	**868,999**	**660,001**	**2,180,758**	**1,633,979**

(1) For present value calculation purposes, the goal for average Over - Selic rates projected by BACEN at 06.30.2017 was considered.

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

Period	**IRPJ**		**CSLL**		**Total**	
	Book value	**Present value**	**Book value**	**Present value**	**Book value**	**Present value**
2017	8,925	8,925	7,140	7,140	16,065	16,065
2018	23,386	23,386	18,709	18,709	42,095	42,095
2019	8,780	8,780	5,268	5,268	14,048	14,048
2020	166	166	99	99	265	265
2021	680	680	408	408	1,088	1,088
2022	660	660	396	396	1,056	1,056
From 2026 onwards	129,515	129,515	77,709	77,709	207,224	207,224
Total	**172,112**	**172,112**	**109,729**	**109,729**	**281,841**	**281,841**

Total estimated realization of tax credits at 06.30.2017 is as follows:

Period	**IRPJ**		**CSLL**		**Total**	
	Book value	**Present value(1)**	**Book value(2)**	**Present value**	**Book value**	**Present value**
2017	206,290	198,533	165,032	158,827	371,322	357,360
2018	235,702	211,830	188,562	169,464	424,264	381,294
2019	112,539	93,657	67,523	56,195	180,062	149,852
2020	122,360	92,378	73,415	55,426	195,775	147,804
2021	191,575	133,732	114,945	80,240	306,520	213,972
2022	225,134	145,167	135,080	87,099	360,214	232,266
2023	63,434	37,718	38,061	22,630	101,495	60,348
2024	61,574	33,815	36,945	20,289	98,519	54,104
2025	60,642	30,758	36,385	18,455	97,027	49,213
2026	51,890	24,309	31,134	14,586	83,024	38,895
From 2026 onwards	152,731	144,192	91,646	86,520	244,377	230,712
Total	**1,483,871**	**1,146,089**	**978,728**	**769,731**	**2,462,599**	**1,915,820**

(1) For present value calculation purposes, the goal for average Over - Selic rates projected by BACEN at 06.30.2017 was considered.
(2) Considering the change in rate to 20% up to 12.31.2018 and to 15% from 09.01.2019 onwards.

c) Provision for deferred taxes

Specification	**06.30.2017**		**06.30.2016**		**06.30.2017**	**06.30.2016**
	IRPJ	**CSLL**	**IRPJ**	**CSLL**	**Total**	
Effect on P&L						
a) Derivative financial instruments						
Opening balance	2,661	1,597	5,782	3,469	4,258	9,251
Recognition	4,337	2,602	5,042	3,025	6,939	8,067
Realization/ reversal	(2,001)	(1,200)	(10,820)	(6,492)	(3,201)	(17,312)
Closing balance (Note 7.c and 16.d)	4,997	2,999	4	2	7,996	6
b) Hedged item						
Opening balance	-	-	-	-	-	-
Recognition	-	-	733	440	-	1,173
Realization/ reversal	-	-	-	-	-	-
Closing balance (Note 7.c.1 and Note 16.d)	-	-	733	440	-	1,173
c) Revaluation reserve						
Opening balance	1,281	1,025	2,249	1,799	2,306	4,048
Recognition	25	20	-	-	45	-
Realization/ reversal	(744)	(595)	(485)	(387)	(1,339)	(872)
Closing balance (Note 16.d)	562	450	1,764	1,412	1,012	3,176
d) From credits recovered (1)						
Opening balance	61,352	40,761	56,342	42,172	102,113	98,514
Recognition	2,311	1,499	2,353	1,539	3,810	3,892
Realization/ reversal	(421)	(599)	(5)	(4,389)	(1,020)	(4,394)
Closing balance (Note 16.d)	63,242	41,661	58,690	39,322	104,903	98,012
Effect on equity						
e) Marketable Securities						

Opening balance	12,311	8,359	947	667	20,670	1,614
Recognition	158,312	95,045	6,677	4,527	253,357	11,204
Realization/ reversal	(152,831)	(92,498)	(4,884)	(3,048)	(245,329)	(7,932)
Closing balance (Note 7.a.2 and Note 16.d)	17,792	10,906	2,740	2,146	28,698	4,886

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

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

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2017	1,161	1,161	929	929	2,090	2,090
2019	5,108	5,108	3,065	3,065	8,173	8,173
2022	779	779	468	468	1,247	1,247
2023	3,399	3,399	2,039	2,039	5,438	5,438
From 2026 onwards	12,342	12,341	7,404	7,404	19,746	19,745
Total	**22,789**	**22,788**	**13,905**	**13,905**	**36,694**	**36,693**

The provisions on revaluation reserves determined at present value will be written off according to the following schedule:

Period	Goal for over - SELIC rate - average (%)(1)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2017	8.35	482	463	386	370	868	833
2018	8.24	80	71	64	57	144	128
Total		**562**	**534**	**450**	**427**	**1,012**	**961**

(1) For present value calculation purposes, the goal for average Over - Selic rates projected by BACEN at 06.30.2017 was considered.

The provisions on taxes recovered, according to article 12 of Law No. 9430 of 12.27.1996, determined at present value, will be written off according to the following schedule:

Period	Goal for over - SELIC rate - average(1)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2017	8.35	8,250	7,926	6,600	6,341	14,850	14,267
2018	8.24	10,328	9,167	8,263	7,334	18,591	16,501
2019	8.50	8,992	7,356	5,395	4,413	14,387	11,769
2020	8.40	7,429	5,606	4,457	3,364	11,886	8,970
2021	8.27	4,564	3,181	2,738	1,909	7,302	5,090
2022	8.27	4,178	2,689	2,506	1,613	6,684	4,302
2023	8.27	4,242	2,522	2,545	1,513	6,787	4,035
2024	8.27	4,473	2,457	2,684	1,474	7,157	3,931
2025	8.27	4,192	2,126	2,515	1,276	6,707	3,402
2026	8.27	1,331	624	799	374	2,130	998
From 2026 onwards	8.27	5,263	3,327	3,159	1,996	8,422	5,323
Total		**63,242**	**46,981**	**41,661**	**31,607**	**104,903**	**78,588**

(1) For present value calculation purposes, the goal for average Over - Selic rates projected by BACEN at 06.30.2017 was considered.

Total amounts of provisions for tax liabilities at 06.30.2017 are as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value(1)	Book value(2)	Present value	Book value	Present value
2017	9,894	9,550	7,915	7,641	17,809	17,191
2018	10,408	9,238	8,327	7,391	18,735	16,630
2019	14,099	12,463	8,459	7,477	22,558	19,940
2020	7,429	5,606	4,457	3,364	11,886	8,970
2021	4,564	3,181	2,739	1,909	7,303	5,090
2022	4,957	3,468	2,974	2,081	7,931	5,549
2023	7,641	5,921	4,584	3,552	12,225	9,473
2024	4,473	2,457	2,684	1,474	7,157	3,931
2025	4,192	2,126	2,515	1,276	6,707	3,402
2026	1,331	624	799	374	2,130	998
From 2026 onwards	17,605	15,669	10,563	9,401	28,168	25,070
Total	**86,593**	**70,303**	**56,016**	**45,940**	**142,609**	**116,244**

(1) For present value calculation purposes, the goal for average Over - Selic rates projected by BACEN at 06.30.2017 was considered.
(2) Considering the change in rate to 20% up to 12.31.2018 and to 15% from 09.01.2019 onwards.

d) Tax expenses

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
COFINS and PIS/PASEP	(132,111)	(128,307)
ISS and IPTU/Improvement tax	(14,260)	(13,012)
Other amounts	(1,430)	(1,449)
Total (Note 20.e)	**(147,801)**	**(142,768)**

NOTE 22 - Provisions, contingent assets, contingent liabilities and legal obligations - tax and social security

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

Specification	06.30.2017		06.30.2016	
	Base value	Provision	Base value	Provision
a) Contingencies				
a.1) Tax proceedings (Note 22 f.1.i)	**3,344,920**	**69,589**	**1,929,046**	**58,363**
i) Legal obligation	920	920	291	291
ii) Other liabilities - other	3,344,000	68,669	1,928,755	58,072
Probable	68,669	68,669	58,072	58,072
Possible	3,142,549	-	1,736,292	-
Remote [1]	132,782	-	134,391	-
a.2) Labor claims	**467,873**	**174,279**	**478,241**	**222,346**
Probable (Note 22 f.1.ii)	174,279	174,279	222,346	222,346
Possible	153,706	-	128,416	-
Remote	139,888	-	127,479	-
b) Other liability provisions				
b.1) Civil proceedings	**6,135,420**	**124,681**	**5,058,062**	**150,212**
Probable (Note 22 f.1.iii)	124,681	124,681	150,212	150,212
Possible	1,154,822	-	1,155,928	-
Remote[2]	4,855,917	-	3,751,922	-
b.2) Other proceedings (Note 22 f.2.iv)				
i) Securitized transactions[3]	**11,496**	**11,496**	**11,900**	**11,900**
ii) Other proceedings	**753,084**	**4,002**	**661,679**	**760**
Probable	4,002	4,002	760	760
Possible	1,795	-	9,008	-
Remote	747,287	-	651,911	-

(1) Contingent liabilities relating to tax proceedings assessed as remote loss are concentrated in one (1) proceeding, whose contingent liability balance amounts to R$111,334 at 06.30.2017. At 06.30.2016, the risk was concentrated in two (2) proceedings, whose contingent liability balance amounted to R$105,310.
(2) Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in five (5) proceedings, whose contingent liability balance amounts to R$2,836,665 at 06.30.2017. At 06.30.2016, the risk was also concentrated in five (5) proceedings, whose contingent liability balance amounted to R$2,274,355.
(3) This refers to the credit risk on securitized transactions based on Law. No. 9138 of 11.29.1995 that is recorded in memorandum accounts.

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

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

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

Tax proceedings
Six tax proceedings challenging the tax deficiency notice. At 06.30.2017, estimated losses amount to R$2,975,295 (R$1,593,047 at 06.30.2016).

Civil proceedings
Civil proceeding challenging loss of profits and payment of management fees. At 06.30.2017, estimated losses amount to R$230,524 (R$198,014 at 06.30.2016).

Civil proceeding challenging reassessment (solutio indebiti). At 06.30.2017, estimated losses amount to R$64,310 (R$55,241 at 06.30.2016).

Civil proceeding claiming compensation. At 06.30.2017, estimated losses amount to R$95,351 (R$48,844 at 06.30.2016).

Civil proceeding challenging payment of fees. At 06.30.2017, estimated losses amount to R$44,906 (R$77,139 at 06.30.2016).

Civil proceeding filed in 2014 related to post-employment benefits. At 06.30.2017, the estimated possible loss amounts to R$51,439 (R$32,557 at 06.30.2016).

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

Specification	06.30.2017	06.30.2016
Labor claims	483,643	460,860
Tax proceedings	130,218	120,561
Civil proceedings	73,944	89,969
Total	**687,805**	**671,390**

f) Changes in provisions

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

Specification	06.30.2017				
	Opening balance	Recognition	Reversal	Write-off	Closing balance
i) Tax proceedings (Note 16.i)	64,902	5,008	(321)	-	69,589
ii) Labor claims (Note 16.i)	172,866	19,330	(7,580)	(10,337)	174,279
iii) Civil proceedings (Note 16.i)	166,126	57,861	(55,194)	(44,112)	124,681
iv) Other proceedings (Note 16.i)	899	3,124	(21)	-	4,002

Specification	06.30.2016				
	Opening balance	Recognition	Reversal	Write-off	Closing balance
i) Tax proceedings (Note 16.d)	46,515	16,156	(4,308)	-	58,363
ii) Labor claims (Note 16.i)	249,461	25,170	(27,306)	(24,979)	222,346
iii) Civil proceedings (Note 16.i)	142,592	25,242	(10,919)	(6,703)	150,212
iv) Other proceedings (Note 16.i)	720	122	(82)	-	760

f.2) Provisions for financial guarantees provided

Specification	06.30.2017			
	Opening balance	Recognition	Reversal/use/write-off	Closing balance
i) FNE	3,229,308	1,047,987	(1,006,634)	3,270,661
ii) FDNE	604	590	(515)	679
iii) Proagro	1,088	9	(1,091)	6

Specification	06.30.2016			
	Opening balance	Recognition	Reversal/use/write-off	Closing balance
i) FNE	2,792,367	801,771	(631,849)	2,962,289
ii) FDNE	654	17	-	671
iii) Proagro	2,644	530	(2,064)	1,110
iv) Other contingent liabilities	37,800	947	(5,465)	33,282

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

a) Monthly employee compensation

Gross compensation[(1)]	01.01 to 06.30.2017	01.01 to 06.30.2016
Maximum	39,548.87	36,619.33
Minimum	1,570.32	1,427.35
Average	10,427.58	9,337.48

(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	06.30.2017	06.30.2016	06.30.2017	06.30.2016	06.30.2017	06.30.2016
Gross compensation[(1)]	**Executive Board**		**Board of Directors**		**Supervisory Board**	
Highest individual compensation[(2)]	446,262.79	482,490.59	25,400.22	33,571.14	31,115.26	31,513.14
Lowest individual compensation[(3)]	284,788.76	333,559.85	25,400.22	25,725.06	25,400.22	25,725.06
Average individual compensation[(4)]	524,258.92	456,460.57	25,108.42	25,960.87	26,549.96	28,040.29
Number of officers/directors[(5)]	7	7	7	6	5	5

(1) Amounts approved at the 99th Annual General Meeting held on 12.14.2016.
(2) Amount computed without any exclusion, considering all compensation amounts recognized for the period.
(3) Amount reached after excluding all those who have not served in their position during the entire period.
(4) This corresponds to the total compensation for the period paid by each body divided by the number of officers/directors.
(5) The number of officers/directors corresponds to the annual average number of officers/directors of each body calculated on a monthly basis.

At 06.30.2017, the Bank had 7,187 employees (7,225 at 06.30.2016), a headcount decrease of 0.53%.

NOTE 24 - Profit sharing

The employees' profit sharing proposal for the six-month period corresponds to R$17,308 (R$13,503 at 06.30.2016), equivalent to 5.81% of net income for the six-month period (5.99% at 06.30.2016) and 25.00% (25.00% at 06.30.2016) of interest on equity for the six-month period. The profit sharing expense for the six-month period amounts to R$19,131, of which R$17,308 is allocated to employees and R$1,723 to officers.

NOTE 25 - Post-employment benefits

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

a) General description of the benefit plan characteristics

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

The Bank sponsors two supplementary pension plans named Defined Benefit (DB) and Variable Contribution (CV I) managed by CAPEF, a closed-ended private pension plan entity that provides supplementary retirement benefits based on the contribution period, age and disability to the plan participants, as well as supplementary pension and savings plans to their dependents.

In general terms, to the current participants, the Defined Benefit (DB) plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, weighted by the number of contributions paid to the plan, limited to 360, including any working hours extension, weighted by the number of contributions paid thereon, all effective since July 1997 and projected in accordance with the plan regulation up to the date of the participant's retirement. In addition, a rate equivalent to 21.25% is discounted out of the benefit as a special contribution, resulting on average in 78.75% of the average contribution salary.

The scheduled retirement benefits of the VC I plan are calculated based on the balance of the individual account for each participant on the date of retirement and are paid in two phases, as follows: the first phase as annuity within the deadline established under the Defined Contribution (DC) plan and the second phase as life annuity under the Defined Benefit (DB) plan. In addition, the plan provides coverage for unplanned benefits, such as disability and death in activity, and these benefits are classified by the Bank as defined benefit.

The VC I plan is supported by the Actuarial Solvency Fund that will be used to cover any future actuarial insufficiency of mutual pension plan portfolios, as well as supported by the Mutual Fund for Risk Benefits, in order to supply the payment of supplementary capital in case of disability or death of the participant, referring to the insurance coverage of the benefits resulting from these events. The Actuarial Solvency Fund consists of amounts received from participants on a monthly basis, from the application of the actuarial solvency rate on the amount of contributions of active participants; balance of the sponsor's account related to active participant that has opted for redemption and for the amount obtained by the recovery of supplementary capital for disability in case of return of the vested participant due to pension for disability, having returned to the 'able' condition, provided that the referred to supplementary capital for disability has arisen from the insurer. The Mutual Fund for Risk Benefits is established from the application of a risk rate (of death or disability) on the monthly contributions received from active participants.

According to the entity's statute, the following statutory bodies are responsible for the management and oversight of CAPEF: Decision-Making Board, Executive Board and Supervisory Board.

The Decision-Making Board is a body for top-tier decision and guidance and shall primarily define the CAPEF's management policy and benefit plans. It is composed of representatives of the Bank, active participants and participants' and vested beneficiaries' representatives.

The Executive Board is responsible for executing the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, charter, benefit plan regulations, covenants and adhesion terms.

The Supervisory Board is the internal control body and shall mainly monitor and oversee CAPEF activities.

The DB and VC I Plans are ruled by MPS/CGPC Resolution No. 26 of 09.29.2008, amended by CNPC Resolutions No. 10 of 12.19.2012; No. 13 of 11.04.2013; No. 14 of 02.24.2014; No. 16 of 11.19.2014; and No. 22 of 11.25.2015, which provides for conditions and procedures to be observed by closed-end supplementary pension entities in determining P&L, allocation and use of surplus and in deficit restructuring of pension benefit plans. Pursuant to the legislation mentioned above, the surplus of VC I Plan, within CAPEF, is fully allocated to the Reserve for Contingency, and for purposes of compliance with the provision of CMN Resolution No. 4424, which approved CPC 33 (R1), it is not recognized by the Bank, as described in subparagraph II of sub item b.1.

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

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

a.1.2) Past due obligations and contributions due

At 06.30.2017, the Bank has no past due obligations or contribution due referring to DB and VC I plans, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation.

a.1.3) Contribution Ratio (Participants/Sponsor)

The ratio of participant contributions to Bank contributions meets the parity set by Constitutional Amendment No. 20 of 12.15.1998, with a contribution ratio of 1:1 at 06.30.2017 (1:1 at 12.31.2016).

a.2) Health care plan

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

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

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

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

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

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

a.2.1) Past due obligations and contributions due

At 06.30.2017, the Bank has no past due obligations or contribution due referring to this plan, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation.

a.2.2) Contributions

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

In 2016, CAMED started to refund the contributions prepaid by the Bank as follows: a) lump-sum payment of: R$22,504; and b) the remaining balance in monthly installments of R$432.

a.2.3) Contribution Ratio (Participants/Sponsor)

At 06.30.2017, the ratio of participants' contributions to Bank contributions meets the parity set by Resolution No. 9 of 10.08.1996 of the Department for Coordination and Control of State-Owned Entities (CCE), with a contribution ratio of 1:1 (1:1 at 06.30.2016).

a.3) Group life insurance

The Bank's benefits policy to its employees comprises collective policy agreement of group life insurance intended for its employees and retired former employees. Such policy provides basic coverage for death by natural and accidental causes and additional coverage for disability caused by accident and disease. Insurance premiums are determined by applying rates by age groups. The employees contribute with 50% of this premium amount and the Bank with the remaining 50%, in the form of the Collective Bargaining Agreement (2016/2018). Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to vested participants.

a.3.1) Past due obligations and contributions due

At 06.30.2017, the Bank has no past due obligations or contribution due referring to the group life insurance, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation related to the life insurance.

a.4) Risk exposure

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

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

Specification	Assets	Vested participants	Total
DB Plan	1,710	4,752	6,462
VC I Plan	5,120	110	5,230
Natural Plan	6,809	4,786	11,595
Group life insurance	5,197	3,400	8,597

a.6) Strategies for Crosschecking Assets and Liabilities

The actuarial risks associated with the DB Plan are related to the variation and changes in the participant's registry and events expressed by the actuarial tables. No variation is expected on the contribution salary or benefit amounts in addition to those provided for in the plan's regulations.

Regarding the VC I Plan, the actuarial risk is reduced since the obligations relating to individual accounts of participants and benefits provided under the defined income phase at a defined term have full protection against actuarial deficits, although the smaller pension plan obligations relating to the benefits provided under the life annuity phase may occasionally develop actuarial imbalances. For these obligations, there are protection mechanisms against actuarial deficits such as: i) the establishment of pension funds; and ii) the adjustment of the benefit calculated based on the investment profitability statutory rate achieved, with limitations set out in the Regulation. This plan also relies on pension funds aiming to restore the plan's actuarial balance whenever there is actuarial deficit and still provide the insurance coverage of benefits arising from disability or death of a participant. In addition, for both plans, periodic registry updates are performed, as well as specific technical studies to assess adherence and convergence of assumptions used in the plan's actuarial valuations.

CAPEF counts on specific areas for investment management in addition to management advisory services that strengthens the monitoring of investment risks. Investments are monitored on a daily basis in order to check issues focused on classification, returns on assets and follow-up of the evolution of the plan's actuarial goal. The Investment Committee holds monthly meetings for discussion of the risks involved in operations, impacts on plan, classification matters and analysis of the economic scenario, and also quarterly risk reports are prepared, with simulation of the monthly and annual profitability, crosschecking of returns on assets against the actuarial goal over time, the plan's liquidity projected in the long-term, Markovitz efficient frontier for variable income funds, follow-up of assets of corporate bonds, comments on investments of the various investment portfolios, and VaR of fixed and variable income segments. The Asset Liability Management (ALM)

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

study is conducted every year and aims to assist the plan's administrators in choosing the most suitable portfolio to their goals, taking into consideration the characteristics and peculiarities of the assets and the plan's financial position. The result of this study allows long-term investments, without compromising the obligations or the achievement of the actuarial goal.

Concerning the Natural Plan, it is highlighted the actuarial or underwriting risk associated with the activity of provision of services through accredited chain and/or reimbursement of supplementary health events. This risk is related both to the adequacy of the technical bases used in pricing and to the adequacy of the provision level. The risk assessment by CAMED is performed by preparing actuarial studies, through detailed analysis of the plan.

CAMED has financial instruments to fund its activities or invest its funds available. The risks associated with these instruments are managed through conservative strategies, intended to ensure liquidity, profitability and safety. The criteria for investments consider fund allocation limits in accordance with the regulation established by ANS. The credit risk associated with these investments is reduced by the restriction of its operations with top-tier financial institution according to the market and concentration of investments in fixed income government securities and corporate bonds with short-term maturity. The credit risk associated with the possibility of not receiving monthly amounts and charges is mitigated by the possibility of collection in payroll and authorization to debit in current account, as well as by the legal possibility of interrupting the service to beneficiaries of the health care plans after a certain period of default. Risk management monitors the changes in exposure scenarios to which CAMED is subject.

b) Actuarial Obligation Analysis

At 06.30.2017, the plans administered by CAPEF and CAMED as well as the Group Life Insurance are recorded in the Bank's financial statements, as follows:

b.1) Private pension plans

i. DB Plan: the present value of the actuarial obligation amounting to R$4,036,741 (R$3,805,828 at 06.30.2016) is partially based on plan assets amounting to R$3,656,979 (R$3,457,948 at 06.30.2016), resulting in a present value of the uncovered actuarial obligations of R$379,762 (R$347,880 at 06.30.2016). The obligation referring to vested participants amounts to R$3,251,620 (R$3,115,384 at 06.30.2016) and that referring to active participants amounts to R$785,121 (R$690,444 at 06.30.2016);

ii. VC I Plan: for unplanned benefits (DB portion) that have characteristics of the defined benefit plan, the present value of the actuarial obligation amounting to R$13,691 (R$13,433 at 06.30.2016) is lower than the fair value of plan assets amounting to R$34,365 (R$38,725 at 06.30.2016), resulting in a surplus of R$20,674 (R$25,292 at 06.30.2016), which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

b.2) Health care plan: the present value of the actuarial obligation amounting to R$1,241,671 (R$897,675 at 06.30.2016) is partially based on plan assets amounting to R$121,526 (R$109,993 at 06.30.2016), resulting in a present value of the uncovered actuarial obligations of R$1,120,145 (R$787,682 at 06.30.2016). The obligation referring to vested participants amounts to R$945,703 (R$753,309 at 06.30.2016) and that referring to active participants amounts to R$295,968 (R$144,366 at 06.30.2016).

b.3) Group life insurance: the present value of the uncovered actuarial obligations amounts to R$123,417 (R$64,142 at 06.30.2016), and there are no assets for this plan. The obligation related to vested participants amounts to R$115,365 (R$ 39,267 at 06.30.2016) and that related to active participants amounts to R$38,431 (R$24,875 at 06.30.2016). Out of that total, a cross-subsidy is also deducted in the amount of R$30,379 (there was no balance at 06.30.2016).

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
1. Present value of actuarial obligation at the beginning of the period	(3,870,805)	(3,287,131)	(12,024)	(9,502)
2. Interest expense	(198,683)	(205,762)	(637)	(619)
3. Current service cost	(4,237)	(3,837)	(94)	(264)
4. Benefits paid by the plan	204,724	192,460	272	135
5. Vested participant contributions (retirees and pensioners)	(38,309)	(35,828)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(107)	(1,475)
7. Administrative expenses paid by the plan	-	-	-	48
8. Remeasurements of actuarial gains (losses)	**(129,431)**	**(465,730)**	**(1,101)**	**(1,756)**
8.1. From experience adjustments	(14,559)	(104,525)	(911)	(1,276)
8.2. From changes in financial assumptions	(114,872)	(361,205)	(190)	(480)
9. Present value of actuarial obligation at the end of the period	**(4,036,741)**	**(3,805,828)**	**(13,691)**	**(13,433)**

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
1. Present value of actuarial obligation at the beginning of the period	(923,372)	(879,202)	(116,899)	(56,505)
2. Interest expense	(47,701)	(56,773)	(6,099)	(3,544)
3. Current service cost	(4,169)	(6,794)	(536)	(382)
4. Benefits paid by the plan [1]	39,898	31,620	5,639	3,098
5. Vested participant contributions (retirees and pensioners)	(9,169)	(8,700)	(1,528)	-
6. Administrative expenses paid by the plan	5,644	5,061	-	-
7. Remeasurements of actuarial gains (losses)	**(302,802)**	**17,113**	**(3,994)**	**(6,809)**
7.1. From experience adjustments	(284,949)	188,435	(991)	755
7.2. From changes in demographic assumptions	-	(35,678)	-	-
7.3. From changes in financial assumptions	(17,853)	(135,644)	(3,003)	(7,564)
8. Present value of actuarial obligation at the end of the period	**(1,241,671)**	**(897,675)**	**(123,417)**	**(64,142)**

[1] Camed: Natural Plan - net of co-participations paid by associate participants.

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

Specification	**Capef**			
	DB Plan		**VC I Plan**	
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**
1. Fair value of plan assets at the beginning of the period	3,507,687	3,051,653	29,300	31,247
2. Interest income	181,391	192,588	1,658	2,125
3. Employer's contributions (1)	35,522	33,358	745	694
4. Active participants contributions	218	231	747	694
5. Vested participants contributions	38,309	35,828	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	106	1,475
7. Administrative expenses paid by the plan	-	-	-	(48)
8. Benefits paid by the plan	(204,724)	(192,460)	(272)	(135)
9. Return on plan assets (2)	98,576	336,750	2,081	2,673
10. Fair value of plan assets at the end of the period	**3,656,979**	**3,457,948**	**34,365**	**38,725**

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

(2) Except interest income.

Specification	**Camed**		**Life insurance**	
	Natural Plan			
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**
1. Fair value of plan assets at the beginning of the period	115,822	106,225	-	-
2. Interest income	5,566	7,058	-	-
3. Employer's contributions (1)	24,430	18,187	2,286	1,549
4. Return of Sponsor's contributions	(2,589)	(23,726)	-	-
5. Active participants contributions	334	7,455	1,825	1,549
6. Vested participants contributions	9,169	8,700	1,528	-
7. Administrative expenses paid by the plan	(5,644)	(5,061)	-	-
8. Benefits paid by the plan(2)	(39,898)	(31,620)	(5,639)	(3,098)
9. Return on plan assets(3)	14,336	22,775	-	-
10. Fair value of plan assets at the end of the period	**121,526**	**109,993**	-	**-**

(1) Camed - Natural Plan: contributions related to associate participants and retirees/pensioners;
(2) Camed - Natural Plan: net of co-participations paid by associate participants; and
(3) Except interest income.

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

Specification	**Capef**	
	VC I Plan	
	06.30.2017	**06.30.2016**
1. Asset ceiling effect at the beginning of the period	(17,275)	(21,745)
2. Interest on asset ceiling effect	(1,021)	(1,506)
3. Remeasurement of asset ceiling effect	(2,378)	(2,041)
4. Asset ceiling effect at the end of the period	**(20,674)**	**(25,292)**

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

Specification	**Capef**			
	DB Plan		**VC I Plan**	
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**
1. Present value of actuarial obligation at the end of the period	(4,036,741)	(3,805,828)	(13,691)	(13,433)
2. Fair value of plan assets at the end of the period	3,656,979	3,457,948	34,365	38,725
3. Surplus (deficit) of the plan (item 1 - item 2)	(379,762)	(347,880)	20,674	25,292
4. Asset ceiling effect at the end of the period	-	-	(20,674)	(25,292)
5. Liability recognized in the balance sheet at the end of the period (Note 16.j)	**(379,762)**	**(347,880)(1)**	**-**	**-**

(1) Including differences in contributions estimated in the actuarial calculation of the DB Plan: 01.01 to 06.30.2016: R$98.

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
1. Present value of actuarial obligation at the end of the period	(1,241,671)	(897,675)	(123,417)	(64,142)
2. Fair value of plan assets at the end of the period	121,526	109,993	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(1,120,145)	(787,682)	(123,417)	(64,142)
4. Liability recognized in the balance sheet at the end of the period (Note 16.j)	**(1,120,145)**	**(787,682)**	**(123,417)**	**(64,142)**

g) Amounts recognized in P&L for the year

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2017	01.01 to 06.30.2016	01.01 to 06.30.2017	01.01 to 06.30.2016
1. Current service cost, net	**(4,019)**	**(3,606)**	**653**	**430**
1.1. Service cost	(4,237)	(3,837)	(94)	(264)
1.2. Active participants' contributions	218	231	747	694
2. Net interest	**(17,292)**	**(13,174)**	**-**	**-**
2.1. Interest expense	(198,683)	(205,762)	(637)	(619)
2.2. Interest income	181,391	192,588	1,658	2,125
2.3. Interest on asset ceiling effect	-	-	(1,021)	(1,506)
3. g) Amounts recognized in P&L for the year (item 1 + item 2)	**(21,311)**	**(16,780)[(1)]**	**653[(2)]**	**430 [(2)]**

(1) Including employees' contribution granted to be refunded to the Bank - DB Plan: 01.01 to 06.30.2016: R$4.

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

Specification	Camed Natural Plan		Life insurance	
	01.01 to 06.30.2017	01.01 to 06.30.2016	01.01 to 06.30.2017	01.01 to 06.30.2016
1. Current service cost, net	**(3,835)**	**661**	**1,289**	**1,167**
1.1. Service cost	(4,169)	(6,794)	(536)	(382)
1.2. Active participants' contributions	334	7,455	1,825	1,549
2. Net interest	**(42,135)**	**(49,715)**	**(6,099)**	**(3,544)**
2.1. Interest expense	(47,701)	(56,773)	(6,099)	(3,544)
2.2. Interest income	5,566	7,058	-	-
3. Amounts recognized in P&L for the year (item 1 + item 2) (1)	**(45,970)**	**(49,054)**	**(4,810)**	**(2,377)**

(1) Including employees' contribution granted to be refunded to the Bank - Natural Plan: 01.01. to 06.30.2017: R$23; 01.01 to 06.30.2016: R$20; and Life Insurance: 01.01.to 06.30.2017: R$3; 01.01 to 06.30.2016: R$3.

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

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
1. Contributions (DC portion) (1)	(25,076)	(22,123)

(1) Including transferred employees' contribution: 01.01 to 06.30.2017 - R$124; and 01.01 to 06.30.2016 - R$153.

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

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
1. Administrative expenses	(3,089)	(3,089)

h) Amounts for the period recognized in equity

At 06.30.2016, losses on experience adjustment related to the DB Plan derive from reduction in the quantitative population, as well as adjustment in the calculation of pensions and increase in average benefits. For the VC I Plan, the experience adjustments derive from the increase in the average salary and benefits. Losses on Natural plan are justified by the adjustment in the methodology for calculating the administration fee and the increase in healthcare costs. Loss on Group Life Insurance is explained by the increase in the amount of payouts.

Actuarial losses arising from financial assumptions at 06.30.2017 refer to changes in interest rates compared with 12.31.2016, from 10.71% (12.31.2016) to 10.00% (06.30.2017) for DB and Natural plans, and from 10.73% (12.31.2016) to 10.02% (06.30.2017) for VC I plan, and from 10.75% (12.31.2016) to 10.02% (06.30.2017) in Group Life Insurance.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2017	01.01 to 06.30.2016	01.01 to 06.30.2017	01.01 to 06.30.2016
1. Return on plan assets	98,576	336,750	2,081	2,673
2. Actuarial gains (losses) on obligation	**(129,431)**	**(465,730)**	**(1,101)**	**(1,756)**
2.1 Experience adjustments	(14,559)	(104,525)	(911)	(1,276)
2.2. Changes in financial assumptions	(114,872)	(361,205)	(190)	(480)
3. Asset ceiling effect	-	-	(2,378)	(2,041)
4. Amounts recognized in equity at the end of the year (item 1 + item 2 + item 3)	**(30,855)**	**(128,980)(1)**	**(1,398)**	**(1,124)**

(1) Including estimated contribution difference in the DB Plan actuarial calculation: 01.01 to 06.30.2016: R$98.

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 06.30.2017	01.01 to 06.30.2016	01.01 to 06.30.2017	01.01 to 06.30.2016
1.Return on plan assets	14,336	22,775	-	-
2.Actuarial gains (losses) on obligation	**(302,802)**	**17,113**	**(3,994)**	**(6,809)**
2.1. Experience adjustments	(284,949)	188,435	(991)	755
2.2. Changes in demographic assumptions	-	(35,678)	-	-
2.3. Changes in financial assumptions	(17,853)	(135,644)	(3,003)	(7,564)
3. Amounts recognized in equity at the end of the period (item 1 + item 2 + item 3)	**(288,466)**	**39,888**	**(3,994) (1)**	**(6,809)**

(1) Including estimated contribution difference in the Group Life Insurance actuarial calculation: 01.01 to 06.30.2017: R$2.

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
1. (Liabilities)/assets recognized at the beginning of the period	(363,118)	(235,478)	-	-
2. Employer contributions	35,522	33,358 (1)	745	694
3. Amounts recognized in P&L	(21,311)	(16,780)	653	430
4. Amounts recognized in equity for the period	(30,855)	(128,980)	(1,398)	(1,124)
5. (Liabilities)/assets recognized at the end of the period (Note 16.j)	**(379,762)**	**(347,880)**	**-**	**-**

(1) Including estimated contribution difference in the DB plan actuarial calculation: 01.01 to 06.30.2016: R$98.

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
1. (Liabilities)/assets recognized at the beginning of the period	(807,550)	(772,977)	(116,899)	(56,505)
2. Employer contributions	24,430	18,187	2,286	1,549
3. Return of Sponsor's contributions	(2,589)	(23,726)	-	-
4. Amounts recognized in P&L	(45,970)	(49,054)	(4,810)	(2,377)
5. Amounts recognized in equity	(288,466)	39,888	(3,994)	(6,809)
6. (Liabilities)/assets recognized at the end of the period (Note 16.j)	**(1,120,145)**	**(787,682)**	**(123,417)**	**(64,142)**

j) Investment policy and allocation of plan fair values

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

For policy formulation, the criteria and objectives for investing the plan's funds, cost funds and benefits are analyzed, considering: a) the expected rate of return; b) capital preservation; c) diversification; d) risk tolerance; e) stability; f) liquidity; and g) benefit adjustment rule. Based on these criteria, investment mechanisms are defined as well as the best strategy to diversify portfolios: fixed income, variable income, structured investments, foreign investments, real estate and operations with participants.
For allocation of funds and limits per segment of application, the guidelines of CMN Resolution No. 3792 dated 09.24.2009 and its amendments, are taken into consideration, in addition to safety, liquidity, profitability and maturity criteria of the plan. The proposal of fund allocation is reviewed at any time, due to any significant event that may substantially change the macroeconomic assumptions regarded.
Deliberations on natural plan investments are approved by the Executive Board and submitted to the Deliberative Council of Camed. For investments associated with financial guarantees with the Brazilian Agency for Supplementary Health (ANS), the limits and conditions set forth by this agency are observed.

Specification	**Capef**				**Camed**	
	DB Plan (%)		**VC I Plan (%)**		**Natural Plan (%)**	
	06.30.2017	**06.30.2016**	**06.30.2017**	**06.30.2016**	**06.30.2017**	**06.30.2016**
Fixed income	89.69	89.05	93.66	93.74	78.57	74.63
Variable income	0.19	0.17	-	-	20.72	24.94
Real estate investments	7.35	7.82	-	-	0.71	0.43
Structured investments	0.25	0.23	1.22	1.47	-	-
Loans and financing to participants	2.02	2.71	5.12	4.79	-	-
Other	0.02	0.02	-	-	-	-
Amounts included in the fair value of plan assets						
In financial instruments at the Bank	0.19	0.17	-	-	78.57	74.63
In properties/other assets used by the Bank	0.96	1.04	-	-	0.71	0.43

k) Assumption used

k.1) Demographic assumptions

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

Specification	**DB (Capef) and Natural (Camed) Plans**	
	06.30.2017	**06.30.2016**
Mortality tables		
Assets/Retirees	RP2000 - downrated by 15%[1]	RP2000 - downrated by 15%[1]
Disabled people	Winklevoss	Winklevoss
Disability entry table	Álvaro Vindas - (A10)	Álvaro Vindas - (A10)

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

Specification	**VC I Plan (Capef)**	
	06.30.2017	**06.30.2016**
Mortality tables		
Assets/Retirees	RP 2000 Proj. 2014 Unissex (70%M) (D20)	RP 2000 Proj. 2014 Unissex (70%M) (D20)
Disabled people	IAPC experience (downrated by 50%)	IAPC experience (downrated by 50%)
Disability entry table	Álvaro Vindas (downrated by 50%)	Álvaro Vindas (downrated by 50%)

Specification	**Life insurance**	
	06.30.2017	**06.30.2016**
Mortality tables		
Assets/Retirees	RP 2000 Proj. 2014 Unissex (70%M) (D20)	RP2000 - downrated by 15%[1]
Disabled people	IAPC experience (downrated by 50%)	Winklevoss
Disability entry table	Álvaro Vindas (downrated by 50%)	Álvaro Vindas - (A10)

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

k.2) Financial assumptions

Specification	Capef (% p.a.)			
	DB Plan		VC I Plan	
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
Statutory discount rate for the actuarial liability	10.00	11.80	10.02	11.81
Effective discount rate for the actuarial obligation	5.63	5.97	5.65	5.98
Average annual inflation rate	4.14	5.50	4.14	5.50
Nominal rate of salary increase (1)	5.18	6.56	7.05 (2)	5.50
Nominal rate of benefit increases	4.14	5.50	4.14	5.50

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

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

Specification	Camed (% p.a.)		Life insurance	
	Plano Natural			
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
Statutory discount rate for the actuarial liability	10.00	11.80	10.02	11.80
Effective discount rate for the actuarial obligation	5.63	5.97	5.65	5.97
Average annual inflation rate	4.14	5.50	4.14	5.50
Nominal rate of salary increase (1)	5.18	6.56	5.18	-
Nominal rate of benefit average increases (1)	2.72 (2)	7.81 (3)	5.18	Not applicable
Rate of increase in health care costs due to aging (aging factor)	3.05	3.11	Not applicable	Not applicable
Rates of increase in health costs (HCCTR)	2.72 (2)	2.19 (3)	Not applicable	Not applicable

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

(2) At 06.30.2017, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last eight (8) years. The rate found was 2.72%, above the aging factor and price overall inflation of 4.14% p.a. and decreases gradually in seven (7) years from 2017, remaining at 1% p.a. from the 8th (eighth) year.

(3) At 06.30.2016, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last seven (7) years. The rate found was 2.19%, above the aging factor and price overall inflation of 5.50% p.a. and decreases gradually in eight (8) years from 2017, remaining at 1% p.a. from the 9th (nineth) year.

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

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

k.5) The discount rate is equivalent to the expected return of the National Treasury Notes (NTN-B), for the “duration” of the plans, in accordance with the methodology provided in item 83 of CPC 33 (R1) approved by CMN Resolution No. 4424. At 06.30.2017, the following “duration” of the plans was determined: for Capef DB and CAMED Natural Plans: 12.69 years (12.17 years at 06.30.2016); for CAPEF VC I Plan: 20.25 years (22.75 years at 06.30.2016); and for Life Insurance: 18.33 years (11.04 years at 06.30.2016).

l) Sensitivity analysis of main assumptions

The sensitivity analysis considers the increase or decrease of one (1) year in the age of the participant or vested participant, or increase or decrease by 0.25% in the interest rate, for DB, VC I, Natural and Life Insurance plans, as well as the growth rate of health costs for the Natural plan. The calculation was made based on the PUC method, estimating the present value of obligation at 06.30.2017:

Capef - DB Plan	Current parameters	Biometric table		Interest rate	
	06.30.2017	Age + 1	Age - 1	+ 0.25%	-0.25%
Present value of actuarial obligation	(4,036,741)	(3,934,476)	(4,137,212)	(3,952,704)	(4,124,117)
Fair value of assets	3,656,979	3,656,979	3,656,979	3,656,979	3,656,979
Technical surplus (deficit)	**(379,762)**	**(277,497)**	**(480,233)**	**(295,725)**	**(467,138)**
Variations:					
Increase/decrease in actuarial obligation (%)		(2.5)	2.5	(2.1)	2.2
Increase/decrease in technical surplus (deficit) - %		(26.9)	26.5	(22.1)	23.0

Capef - VC I Plan	Current parameters	Biometric table		Interest rate	
	06.30.2017	Age + 1	Age - 1	+ 0.25%	-0.25%
Present value of actuarial obligation	(13,691)	(13,720)	(13,664)	(13,318)	(14,086)
Fair value of assets	34,365	34,365	34,365	34,365	34,365
Technical surplus (deficit) (1)	20,674	20,645	20,701	21,047	20,279
Variations:					
Increase/decrease in actuarial obligation (%)		0.2	(0.2)	(2.7)	2.9
Increase/decrease in technical surplus (deficit) - %		(0.1)	0.1	1.8	(1.9)

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

Camed - Natural Plan	Current parameters	Biometric table		HCCTR		Interest rate	
	06.30.2017	Age + 1	Age - 1	+ 0.25%	-0.25%	+ 0.25%	-0.25%
Present value of actuarial obligation	(1,241,671)	(1,175,862)	(1,307,479)	(1,281,280)	(1,201,061)	(1,202,185)	(1,281,156)
Fair value of assets	121,526	121,526	121,526	121,526	121,526	121,526	121,526
Technical surplus (deficit)	(1,120,145)	(1,054,336)	(1,185,953)	(1,159,754)	(1,080,535)	(1,080,659)	(1,159,630)
Variations:							
Increase/decrease in actuarial obligation (%)		(5.3)	5.3	3.2	(3.2)	(3.2)	3.2
Increase/decrease in technical surplus (deficit) - %		(5.9)	5.9	3.5	(3.5)	(3.5)	3.5

Life insurance	Current parameters	Biometric table		Interest rate	
	06.30.2017	Age + 1	Age - 1	+ 0.25%	-0.25%
Present value of actuarial obligation	(123,417)	(133,284)	(113,780)	(117,987)	(129,200)
Technical surplus (deficit)	**(123,417)**	**(133,284)**	**(113,780)**	**(117,987)**	**(129,200)**
Variations:					
Increase/decrease in actuarial obligation (%)		(8.0)	(7.8)	(4.4)	4.7
Increase/decrease in technical surplus (deficit) - %		(8.0)	(7.8)	(4.4)	4.7

m) Impact on future cash flows

m.1) Expected contributions for the 2nd half of 2017

Specification	Capef		Camed	Life insurance
	DB Plan(1)	VC I Plan (2)	Natural Plan	
1. Employer contributions	44,569	837	24,765	1,921
2. Employees' contributions	202	826	-	1,460
3. Contributions from vested participants	44,367	-	9,719 (3)	1,690

(1) Except for contributions intended for administrative costing: 01.01 to 06.30.2017: Employer: R$3,876 and Employees/Vested participants: R$3,876;
(2) Except for contributions intended for part of the DC plan: 01.01 to 06.30.2016: Employer: R$28,165 and Employees: R$28,182;
(3) Except for co-participations.

m.2) Expected payments of benefits

Specification	Capef(1)		Camed (1)(2)	Life insurance(1)
	DB Plan	VC I Plan	Natural Plan	
Within 1 year	353,678	1,520	74,255	10,241
From 1 to 2 years	351,769	1,356	74,737	12,684
From 2 to 3 years	349,773	1,228	74,444	13,822
From 3 to 4 years	345,294	1,104	74,943	14,953
Above 4 years	5,899,895	27,463	1,396,689	1,046,917
Total	**7,300,409**	**32,671**	**1,695,068**	**1,098,617**

(1) The amounts of expected benefits were calculated without present value discount.
(2) Net of co-participation of vested participants.

n) Estimated expenses for the 2nd half of 2017

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(4,036)	732	(4,169)	924
2. Net interest	(17,292)	-	(42,135)	(6,099)
3. Total unrecognized (expenses)/revenues	**(21,328)**	**732**	**(46,304)**	**(5,175)**

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

a) The total assets of FNE, amounting to R$71,118,490 (R$63,470,927 at 06.30.2016) 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$20,849,478 (R$14,207,550 at 06.30.2016), recorded under "Other obligations/Financial and development funds" bear interest at the extra-market rate. In the six-month period, the interest expense on cash and cash equivalents totaled R$975,415 (R$788,367 at 06.30.2016).

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 operations contracted beginning 12.01.1998, excluding Land Program financing lines and transactions under PRONAF (groups A, 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. 616 of 05.26.2003. Loans funded by FNE, under Law No. 12716 of 09.21.2012, for the purpose of settling BNB transactions with other funds, will maintain the same risk position of the transaction to be settled. The financing balances and provisions recorded under "Provision for financial guarantees provided" of the Bank are broken down as follows:

Risk level	Balances	Provision at 06.30.2017	Provision at 06.30.2016
AA	10,384,164	-	-
A	12,575,317	31,568	29,499
B	7,265,523	36,759	49,236
C	2,113,232	31,663	36,275
D	1,517,822	75,849	44,482
E	617,767	92,168	82,772
F	718,838	180,002	111,320
G	703,087	246,100	252,800
H	5,070,276	2,576,552(1)	2,355,904
Total	**40,966,026**	**3,270,661**	**2,962,289**

(1) At 06.30.2017, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R$39,788 (R$19,965 at 06.30.2016, recorded under Other Contingent Liabilities - Note 22.f.2.iv).

d) The Bank's del credere commission on transactions entered into by 11.30.1998 is nil. For transactions entered 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$639,788 (R$621,245 at 06.30.2016).

e) The administration fee of 3% p.a. is calculated on the Fund's net asset, less the amounts under the onlending agreement entered into with the Bank, balances of onlending to other institutions with the risk fully assumed by the Bank, and the balances of PRONAF investments (Groups B, A/C, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Funding), and is limited to 20% of the transfers made by the National Treasury. In the period, the administration fee totaled R$751,099 (R$694,058 at 06.30.2016).

NOTE 27 - Workers' Assistance Fund (*Fundo de Amparo ao Trabalhador - FAT*)
The Workers' Assistance Fund (FAT) is a special financial-accounting fund under the Ministry of Labor and Employment (*Ministério do Trabalho e Emprego - MTE*), whose purpose is to finance the Unemployment Insurance, Salary Bonus and Economic Development Programs. The main actions financed by the Bank with FAT funds are as follows:

Specification	Tade	06.30.2017	06.30.2016
Proger-Urbano - Investment	017/2006	1,681	4,103
FAT - Infrastructure	018/2006	161,144	185,647
Protrabalho - Investment	004/2007	169,463	193,417
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	89,550	128,142
Total		**421,838**	**511,309**

Obligations derived from FAT, recorded under 'Interest-yielding special deposits', totaling R$219,207 (R$292,516 at 06.30.2016), are subject to SELIC rate while they are not used in loans, and subject to TJLP after they are released to final borrowers. Available funds yielding interest at SELIC totaled R$30,470 (R$31,100 at 06.30.2016).
Pursuant to CODEFAT (FAT Board) Resolution No. 439 of 06.02.2005, these funds began to be reimbursed to FAT on a monthly basis, with a minimum amount equivalent to 2% calculated on the total balance of each FAT Special Deposit Allocation Statement (TADE), plus cash to meet the following conditions, considering the period they remain 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	Return of FAT funds			06.30.2017		
		Form (1)	RA	SELIC remuneration	Cash and cash equivalents TMS (2)	TJLP (3) applied	Total
Proger - Urbano - Investment	17/2006	RA	5,511	225	1,225	11,486	12,711
FAT - Infrastructure(4)	18/2006	RA	48,340	2,675	19,606	41,961	61,567
Protrabalho-Investment	04/2007	RA	15,725	117	6,575	52,552	59,127
PNMPO	01/2010	RA	23,256	582	3,064	82,738	85,802
Total (Note 13.b and Note 29.a.1)			**92,832**	**3,599**	**30,470**	**188,737**	**219,207**

Specification	Tade	Return of FAT funds			06.30.2016		
		Form (1)	RA	SELIC remuneration	Cash and cash equivalents TMS (2)	TJLP (3) applied	Total
Proger - Urbano - Investment	17/2006	RA	9,833	387	2,302	14,799	17,101
FAT - Infrastructure(4)	18/2006	RA	51,608	3,269	23,826	79,206	103,032
Protrabalho-Investment	04/2007	RA	18,562	43	520	69,700	70,220
PNMPO	01/2010	RA	27,788	788	4,452	97,711	102,163
Total (Notes 13.b and 29.a.1)			**107,791**	**4,487**	**31,100**	**261,416**	**292,516**

(1) RA - Automatic Return (Monthly, 2% on balance);
(2) Funds yielding SELIC rate;
(3) Funds yielding SELIC rate; and
(4) Regarding FAT - Infrastructure, RA is 1% on the balance and deductible reimbursements refer to the last 4 months.

NOTE 28 - Risk management and Basel Index

a) Risk and capital management

The Bank's corporate governance instruments include a regularly reviewed internal control structure so that the operational, credit, market and liquidity risks may be adequately monitored. The risk management methodology observes the guidance set forth by the Basel Committee, with priority to identification of possible risks existing in the different Bank processes, and implementation and monitoring of key indicators and of mechanisms to mitigate any risks.

Risk management structure

The corporate risk management policy sets forth guidelines and standards that integrate the Bank's activities, for management of credit, liquidity, market and operational risks. The Corporate Risk Management Committee

analyzes and forwards for approval by the Executive Board proposals for creation of and adjustments in strategies, policies, models and procedures for risk management. The Control and Risk Executive Board coordinates the implementation thereof and the Bank's performance, through a specific unit that manages credit, operational, market and liquidity risks at corporate level, defining management methodologies and models, as well as promoting the dissemination of the risk management culture.
Further information relating to risk management focused on matters related to 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 the link "*Sobre o Banco*".

Capital management structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period from 2017 to 2019, which was also approved by the Board of Directors on 11.30.2016. 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. 3988 of 06.30.2011. The Capital Management Structure information is available at www.bnb.gov.br, clicking the link "*Sobre o Banco*".

b) Credit risk

Credit risk is defined as the risk of incurring losses associated with default by the borrower or counterparty to financial obligations under the agreed to terms and conditions, impairment of a loan agreement arising from downgrading of the borrowers' risk rating, decrease in gains or returns, advantages granted in renegotiations, and the costs of recovery.

Specification	Exposure	
	06.30.2017	06.30.2016
Loans, co-obligations and guarantees given	**32,198,462**	**33,500,488**
Public sector	**1,377,784**	**1,473,877**
Private sector	**30,820,678**	**32,026,611**
Trade	3,910,336	3,953,334
Foreign trade	408,382	410,586
Housing	242	170
Manufacturing	8,738,028	9,433,189
Infrastructure	3,114,938	2,790,895
Urban micro-financing	2,717,271	2,905,473
Individuals	124,687	132,011
Rural	7,125,896	7,249,729
Other services	4,680,898	5,151,224
Market transactions	**36,837,204**	**28,612,446**
Federal Government securities	**33,828,546**	**25,649,365**
Repurchase agreements	12,062,125	10,740,851
Other	21,766,421	14,908,514
Interbank deposits	**156,636**	**-**
Other marketable securities	**1,751,222**	**1,979,988**
Other transactions	**1,100,800**	**983,093**
Other assets	**5,126,928**	**3,784,793**
Total	**74,162,594**	**65,897,727**

The Bank uses the constant information flow to identify, measure, control and mitigate risks, thus ensuring that credit risk exposure is within acceptable parameters. Accordingly, the Bank uses instruments, such as: credit policies, risk assessment models and methodologies, 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, Executive Board or Board of Directors.

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

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

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to risk of loans above R$5,000 amount to R$4,733,017 (R$4,759,903 at 06.30.2016). These transactions are backed by collaterals totaling R$6,025,135 (R$4,447,960 at 06.30.2016).

c) Liquidity risk

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

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

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

Specification		06.30.2017 (%)	06.30.2016 (%)
Liquidity ratio	At reporting date	718.29	531.96
	Average for the last 12 months	568.50	393.81
	Maximum for the last 12 months	726.50	531.99
	Minimum for the last 12 months	444.62	249.52

d) Market risk

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

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

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

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

c) foreign exchange exposure report;

d) sensitivity analysis;

e) stress testing;

f) back-testing; and

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

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

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

Risk exposure limits	Control procedure
• Trading portfolio: 1% of Referential Equity • Banking portfolio: 5% of Referential Equity	If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the area responsible for the financial operations.

Sensitivity analysis

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

Portfolio/risk factor	Type of risk	Scenario 1 (Probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	9,186,398	9,171,818	(14,580)	9,157,584	(28,814)
Banking portfolio						
Dollar coupon	Reduction in coupon	(142,121)	(144,609)	(2,488)	(147,308)	(5,187)
Euro coupon	Increase in coupon	(2,924)	(2,925)	(1)	(2,926)	(2)
IGP coupon	Increase in coupon	923,791	886,218	(37,573)	851,602	(72,189)
IPCA coupon	Reduction in coupon	1,573,265	1,302,809	(270,456)	1,103,506	(469,759)
TJLP coupon	Increase in coupon	183,281	182,542	(739)	181,822	(1,459)
TR coupon	Increase in coupon	(1,992,062)	(2,016,859)	(24,797)	(2,034,957)	(42,895)
Fixed interest rate	Increase in interest rate	3,224,002	3,155,080	(68,922)	3,100,940	(123,062)

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

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

Nature of transaction	Type of risk	Financial instrument	Scenario 1 (Probable)	Scenario 2 (variation of 25%)	Scenario 3 (variation of 50%)
Hedging derivatives	Increase in referential rate - B3 S.A. DI vs. DOLLAR	Swap Dollar x DI	1,031,705	1,042,799	1,054,141
		Liabilities in FC	(1,045,442)	(1,056,625)	(1,068,057)
		Net exposure	(13,737)	(13,826)	(13,916)

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 to prepare the sensitivity analysis of foreign exchange hedge and respective notes was to determine the balances of liabilities indexed to the dollar and hedge (*swap*) transactions exposed to this type of risk (scenario 1), and determine the net exposure thereto. The adverse stresses related to scenarios 2 and 3 were applied to this result, as detailed below:

Scenario 1 - refers to the current situation of risk exposure factors based on market information (B3 S.A.). Under this scenario, 100% of the DI x Dollar swap rate is applied.

Scenario 2 - Under this scenario, 125% of the DI x fixed interest swap rate was applied.

Scenario 3 - Under this scenario, 150% of the DI x fixed interest swap rate was applied.

e) Operational risk

The operational risk is the possibility of losses arising from failures, deficiencies or inadequacies of internal processes, people and systems or resulting from external events, 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 foreign exchange exposure sold, in the amount of R$103,992 (R$35,939 at 06.30.2016 - short position), as follows:

Specification	**06.30.2017**	**06.30.2016**	**Specification**	**06.30.2017**	**06.30.2016**
Cash and cash equivalents	36,905	89,055	Deposits	-	-
Interbank investments	62,125	-	Interdepartmental accounts	21,271	5,561
Loans	679,338	786,642	Borrowings and onlending domestic	72,661	79,443
Other receivables	420,126	608,852	Borrowings and onlending - foreign	1,725,674	1,788,181
			Other liabilities	502,205	614,096
Total assets in foreign currencies, excluding derivatives	**1,198,494**	**1,484,549**	**Total liabilities in foreign currencies**	**2,321,811**	**2,487,281**
Swap transactions	1,019,325	966,793			
Total long position in foreign currencies	**2,217,819**	**2,451,342**	**Total short position in foreign currencies**	**2,321,811**	**2,487,281**

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

g) Operating limits - Basel Accord

At 06.30.2017, the Bank had a wide Basel rate (including capital to cover RBAN) of 14.28% (11.81% at 06.30.2016) and Tier I rates and Principal Capital were both at 9.97% (7.58% at 06.30.2016). RE computed was R$5,958,135 (R$4,648,057 at 06.30.2016), Tier I and Principal Capital had the same amount of R$3,861,357 (R$2,802,307 at 06.30.2016), while risk weighted assets (RWA amount) totaled R$38,731,141 (R$36,973,189 at 06.30.2016).

i. Minimum Required Capital - MRC (Basel III)

Specification	06.30.2017	06.30.2016
referential Equity (RE))	**5,958,135**	**4,648,057**
. Tier I	**3,861,357**	**2,802,307**
. Principal Capital	3,861,357	2,802,307
. Tier II	**2,096,778**	**1,845,750**
Risk-Weighted Assets (RWA)	**38,731,141**	**36,973,189**
. RWACPAD	30,167,509	30,029,367
. RWACAM	444,809	36,942
. RWAJUR	101,103	55,544
. RWACOM	5,621	9,650
. RWAOPAD	8,012,099	6,841,686
RBAN amount	**2,995,685**	**2,396,024**
Margin on RE (RC - [RWA * 9.25%])1	**2,375,505**	**996,955**
Margin on RE considering RBAN {RE - ([RWA + RBAN]* 9.25%)}[(1)]	**2,098,404**	**760,347**
Margin on Tier I RE (Tier I RE - RWA * 6%)	**1,537,489**	**583,916**
Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)	**2,118,456**	**1,138,513**
Required Additional Capital (RWA * 1.25%)[(2)]	**484,139**	**231,083**
Margin on Additional Required Capital (whichever is lower of margins - additional required principal capital)	**1,053,350**	**352,833**
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	9.97%	7.58%
. Tier I index (minimum requirement of 6.0%)	9.97%	7.58%
. Basel index (minimum requirement of 9.25%)[(1)]	15.38%	12.57%
. Basel index including RBAN	14.28%	11.81%

[(1)] In December 2016 it was 9.875%.
[(2)] In December 2016 it was 0.625%.

Where:

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

ii. Breakdown of RE (Basel III)

Specification	06.30.2017	06.30.2016
Refrential Equity (RE)	**5,958,135**	**4,648,057**
Tier I Referential Equity	**3,861,357**	**2,802,307**
Principal Capital	**3,861,357**	**2,802,307**
Capital	2,844,000	2,844,000
Income reserves	1,379,691	771,046
Capital and revaluation reserve	12,829	15,556
Unrealized gains or losses - equity valuation and marketable securities	(947,998)	(595,407)
Debt instruments eligible to Principal Capital	1,000,000	-
Prudential Adjustments	(427,165)	(232,888)
Prudential Adjustments - intangible assets	(9,525)	(5,436)
Prudential adjustment - Deferred assets	-	(3)
Prudential adjustment - Tax credits from temporary differences	(401,451)	(165,668)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(16,189)	(61,781)
Tier II Referential Equity	**2,096,778**	**1,845,750**
Instruments eligible to Tier II	2,118,431	1,898,225
Investment in other entities deducted of Tier II	(21,653)	(52,475)

The Subordinated Debt Instruments entered into with FNE, authorized to comprise Tier II RE before the entry into force of CMN Resolution No. 4192 of 03.01.2013, according to paragraph 2 of its article 23, shall remain eligible up to their amortization.

On 12.21.2016, BACEN authorized the inclusion in the Tier I Referential Equity (RE) of the Bank, as Principal Capital, the novation and acknowledgment of debt agreement entered into with the Federal Government, named

Debt instruments eligible to Principal Capital, which replaced the Hybrid Debt and Equity Instrument, which was recorded under Tier II of the RE until 12.31.2015.

iii. Leverage Ratio (LR)

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

Specification	06.30.2017	06.30.2016
Tier I RE	3,861,357	2,802,307
Total exposure	72,295,672	63,966,791
Leverage Ratio (%)	5.34	4.38

iv. Fixed asset to equity ratio

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

Specification	06.30.2017	06.30.2016
Referential Equity	5,958,135	4,648,056
Fixed asset to equity limit (50% of adjusted RE)	2,979,067	2,324,028
Situation	195,361	224,891
Margin	2,783,707	2,099,137
Fixed asset to equity ratio	3.28%	4.84%

NOTE 29 - Related Parties

a) Transactions with related parties

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

Specification	06.30.2017	06.30.2016
Assets		
Loans - refinancing with the Federal Government (Note 9.a.1)	560,692	524,769
Total	**560,692**	**524,769**

Specification	06.30.2017	06.30.2016
Liabilities		
Time deposits - FAT (Note 13.b. and Note 27)	**219,207**	**292,516**
Domestic onlending - Official institutions (Note 14.c.)	**1,607,310**	**1,718,683**
National Treasury	447	444
BNDES	1,503,240	1,588,722
Finame	103,623	129,517
Other obligations	**24,826,382**	**17,997,188**
FNE (Note 16.f)	20,858,342	14,216,345
FDNE	744,334	773,192
Merchant Marine Fund (FMM)	105,275	109,426
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)	2,118,431	1,898,225
Total	**26,652,899**	**19,125,769**

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

Specification	06.30.2017	06.30.2016
Liabilities		
Post-employment benefits - Capef DB Plan (Notes 16.i and 25.b)	379,762	347,880
Post-employment benefits - Camed Natural Plan (Notes 16.i and 25.b)	1,120,145	787,682
Post-employment benefits - Life insurance (Notes 16.i and 25.b)	123,417	64,142
Total	**1,623,324**	**1,199,704**

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

Specification	06.30.2017	06.30.2016
Loans - refinancing with the Federal Government	32,373	55,360
Time deposits - FAT	(37,337)	(44,890)
National Treasury	-	(17)
BNDES	(55,374)	(79,051)

Finame	(1,498)	(2,945)
FMM	(5,287)	(2,055)
FNE	(44,038)	78,813
FDNE	14,469	14,152
Hybrid debt/equity instruments	-	(72,515)
Debt instruments eligible to capital	(45,234)	(20,213)
Subordinated debts eligible to capital	(79,946)	(77,182)
Post-employment benefit - Capef DB Plan	(24,400)	(19,865)
Post-employment benefits - VC I Plan	(24,299)	(21,540)
Post-employment benefit - Camed Natural Plan	(45,947)	(49,034)
Post-employment benefits - life insurance	(4,807)	(2,374)

b) Management compensation

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

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Fees	**1,927**	**1,865**
Executive Board	1,655	1,588
Board of Directors	152	148
Supervisory Board	120	129
Other	**1,101**	**904**
Annual variable compensation - exclusive for officers (*)	**739**	**770**
Total short-term benefits	**3,767**	**3,539**
Post-employment benefits	**105**	**103**
Total	**3,872**	**3,642**

(*) 50% of the annual variable compensation correspond to share-based instrument, the provision and payment of which are based on the quoted price of the Bank's shares at B3 S.A. The amounts in the table above correspond to the provision for payments to be made in the year, as well as to the deferred installments to be settled in the subsequent 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 to its Officers or members of its Board of Directors and Supervisory Board, since this practice is forbidden to financial institutions regulated BACEN.

NOTE 30 - Statement of comprehensive income

Specification	01.01 to 06.30.2017	01.01 to 06.30.2016
Net income	**298,041**	**225,564**
Other comprehensive income	**(292,390)**	**21,522**
Equity adjustment to available-for-sale securities	49,604	196,250
Tax effect on Equity adjustment to available-for-sale securities	(18,946)	(78,866)
Revaluation reserve realized	2,955	1,936
Tax effect on revaluation reserve realized	(1,293)	(871)
Actuarial gains (losses)	(324,710)	(96,927)
Comprehensive income	**5,651**	**247,086**

Note 31 - Subsequent Event

On 07.03.2017, the Bank's Board of Directors approved a Voluntary Dismissal Program (PID) intended for employees who are retired or in a position to apply for retirement, in accordance with Social Security (INSS) rules. The period from 07.24 to 08.04.2017 was established for adherence to PID by employees who meet the conditions established in the Program's regulations. The expense will be recognized in books at the end of the adhesion period, limited to R$54,400, which corresponds to the amount of the PID budget.

NOTE 32 - Other Information

a) Statement of compliance

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

b) Approval of financial statements

The financial statements were approved by the Board of Directors at a meeting held on August 8, 2017.

Fortaleza (Ceará State), August 8, 2017.

The Executive Board

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

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

Independent auditor's report on financial statements

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

Opinion

We have audited the accompanying financial statements of Banco do Nordeste do Brasil S.A. ("Bank"), which comprise the balance sheet as at June 30, 2017 and the related statements of income, of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at June 30, 2017, its financial performance and its cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

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

Key audit matters

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

1. Contingencies

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

Audit approach

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

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, discount and inflation rates.

Audit approach

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

3. Tax credits

The Bank records deferred tax asset on temporary differences in determining income and social contribution taxes, mainly arising from expenses related to the allowance for loan losses; expenses related to other provisions for contingencies; and market value adjustments of marketable securities, swap and EUROBONUS transactions.
We considered this a key audit matter due to the expressive amount recorded and the fact that the study related to the realization of these assets involves a high degree of judgment in determining assumptions on the Bank's future performance, as described in Note 21.

Audit approach

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

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 pricing model, which takes into consideration the spread of the issuer's credit risk, determined in accordance with the Bank's policies, and of the estimated cash flows. We considered the fair value determination of financial assets not quoted in the market as one of the key audit matters, due to the relevance of the amounts and the underlying subjectivity in the assessments based on the Bank's own models.

Audit approach

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

5. Allowance for loan losses

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

Audit approach

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

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.

Audit approach

Our audit procedures included, among others, the assessment of the design and operational effectiveness of IT General Controls ("ITGC"), implemented by the Bank for those systems deemed relevant to the audit process. The ITGC assessment included audit procedures to assess controls over logical access, change management and other technology aspects. With regard to the audit of logical 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.

With regard to the change management process, we assessed whether changes to the systems were duly authorized and approved by the Bank.

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.

Other matters

Statement of value added

The Statements of Value Added (SVA) for the period ended June 30, 2017, prepared under the responsibility of Bank Management, the presentation of which is required by the Brazilian corporation law for publicly-held companies, and as supplementary information for the purposes of accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil, were submitted to the same audit procedures performed in accordance with the audit of the Bank's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement CPC 09 and is consistent with the overall financial statements.

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

Bank management is responsible for such other information that includes the Management Report.
Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

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

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

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

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

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

Auditor's responsibilities for the audit of financial statements

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

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

- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

São Paulo, August 8, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-6

Eduardo Wellichen
Accountant CRC- 1SP184050/O-6

REPORT OF SUPERVISORY BOARD

The Supervisory Board of Banco do Nordeste do Brasil S.A., exercising its legal and statutory prerogatives, examined the Management Report, the Balance Sheet, the Statements of Income, of Changes in Equity, of Cash Flows and of Value Added of Banco do Nordeste do Brasil S.A., for the six-month period ended June 30, 2017, which were approved, on the date hereof, by the Board of
Directors.

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

Fortaleza (CE), August 08, 2017

THE SUPERVISORY BOARD

II. SUMMARY OF AUDIT COMMITTEE REPORT

1 - Introduction

The Audit Committee is a collegiate statutory body that provides advisory services to the Board of Directors created under Brazilian National Monetary Council (CMN) Resolution No. 3198/2004. BNB Audit Committee Internal Regulation and electronic address are available on the Internet at www.bnb.gov.br, in the area “Sobre o Banco - Relação com Acionistas”.

The Audit Committee is in charge of overseeing the quality and integrity of the Financial Statements, independence and quality of work of external and internal auditors, and the quality and effectiveness of internal control system.

Banco do Nordeste do Brasil managers are responsible for preparing and guaranteeing the integrity of the financial statements, managing risks, keeping internal control systems effective, and ensuring activities compliance with legal and regulatory standards.

In accordance with applicable standards, the Independent Audit is responsible for evaluating the quality and adequacy of the internal control system and for expressing an opinion, based on procedures and established standards that regulate the profession, about the financial statements.
It is the responsibility of the Internal Audit to monitor, evaluate and independently assess the quality of the Bank's internal control and risk management system, as well as certify compliance with applicable legal requirements

2 – Activities

The Committee held regular meetings, in compliance with its duties and powers, with the Board of Directors, Supervisory Board, Executive Board and key executives and managers of the main business areas of the Bank, Internal Controls, Risk Management, Accounting, Security, Legal, Governance, Credit, Finance, Ombudsman, whereupon key matters related to each area were addressed, and recommendations for improvements were made, where applicable. The Committee participated, when invited, of the meetings of the Board of Directors and Fiscal Council. Periodic meetings were also held with the Internal and External Auditors, where their respective planning and results of the main work were evaluated.

Based on the activities developed in the scope of their responsibilities, the Audit Committee concluded that:

a) The internal control system of Banco do Nordeste do Brasil is, as a general rule, able of identifying adverse factors, allowing the implementation of mitigating actions and permanent improvement. Weaknesses detected in corporate processes and deficiencies in operations have not significantly affected the Bank’s financial position. Several measures approved and implemented have already taken effect in the period, while others will still require additional time and continuous monitoring to achieve the proposed results;

At the same time, the Bank has been working to implement improvements in controls and risk management in compliance with Law 13.303/2016, regulated by Decree 8.945/2016 and Resolution 4.557/2017 of the National Monetary Council (CMN), which deals with risk and capital management structures;

b) Internal Audit performs its functions with independence, objectivity, quality and effectiveness. Although the performance is showing improvements, additional measures required have been implemented mainly, among others, related to the optimization and standardization of processes, methodologies and systems that will certainly contribute to the improvement of the quality of the work and strengthening of internal controls;

c) No material facts were identified that could compromise the effectiveness of the performance, objectivity and independence of Ernst & Young Auditores Independentes S / S;

d) The Financial Statements were prepared in accordance with applicable corporate legislation as well as the National Monetary Council (CMN), Brazilian Central Bank (BACEN) and Brazilian Securities and Exchange Commission (CVM) standards.

Fortaleza (Ce), August 08, 2017

The Audit Committee

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: 30.06.2017

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE
(Law No. 7827 of 09.27.1989)
BALANCE SHEETS
Six-month periods ended June 30, 2017 and 2016
(Amounts in R$ thousand)

A S S E T S

		06.30.2017	06.30.2016
CURRENT ASSETS		**32.411.927**	**24.926.176**
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	14.451.298	8.749.833
FUNDS COMMITTED WITH LOANS		6.398.180	5.457.717
AMOUNTS RECEIVABLE - CEF - EQUALIZATION OF BONUS FOR TIMELY PAYMENT - PROFR		316	237
RESTRICTED CREDITS		313	2.129
Rural Credit – Proagro receivable		313	2.129
ONLENDING DEBTORS		52.799	55.591
Onlending Debtors - Other institutions		52.799	55.591
Loans	Note 14.b.2 and Note 6	11.500.153	10.651.619
Financing		5.042.925	4.440.799
Export financing		128.596	106.503
Infrastructure and development financing		363.153	480.630
Agribusiness financing		226.694	244.051
Rural Financing		6.427.331	6.077.282
(Allowance for loan losses)		(688.546)	(697.646)
OTHER CREDITS	(Note 4.b.8)	8.864	8.795
Rights on Assets Received in Loan Transactions		8.864	8.795
OTHER ASSETS	(Note 4.b.9)	4	255
Proagro securities		4	4
Agrarian Debts Securities (TDAs)		-	251
LONG-TERM RECEIVABLES		**38.706.592**	**38.544.791**
RESTRICTED CREDITS		686	1.725
Rural Credit - Proagro receivable		686	1.725
ONLENDING DEBTORS		2.263.922	2.044.836
Onlending Debtors – Banco do Nordeste – Law No. 7827 - article 9-A	(Note 8)	2.118.430	1.898.225
Onlending Debtors - Other institutions		145.492	146.611
LOANS	Note 14.b.2 and Note 6	36.441.218	36.497.477
Financing		18.930.840	18.707.533
Export financing		698	-
Infrastructure and development financing		3.593.103	3.840.624
Agribusiness financing		782.517	686.361
Rural Financing		13.134.060	13.262.959
OTHER ASSETS	(Note 4.b.9)	766	753
Agrarian Debt Securities (TDAs)		897	998
(Provision for devaluation of securities)		(131)	(245)
TOTAL ASSETS		**71.118.519**	**63.470.967**

L I A B I L I T I E S A N D E Q U I T Y

		06.30.2017	06.30.2016
CURRENT LIABILITIES		**29**	**40**
Other liabilities		29	40
Accrued liabilities payable		29	40
EQUITY	(Note 4.c)	**71.118.490**	**63.470.927**
TRANSFERS FROM FEDERAL GOVERNMENT			
At the six-month period		3.755.497	3.470.289
In prior years		68.524.309	61.208.063
INCOME (LOSSES) FROM PRIOR YEARS		(1.095.846)	(1.315.352)
INCOME (LOSS) FOR THE SIX-MONTH PERIOD		(65.470)	107.927
TOTAL LIABILITIES AND EQUITY		**71.118.519**	**63.470.967**

INCOME STATEMENTS
Six-month periods ended June 30, 2017 and 2016
(Amounts in R$ thousand)

		1st half of 2017	1st half of 2016
REVENUES			
From Loans	(Note 6.h)	382.971	638.299
From Remuneration of Cash and cash equivalents		975.415	788.367
From Reversal of Operating Provisions		229	254
EXPENSES	(Note 4.a.9)		
From management		(751.099)	(694.058)
From Pronaf-Remunerationof the financial agent/performance premium		(180.278)	(173.122)
Allowance for loan losses and devaluation of securities		(492.645)	(451.776)
From Audit		(63)	(37)
INCOME (LOSS) FOR THE SIX-MONTH PERIOD		**(65.470)**	**107.927**

STATEMENTS OF CHANGES IN EQUITY
Six-month periods ended June 30, 2017 and 2016
(Amounts in R$ thousand)

EVENTS		TRANFERS FROM FEDERAL GOVERNMENT	Retained earnings (accumulated losses)	TOTAL
BALANCES AT 12.31.2015		**61.208.063**	**(1.314.952)**	**59.893.111**
Transfers from Federal Government in the six-month period		3.470.289	-	3.470.289
Prior Years' Adjustments	(Note 7)	-	(400)	(400)
Income for the six-month period		-	107.927	107.927
BALANCES at 06.30.2016		**64.678.352**	**(1.207.425)**	**63.470.927**
CHANGES IN THE SIX-MONTH PERIOD		**3.470.289**	**107.527**	**3.577.816**
BALANCES AT 12.31.2016		**68.524.308**	**(1.095.760)**	**67.428.548**
Transfers from Federal Government in the six-month period		3.755.497	-	3.755.497
Prior Years' Adjustments		-	(85)	(85)
Loss for the six-month period		-	(65.470)	(65.470)
BALANCES AT 06.30.2017		**72.279.805**	**(1.161.315)**	**71.118.490**
CHANGES IN THE SIX-MONTH PERIOD		**3.755.497**	**(65.555)**	**(3.689.942)**

CASH FLOW STATEMENTS

Six-month periods ended June 30, 2017 and 2016

(Amounts in R$ thousand)

	06.30.2017	06.30.2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the six-month period	**(65.470)**	**107.927**
Non-cash expenses (revenues):		
Allowance for loan losses and devaluation of securities	492.645	451.776
Reversals of operating provisions	(229)	(254)
Accrued liabilities payable	(2)	(20)
Adjusted income for the six-month period	**426.944**	**559.429**
Restricted Credits	5.637	3.495
Onlending debtors	(100.565)	(109.312)
Loans	96.405	(1.039.975)
Amounts receivable - CEF - equalization of Bonuses for timely payment Profrota..	(219)	(171)
Other Credits	352	(352)
Other assets	215	207
Prior Years' Adjustments	(85)	(400)
CASH USED IN OPERATING ACTIVITIES	**428.684**	**(587.079)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers from Federal Government	3.755.497	3.470.289
CASH PROVIDED BY FINANCING ACTIVITIES	**3.755.497**	**3.470.289**
Increase in cash and cash equivalents	**4.184.181**	**2.883.210**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
At beginning of six-month period	16.665.297	11.324.340
At end of six-month period	20.849.478	14.207.550
Increase in cash and cash equivalents	**4.184.181**	**2.883.210**

NOTES TO FINANCIAL STATEMENTS
Six-month periods ended June 30, 2017 and 2016
Amounts expressed in thousands of reais, unless otherwise stated

Contents - Notes to Financial Statements

NOTE 1 - History

Fundo Constitucional de Financiamento do Nordeste (FNE) was established by the Federal Constitution of 1988 (Article 159, item I, letter "c"), and is regulated by Law No. 7827, of 09.27.1989, amended by Supplementary Laws No. 125 of 01.03.2007 and No. 129 of 01.08.2009, Laws No. 9126 of 11.10.1995, No. 9808 of 07.20.1999, and No. 10177 of 01.12.2001, No. 11011 of 12.20.2004, No. 11524 of 09.24.2007, No. 11945 of 06.04.2009, No. 12249 of 06.11.2010, No. 12716 of 09.21.2012, and No. 12793 of 04.02.2013, as well as by Provisional Executive Order No. 2196-1, of 6.28.2001, and its amendments as republished, and Article 13 of Provisional Executive Order No. 2199-14, of 8.24.2001. The purpose of the FNE is to foster the economic and social development of the Northeast region of Brazil, 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.

NOTE 2 - Basis of Preparation and Presentation of Financial Statements

The Financial Statements were prepared in accordance with the provisions of the Brazilian Corporation Law, if applicable, and the regulation specifically for constitutional funds established by the Federal Government.

NOTE 3 - Management

Banco do Nordeste do Brasil S.A. is responsible for allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting loan, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil (*Banco Central do Brazil - BACEN*), observing the guidelines established by the *Ministério da Integração Nacional*, reporting on the results achieved, performing other activities related to the use of funds and recovery of loans, including renegotiating and settling debts, pursuant to articles 15-B, 15-C, and 15-D of Law No. 7827 of 9/27/1989.

NOTE 4 - Significant accounting practices

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

a) Recognition of income and expenses

- **a.1)** Income and expenses are recorded on an accrual basis. FNE's income consists of financial charges on loans and the interest paid by Banco do Nordeste on FNE's temporarily not applied cash.
- **a.2)** Through Resolution No. 4423 of 06.25.2015, the National Monetary Council (*Conselho Monetário Nacional - CMN*) amended the financial charges on rural financing granted with funds from FNE in the period from July 1, 2015 to June 30, 2016, 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. The financial charges for the other sectors, defined in the aforementioned Resolution No. 4395, remained unchanged.

CMN Resolution No. 4452 of 12.17.2015 amended financial charges for transactions of other sectors granted with funds from FNE in the period from January 1, 2016 to December 31, 2016, which started to range from 11.80% to 20.24% p.a. These financial charges and bonus for timely payment do not apply to borrowers based on article 8-A of Law No. 10177 of 01.12.2001 and articles 9 and 9-A of Law No. 12844 of 07.19.2013 and family farmers qualifying under the National Family Farming Strengthening Program (*Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf*).

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. The financial charges for the other sectors, defined in the aforementioned Resolution No. 4395, remained unchanged.

CMN Resolution No. 4542 of 12.21.2016 amended financial charges for operations with funds from FNE in the period from January 1 to December 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 that 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 operations with funds from FNE 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 that 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.

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 that 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 Pronaf, pursuant to the legislation and the Program regulation.

Under normal conditions, the financial charges at rates established by law 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) Provisional Executive Order No. 1727 of 06.11.1998, as republished, which resulted in Law No. 10177 of 01.12.2011, established the Bank’s *del credere* commission at 3% p.a. from December 1, 1998 on financing with FNE funds.

a.4) Provisional Executive Order No. 2196-1 of 06.28.2001, as republished, which created the Support Program for Federal Financial Institutions, sets out the following as regards the BNB’s financial (del credere) commission on financing with funds from FNE:

- for transactions contracted up to 11.30.1998, BNB’s financial (*del credere*) commission was reduced to zero, and the charges agreed to with borrowers remained unchanged; and
- for transactions resulting from onlending to the Bank, in its name and at its own risk, to grant loans, the financial commission will be 6% p.a.

a.5) Decree No. 5818 of 06.26.2006, combined with CMN Resolution No. 3293 of 06.28.2005, established that in the transactions of the *Programa Nacional de Financiamento da Ampliação e Modernização da Frota Pesqueira Nacional - Profrota Pesqueira* with large companies, with shared risk, BNB’s financial (*del credere*) commission is 2.5% p.a.

a.6) Administrative Ruling No. 616 of 05.16.2003, of the *Ministério da Integração Nacional*, establishes that, for onlending to institutions authorized to operate by Bacen, the Bank is entitled to the financial (*del credere*) commission agreed to with the institutions, observing the limit established by legislation.

a.7) For financing under PRONAF (Groups A, A.Microcredit B, A.C, Semiarid, Forest, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought, PRONAF-Semiarid-Drought-2012 and PRONAF-Drought-2012-Costing), the Bank is not entitled to any commission, according to the legislation and regulation of the Program.

a.8) For loans reclassified under Article 31 of Law No. 11775 of 9.17.2008, Administrative Ruling No. 245 of 10.14.2008 sets BNB's financial (*del credere*) commission at 3% p.a. in the cases defined in Article 1, items I to IV, and sets a financial (*del credere*) commission of 6% p.a. in the cases defined in Article 1, Sole Paragraph.

a.9) FNE's expenses refer to management fee payable to the Bank as the Fund manager, to financial charges payable to the Bank on financing under PRONAF (Groups: A, A.Microcredit, B, A.C, Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 - Group B, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Group B, Drought-2012-Costing - Other Groups, and other PRONAFs with shared risk), to financial charges payable to the Bank on disbursement under Pronaf Groups A.Microcredit, B, Semiarid, Forest and other PRONAFs with shared risk, to performance Premium on reimbursement under PRONAF Groups A, A.Microcredit, B, A.C, Semiarid, Forest, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Other Groups and other PRONAFs with shared risk, to allowance for loan losses recognized pursuant to Administrative Ruling No. 11, of 12.28.2005, of the *Ministérios da Fazenda e da Integração Nacional*, and to independent audit services, in addition to bonuses and discounts established by legislation.

The management fee of 3% p.a., paid to Banco do Nordeste by FNE, is recorded on a monthly basis at 0.25% on the Fund's equity, less amounts to transferred to BNB, amounts transferred to other institutions according to Ruling No. 616 of 5.26.2003 of *Ministério da Integração Nacional* and balances of investments in PRONAF Group A/Agroamigo, B, A/C, Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 - Group B, Semiarid-Drought-2012 - Other Groups, Drought-2012-Costing - Group B and Drought-2012-Costing - Other Groups, and is limited each year to 20% of the transfer amount made by the National Treasury Department in accordance with Decree No. 5641 dated 12.26.2005.

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

b) Current and noncurrent assets

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

b.1) Cash and cash equivalents consist of cash assets, which represent funds available for use in loans, and Funds Committed for Loans, which represent restricted cash in connection with yet-unreleased installments of contracted operations corresponding to the amounts outstanding by the balance sheet date, plus the payments expected during the 90 subsequent days and any mismatches between the amounts to be released after such 90 days and the estimated inflow to the Fund during such period. The Fund's cash and cash equivalents held by Banco do Nordeste are paid based on extra-market rate, disclosed by Bacen.

Specification	**06.30.2017**	**06.30.2016**
Cash and cash equivalents	14,451,298	8,749,833
Funds committed to loan transactions	6,398,180	5,457,717
Total cash and cash equivalents	**20,849,478**	**14,207,550**

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. 11322 of 07.13.2006, provides for the rescheduling of debts arising from rural credit transactions contracted in the area under the jurisdiction of the Northeast Development Authority (*Superintendência do Desenvolvimento do Nordeste - Sudene*), and grants rebates on debt balance, bonuses for timely payment, decreased interest rates and extended payment periods.

b.4) Law No. 11775 of 9.17.2008, provides for the settlement, regularization, renegotiation or reclassification of debts arising from loans classified, among others, under Laws No. 9138 of 11.29.1995, No. 10437 of 04.25.2002 and No. 11322 of 07.13.2006, Provisional Executive Order No. 2196-3 of 08.24.2001, CMN Resolution No. 2471 of 02.26.1998 of Pronaf, in the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (*Programa de Cooperação Nipo-Brasileira para o Desenvolvimento dos Cerrados - Prodecer - Stage III*), and contracted with FAT funds by financial agents, and grants discounts, bonuses for timely payment on debt balances, waivers, and maintenance or rescheduling of payment periods.

b.5) Law No. 12249 of 06.11.2010, provides for, in articles 69 and 70, the remission of agricultural debts renegotiated based on article 2 of Law No. 11322, of 07.13.2006, or classified under said article, as well as the granting of rebates for settlement of not remitted agricultural debts renegotiated based on article 2 of Law No. 11322, backed by FNE funds or FNE funds along with other sources of funds. Articles 71 and 72 of said Law provide for the debt remission relating to agricultural activities with producers classified under Group B of Pronaf, as well as the granting of rebates for not remitted debts, backed by FNE funds.

b.6) Law No. 12716 of 09.21.2012 authorized the Executive Branch to introduce special credit lines using FNE funds, to rural, industrial, commercial and service sectors of municipalities under emergency conditions or going through public calamities acknowledged by the Federal Executive Branch. Article 5 of said law authorized the introduction of rural credit line with FNE funds for settlement, until December 31, 2013, of rural loans for costs and investments, with shared risks or risks fully borne by the National Treasury, FNE or official federal financial institutions. Said credit line was regulated through CMN Resolution No. 4147 of 10.25.2012.

b.7) Law No. 13340 of 09.28.2016 authorizes the settlement and renegotiation of rural credit debts taken out until 12.31.2011 with FNE funds and mixed resources 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.8) The account “Other receivables” includes FNE’s rights on chattels and properties received by BNB as payment 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 Administrative Ruling No. 11 of 12.28.2005.

b.9) 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 Assets” are stated at their face value, plus expected yield on each note, including, when applicable, the effects of adjustments of assets to market or realizable value.

c) Equity

The equity of FNE is originated as follows:

- transfers from the Federal Government at the proportion of 1.8% of the collection of Income Tax (IR) and Federal VAT (IPI) on a 10-day period basis;
- returns and operating results; and
- Result of the remuneration of resources of the Fund presently not invested, but paid by the Bankh.

d) Tax exemption

FNE is entitled to tax exemption, and its results, income and financing operations are free of any tax, contribution or other lien, as provided for by Law No. 7827 of 09.27.1989 and subsequent amendments.

e) Functional Currency

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

NOTE 5 - Supervisory agencies

Banco do Nordeste keeps at the disposal of the supervisory agencies the Fund’s statements of changes in financial position and income as of the end of the month. Pursuant to the legislation, the FNE’s audited balance sheets are published semiannually and submitted to the National Congress for inspection and control.

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

a) Breakdown of loan portfolio

a.1) Total portfolio

Financing	**06.30.2017**			**06.30.2016**		
	Normal	**Past due**	**Balance**	**Normal**	**Past due**	**Balance**
Financing	23,268,245	705,520	23,973,765	22,559,112	589,220	23,148,332
Export financing	123,034	6,260	129,294	105,899	604	106,503
Infrastructure and development financing	3,956,255	-	3,956,255	4,244,915	76,339	4,321,254
Agribusiness financing	932,988	76,224	1,009,212	851,189	79,223	930,412
Rural financing	18,543,155	1,018,236	19,561,391	18,408,756	931,485	19,340,241
Subtotal	**46,823,677**	**1,806,240**	**48,629,917**	**46,169,871**	**1,676,871**	**47,846,742**
Onlending to BNB	2,118,431	-	2,118,431	1,898,225	-	1,898,225
Onlending to other institutions	198,291	-	198,291	202,202	-	202,202
Total portfolio	**49,140,399**	**1,806,240**	**50,946,639**	**48,270,298**	**1,676,871**	**49,947,169**
Allowance	(168,421)	(520,125)	(688,546)	(250,579)	(447,067)	(697,646)
Total, net (1)	**48,971,978**	**1,286,115**	**50,258,093**	**48,019,719**	**1,229,804**	**49,249,523**

a.2) Full risk portfolio for BNB

Financing	06.30.2017			06.30.2016		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	6,347	2,058	8,405	7,732	922	8,654
Agribusiness financing	1,652	-	1,652	1,696	-	1,696
Rural financing	263,860	14,692	278,552	300,373	12,544	312,917
Subtotal	**271,859**	**16,750**	**288,609**	**309,801**	**13,466**	**323,267**
Onlending to BNB	2,118,431	-	2,118,431	1,898,225	-	1,898,225
Onlending to other institutions	145,178	-	145,178	149,421	-	149,421
Total portfolio	**2,535,468**	**16,750**	**2,552,218**	**2,357,447**	**13,466**	**2,370,913**
Total, net (1)	**2,535,468**	**16,750**	**2,552,218**	**2,357,447**	**13,466**	**2,370,913**

a.3) Shared risk portfolio

Financing	06.30.2017			06.30.2016		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	23,150,262	696,248	23,846,510	22,488,661	581,168	23,069,829
Export financing	123,034	6,260	129,294	105,899	604	106,503
Infrastructure and development financing	3,956,255	-	3,956,255	4,244,915	76,339	4,321,254
Agribusiness financing	864,351	71,066	935,417	784,074	72,714	856,788
Rural financing	11,105,775	558,989	11,664,764	10,595,373	549,051	11,144,424
Subtotal	**39,199,677**	**1,332,563**	**40,532,240**	**38,218,922**	**1,279,876**	**39,498,798**
Total portfolio	**39,199,677**	**1,332,563**	**40,532,240**	**38,218,922**	**1,279,876**	**39,498,798**
Allowance	(48,021)	(303,546)	(351,567)	(67,952)	(278,512)	(346,464)
Total, net (1)	**39,151,656**	**1,029,017**	**40,180,673**	**38,150,970**	**1,001,364**	**39,152,334**

a.4) Full risk portfolio for FNE

Financing	06.30.2017			06.30.2016		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	111,636	7,214	118,850	62,719	7,130	69,849
Agribusiness financing	66,985	5,157	72,142	65,419	6,509	71,928
Rural financing	7,173,520	444,555	7,618,075	7,513,010	369,890	7,882,900
Subtotal	**7,352,141**	**456,926**	**7,809,067**	**7,641,148**	**383,529**	**8,024,677**
Onlending to other institutions	53,113	-	53,113	52,781	-	52,781
Total portfolio	**7,405,254**	**456,926**	**7,862,180**	**7,693,929**	**383,529**	**8,077,458**
Allowance	(120,400)	(216,579)	(336,979)	(182,627)	(168,555)	(351,182)
Total, net (1)	**7,284,854**	**240,347**	**7,525,201**	**7,511,302**	**214,974**	**7,726,276**

(1) The “Normal” status took into account allowances arising from renegotiations/acquisitions and extraordinary allowance set up due to irregularities identified in loans by Internal Audit. The “Past due” status took into account allowances set up exclusively due to delay.

b) 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:

b.1) Transactions contracted until 11.30.1998:

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

b.2) Transactions contracted beginning 12/01/1998:

- in financing under Programa da Terra, the risk lies with FNE;
- in transactions under Pronaf, Groups A, A/Microcredit, B and A/C, and Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- in onlending to Banco do Nordeste whose funds are used in BNB’s own lending operations, the risk is fully assumed by Banco do Nordeste;
- in onlending to other institutions authorized to operate by Bacen, contracted after Administrative Ruling No. 616 of 05.26.2003 becomes effective, the risk lies totally with BNB. Under referred 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 100% 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.

c) Pursuant to sole paragraph of article 3 of Interministerial Administrative Ruling No. 11 of 12.28.2005, the allowance for loan losses is recorded by FNE in accordance with the criteria set forth in item I, letters "a" and "b" of the same article, pursuant to which an allowance must be recorded for amounts past due for more than 180 days, according to the risk assumed by the Fund. Changes in the allowance for loan losses for the six-month period are as follows:

Specification	**06.30.2017**	**06.30.2016**
Allowance for loan losses at the beginning of the year	**712,903**	**689,634**
. Full FNE risk	307,956	364,652
. Shared risk	404,947	324,982
(+) Net allowance recognized for the six-month period	**492,514**	**451,531**
Allowance for loan losses - expenses	**492,514**	**451,531**
. Full FNE risk	199,239	174,685
. Allowance for past due payment/renegotiations	207,515	178,039
. Allowance adjustments due to discounts	(8,276)	(3,354)
. Shared risk	293,275	276,846
. Allowance for past due payment/ renegotiations	298,433	280,378
. Adjustments of provision for operations indicating irregularities	(5,158)	(3,532)
(-) Loans written off as loss for the six-month period	**516,871**	**443,519**
. Full FNE risk	170,215	188,155
. Shared risk	346,656	255,364
(=) Allowance for loan losses at the end of the six-month period	**688,546**	**697,646**
. Full FNE risk	336,980	351,182
. Shared risk	351,566	346,464

d) Under Interministerial Administrative Ruling No. 46 of 03.07.2007, an allowance for loan losses is recorded for transactions rescheduled under Law No. 11322 of 07.13.2006, as described below:

d.1) For transactions with other sources of funds acquired by FNE: in an amount equal to the discount determined on acquisition by the Fund, recorded as a contra entry to loan transactions; and

d.2) for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts eventually written off from assets as a loss, recorded as a contra entry to "Expenses on allowance for loan losses". In the six-month period, the allowance decreased by R$ 23,900 (decrease by R$ 12,599 at 06.30.2016), R$ 21,241 (decrease by R$ 10,867 at 06.30.2016) referring to full FNE risk transactions and R$ 2,660 (decrease by R$ 1,732 at 06.30.2016) referring to shared risk transactions. These decreases include R$ 7,810 (decrease by R$ 1,617 at 06.30.2016) arising from discounts and waivers of transactions classified under Laws No. 12249 of 06.11.2010, No. 12716 of 09.21.2012 and No. 13340 of 09.28.2016, of which R$ 7,147 (decrease by R$ 1,542 at 06.30.2016) refer to transactions whose full risk lies with the Fund and R$ 663 (decrease by R$ 75 at 06.30.2016) refer to shared-risk transactions. These amounts are included in subtitle "Allowance for loan losses" in the table in item "c" of this note.

e) Interministerial Administrative Ruling No. 244 of 10.14.2008, establishes that an allowance for loan losses is recorded for transactions renegotiated under Law No. 11775 of 09.17.2008, as described below:

e.1) for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts eventually written off from assets as a loss, recorded as a contra entry to "Expenses on allowance for loan losses"; and

e.2) For renegotiated FNE transactions, the allowance was reduced by R$8,974 (R$4,604 at 06.30.2016), including R$7,292 (R$3,792 at 06.30.2016) referring to full FNE risk transactions and R$1,682 (R$812 at 06.30.2016) referring to shared-risk transactions. These amounts include a decrease by R$4,762 (R$542 at 06.30.2016) arising from rebates and remissions of transactions classified under Laws No. 12249 of 06.11.2010, No. 12716 of 09.21.2012 and No. 13340 of 09.28.2016, including R$4,273 (R$485 at 06.30.2016) referring to full FNE risk transactions and R$ 489 (R$57 at 06.30.2016) referring to shared-risk transactions. These amounts are included in subtitle "Allowance for loan losses" in the table in item "c" of this note.

f) At 06.30.2017, the amount of R$34,936 (R$46,714 at 06.30.2016) 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 of which already recorded provision for past due payments under Interministerial Administrative Ruling No. 11 of 12.28.2005.

g) The renegotiations documented in the six-month period, based on Law No. 11775 of 09.17.2008, Law No. 9138 of 11.29.1995, Law No. 10437 of 04.25.2002 and Law No. 11322 of 07.13.2006, Provisional Executive Order No. 2196-3 of 08.24.2001 and the remissions and discounts granted in conformity with Law No. 12249 of 06.11.2010 and Law No. 12716 of 09.21.2012, increased the Fund's income by R$ 23,012 (R$ 10,840 increase at 06.30.2016). This effect includes costs on renegotiations of transactions contracted between the Fund and other funding sources, mixed funding sources, acquired or reclassified to the Fund, as authorized by referred to Laws, as shown below:

Specification	**06.30.2017**	**06.30.2016**
Recovery of transactions written off of assets	10,889	3,613
Expenses - bonuses and waivers	(56,155)	(13,762)
Net effect on allowances	68,278	20,989
Total	**23,012**	**10,840**

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

Specification	**06.30.2017**	**06.30.2016**
Income from loans	1,822,298	1,728,538
Expenses on BNB's financial (*del credere*) commission	(639,788)	(621,245)
Expenses on BNB's financial (*del credere*) commission from other institutions	(1,699)	(1,684)
Expenses on negative monetary restatement	(26,947)	(714)
Expenses on renegotiations discounts granted	(249,383)	(7,625)
Expenses on rebates/bonuses for timely payment - contracted by Banco do Nordeste	(500,820)	(452,781)
Expenses on rebates/bonuses for timely payment-onlending Law No. 7827 - article 9 A	(4,282)	(4,752)
Expenses on rebates/bonuses for timely payment-onlending to other institutions	(867)	(979)
Expenses on principal rebates - receivables from FAT - BNDES - Law No. 10193 of 02.14.2001	-	(1)
Expenses on other BNB transactions - rebate Laws No. 12249 and No. 12844 of 06.11.2010 and 07.19.2013, respectively	(9,395)	(40)
FNE's expenses honored by the Bank - rebate Law No. 12249 of and 12844 of 06.11.2010 and 07.19.2013, respectively	(6,145)	(417)
Write-off of excess book values - receipt of assets	-	(1)
Adjustment of amounts arising from disposal of assets	(1)	-
Total	**382,971**	**638,299**

i) Recognition of losses and return of BNB's share of risk

i.1) Regardless of the provisions set forth in sole paragraph of Article 3, Administrative Ruling No. 11, based on which losses can be recorded in FNE's accounting books at the amounts of principal and charges past due for more than 360 days, according to the risk percentage assumed by the Fund, the Bank recognized losses on these transactions considering the amounts of principal and charges past due for more than 329 days.

i.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 Administrative Ruling No. 11 of 12.28.2005, in compliance with the provision in letter j.1 above.

i.3) In the six-month period, BNB returned to FNE the amount of R$350,085 (R$258,888 at 06.30.2016), related to BNB's share of risk in transactions that were written off as loss as well as in those settled under Resolution No. 30 of 04.29.2010 of the Deliberative Council of Sudene, as follows:

Specification	06.30.2017	06.30.2016
Interministerial Administrative Ruling No. 11 of 12.28.2005 - shared risk	346,657	255,364
Interministerial Administrative Ruling No. 11 of 12.28.2005 - Full risk Bank	3,428	3,524
Total	**350,085**	**258,888**

j) Renegotiation and reclassification of loans

Law No. 11775 of 09.17.2008, established measures to encourage the settlement or renegotiation of debts from rural loan transactions and land mortgage loan, with the following impacts on FNE:

j.1) renegotiation of financing contracted with FNE's funds;

j.2) engagement of new transactions with FNE's funds to settle debts related to the Program for the Recovery of Cocoa Farming in Bahia (*Programa de Recuperação da Lavoura Cacaueira Baiana*), entered into with risks partially or fully assumed by the National Treasury, the State of Bahia and FNE;

j.3) engagement of new transactions with FNE funds to settle debts related to *Prodecer* - Stage III;

j.4) reclassification for the Fund of transactions carried out with Pronaf where risk lies with Federal Government;

j.5) reclassification for the Fund of transactions carried out with funds from FAT; and

j.6) reclassification to the FNE of transactions entered into with mixed funds from other sources.

The same statute authorized the replacement of financial charges on outstanding rural and non-rural transactions, contracted until 01.14.2001, subject to floating rates and backed with funds from FNE, by fixed rates set by legislation applicable to this kind of transaction.

In the six-month period, loans were reclassified to FNE or new operations were contracted to settle financing with funds from other sources, with full risk for the Fund, totaling R$15 (R$74 in the first half of 2016), under referred to law, as follows:

Specification	06.30.2017	06.30.2016
Article 7 (Cocoa Farming Operations in Bahia)	-	74
Article 19 (Operation whose risk lies with the Federal Government - funds from FAT)	15	-
Total	**15**	**74**

In the same period, new operations contracted under Law No. 11775 of 09.17.2008, to settle financing with funds from other sources, with full risk borne by the Bank, totaled R$1,422 thousand (there were no transactions in the first half of 2016), as follows:

Specification	06.30.2017	06.30.2016
Article 31 (Mixed Funds from Other Sources/FNE's transactions)	1,422	-
Total	**1,422**	**-**

NOTE 7 - Prior years' adjustments

The net negative adjustment at 06.30.2017 of R$85 (negative by R$400 at 06.30.2016), refers to recalculations of charges on loans.

NOTE 8 - Onlending to BNB under article 9-A of Law No. 7827 of 09.27.1989

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

Specification	**06.30.2017**	**06.30.2016**
Available Funds	1,621,165	1,316,793
Applied Funds	497,265	581,432
Total	**2,118,430**	**1,898,225**

The line “Available funds” records amounts temporarily not applied by the BNB in loans, and remunerated at extra-market interest rate disclosed by Bacen.

The line “Applied Funds” 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.

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

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

NOTE 10 - Other information

The Financial Statements were approved by the Bank’s Board of Directors at a meeting held on August 8, 2017.

Fortaleza (Ceará State), August 8, 2017.

The Executive Board

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

Financial Statements

Fundo Constitucional de Financiamento do Nordeste - FNE

June 30, 2017
with Independent Auditor’s Report on
financial statements

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

Independent auditor's report on financial statements

The Management

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 shseet as at June 30, 2017, 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 June 30, 2017, its financial performance and its cash flows for the year then ended, in accordance with accounting practices described in Notes 2, 4 and 6.

Basis for opinion

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

Emphasis of matter

Basis of preparation of financial statements

Without modifying our opinion, we draw attention to Notes 2, 4, and 6, which describe the basis of preparation of these financial statements. These financial statements were prepared by the Fund's management to comply with the standards and rules applicable to constitutional funds. Consequently, these financial statements may not be appropriate for other purposes. Our opinion is not qualified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with accounting practices described in Notes 2, 4, and 6, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

São Paulo, August 8, 2017.

Ernst & Young
Auditores Independentes S.S.
CRC-2SP015199/O-6

Eduardo Wellichen
Accountant 1SP184050/O-6

BOARD OF DIRECTOR: Ricardo Soriano de Alencar (President) – Alan Gutierri Brasiliano de Sousa – Jeferson Luis Bittencourt – José Lucenildo Parente Pimentel – Júlio Alexandre Menezes da Silva – Marcos Costa Holanda
EXECUTIVE BOARD: Marcos Costa Holanda (President) – Antônio Rosendo Neto Júnior (Director of Business) – Claudio Luiz Freire Lima (Director of Management) – Nicola Moreira Miccione (Director of Control and Risk) – Perpétuo Socorro Cajazeiras (Director of Planning) – Romildo Carneiro Rolim (Director Financial and Credit)
SUPERVISORY BOARD: Maria Teresa Pereira de Lima (President) – Carlos Henrique Soares Nuto – Frederico Schettini Batista – Manuel dos Anjos Marques Teixeira
AUDIT'S COMMITTEE: Manoel das Neves (President) – Cleber Santiago (Full Member) – José Wilkie Almeida Vieira (Full Member in exercise)
SUPERINTENDENT: José Alan Teixeira da Rocha (Financial Control)
ACCOUNTANT: Aíla Maria Ribeiro de Almeida Medeiros – CRC-CE 016318/O-7