

# **FINANCIAL STATEMENTS**

**Bank and FNE**

**In thousands of reais (R\$)**

**Position at 06.30.2016**



## *Financial Statements*

**B A N K**

**In thousands of reais (R\$)**

**Position at 06.30.2016**

## 1 A WORD FROM THE CEO

Year 2016 began with uncertainties regarding the Brazilian political and economic scenario. Despite the adversities of the economy, the Bank recorded net income of R\$225.6 million, 42.6% higher than that recorded in the same period of 2015 (R\$158.1 million).

We are experiencing a moment that requires proper alignment at all organizational levels to overcome the difficulties inherent in the current economic scenario. To emerge from this situation stronger and more prepared, we need to respond positively to the challenges of our mission of being “The Development Bank of the Brazilian Northeast Region”.

The search for efficiency takes into consideration the current scenario of continuous increase in banking services, which requires greater sophistication to meet customer expectations, both in terms of quality of products and services as well as customer service. The Bank was efficient in investing R\$4.0 billion in the Crediamigo program by entering into 2.1 million transactions; providing service to 12,102 micro and small enterprises with contracts totaling R\$1.1 billion in short and long-term credit facilities and contracts totaling R\$1.2 billion for 253.3 thousand family farmers.

The people who make up this organization are its main agent of results and, as such, are familiar with and actively participate in organizational changes, in compliance with BNB's core management principles, namely integrity and ethics, focus on customers, and results, meritocracy and innovation.

Integrity and ethics drive all the Bank's work and are unequivocally evidenced in our policies and procedures. Organizing and holding *the XII Seminar of the National Forum of Ethics Management in State-owned Entities* (XII Seminário do Fórum Nacional de Gestão da Ética nas Empresas Estatais), which was attended by the managing officers and representatives of state-owned entities that comprise the National Forum of Ethics Management (Fórum Nacional de Gestão da Ética), illustrates the Bank's commitment to disseminate this topic company-wide and to the society in general.

We started to use the 'Results-oriented Management' strategic model, which assumes collective commitment, collaboration, organizational alignment, and involvement of leaders towards common and strategic results for the Bank. We review our products and service portfolio on a continuous basis, aiming to introduce innovations to our customers. The Bank launched FNE CARD, a unique product in the domestic credit market, which offers FNE funds both for working capital purposes and for investment on a quick and safe basis. The Bank also created the FNE Sol product, intended for financing systems for distributed micro- and mini-generation of energy.

The Bank updates its business strategies, seeking higher levels of profitability associated with lower operating costs, especially focusing on its institutional role of FNE manager, aiming to fulfill the allocation of resources from the Fund in the Region, within expected levels, not only in quantitative terms, but especially in relation to creditworthiness. The Bank invested R\$5.358 billion with funds from FNE, 7.3% higher than the amount invested in the same period of 2015.

The operational efficiency allowed reduced complexity with the creation of simple solutions that deliver value to our customers. The process managers are challenged to implement new approaches, redesigning and improving their processes, providing opportunities for improvements, eliminating excesses, inadequate routines, wastes and bottlenecks that do

not add value, preserving the essential deliveries for the greatest satisfaction of our customers. We opened eleven (11) new branches, expanding from 296 to 307 business units.

One of the Bank's goals is to strengthen its role as one of the major leaders in the dissemination of innovation in the Brazilian Northeast region. The Bank launched *Hub Inovação Nordeste* (Hubine) to encourage the creation of products, services and innovative solutions, introducing challenges of social impact, supporting events that disseminate innovations and provide results to the development of the Brazilian Northeast region, in order to improve the quality of the companies' business and of people's lives.

For the Bank to remain sustainable, constant renewal is required, supported by balanced management models that ensure self-sufficiency, even in times of difficulty. The generation of results, by itself, does not ensure its continuity.

Working proactively, anticipating trends that can bring positive results to the Bank and agility decision-making, while maintaining the quality, are attitudes and behaviors that we adopt to keep up with changes in the external environment and to keep sustainable growth. The responses to the challenges of the adverse scenario are reflected, among other factors, in the recovery of R\$1.13 billion in past due loans and the reduction in expenses with allowances for loan losses in the amount of R\$282 million.

In its constant work for anticipating scenarios, in June 2016 the Bank hosted the 2030 Brazilian Northeast Region Strategic Meeting (Encontro Estratégico Nordeste 2030), an event promoted by the Federal Audit Court (Tribunal de Contas da União - TCU) intended to discuss challenges and paths for the sustainable development of the Brazilian Northeast region.

We hereinafter present Banco do Nordeste's performance in the first half of 2016, showing that, despite the adverse economic scenario, the Bank continues to fulfill its role as a regional development Bank integrated with Brazil's economic policy.

**Marcos Holanda**  
CEO

## 2 BUSINESS STRATEGY

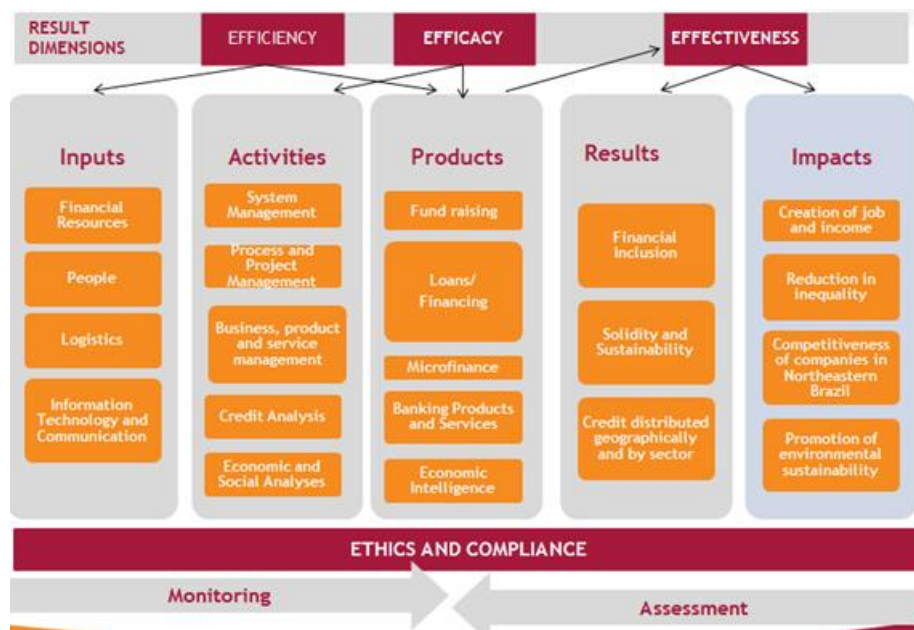
From 2016 onwards, Banco do Nordeste adopted the 'Results-Oriented Management' model as a basis for the construction of its planning, aiming to prioritize regional development and transformation through all of its actions, increasing organizational performance by reference to its mission and vision.

The business planning consists of strategic, tactical and operational plans. The strategic plan defines the results to be achieved and the desired external impacts. It starts by defining the mission, vision and values, followed by defining indicators and establishing four-year goals.

The Bank's current mission is "To operate as the Development Bank for the Brazilian Northeast Region" while its vision is "To be the preferred Bank of the Brazilian Northeast region, recognized for its ability to promote the well-being of families and the competitiveness of the companies in that region", which are reflected in the Bank's strategy. This model is focused on citizens, considering all of their potential and skills. Its guiding principles are integrity and ethics, focus on customers, and results, meritocracy and innovation.

The strategic planning was built considering the efficiency, efficacy, effectiveness and ethics dimensions. The strategic map below shows this structure, with the distribution and the interrelations among inputs, activities, products, results and impacts.

### STRATEGIC MAP



Source: Planning Department - Banco do Nordeste (2016)

## 3 CORPORATE GOVERNANCE

### 3.1 Corporate Governance Structure

In the first half of 2016, the Executive Board approved the reviews of organizational structure of the Bank's units, seeking greater alignment with the strategic direction and ethics, increased operational and managerial capacity of the units to face the demands, in addition to the strengthening of corporate governance and of internal controls, boosting the

preservation and creation of economic value by the Bank. Among the strategic efforts adopted over the first half of 2016, we highlight the changes in organizational structure of the following administrative units:

- Advisory and Support Services - introduction of the Chief Economist position to advise the CEO and senior management in making decisions in the economic and social fields impacted by the Bank's activities.
- Technical Office for Northeast Economic Studies (Etene) - directly reporting to the Bank's CEO, aiming to strengthen the Unit's role as an economic intelligence and to provide greater strategic alignment with the CEO.

Banco do Nordeste's corporate governance structure includes the General Meeting, the Board of Directors - made up of six members, advised by the Audit Committee and the Internal Audit - and the Executive Board, made up of six statutory officers and the Chairman. The Control and Risk Office and the Third-Party Asset Office are duly segregated. Banco do Nordeste also has a Supervisory Board, on a permanent basis, which is also audited by independent auditors.

In addition to its Charter, 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 Corporate Bodies. These documents are in line with other existing regulations and laws and are important corporate governance instruments to the extent that they strengthen the Bank's decision-making process and administrative and operational dynamics.

Institutional relations are subject to the Code of Ethical Conduct of Banco do Nordeste, available on the Internet in the Bank's website. This code stands out as the main guiding instrument for business ethics at the Bank. It should be highlighted that the Integrity and Ethics Committee was formed in the first half of 2016 as the body responsible for checking the implementation of and compliance with the program's standards and the integrity and ethics policy.

### **3.2 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. 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, establishing rules based on principles and good corporate governance practices, implemented under the guidance of the Bank's senior management and supervisory bodies.

Banco do Nordeste adopts a risk management structure that 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 are described as follows:

- Board of Directors - Approve policies on internal controls, corporate security, and risk management;
- Executive Board – Deliberate on risk management policies and submit them to the Board of Directors; approve operating limits; approve management methodologies.

- Control and Risk Office - Coordinate the implementation of policies on risk management; monitor the performance of risk management units;
- Risk Management Committee - Analyze and deliberate upon risk management issues submitted to higher levels as well as those to be implemented by lower levels;
- Risk Management Tactical-Operational Subcommittee - Make decisions that are tactical-operational in nature to support the Risk Management Committee;
- Internal Controls, Security and Risk Management Superintendency - Coordinate the operational management of internal controls, corporate security, and risks, as well as monitor the 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 under their oversight, based on defined methodologies and models.

### **3.3 Internal Controls**

Banco do Nordeste expanded its corporate governance practices through the Internal Control System, which consists of policies, strategies, procedures and practices designed to ensure the mitigation of risks within an acceptable level of security for the achievement of organizational objectives.

Banco do Nordeste's internal controls activities are distributed into the Bank's various managerial and administrative segments, and each manager is to adopt a consistent attitude with business interests. The ultimate goal is to reduce the number of operational failures, by implementing preventive measures with the inclusion of control points in processes. For this purpose, control mechanisms - such as collegial decision-making, segregation of activities between different people, authorization from higher authorities, periodic monitoring reports, revalidation of checkpoints - are used. The ethical attitude of employees represents a determining factor for the compliance of processes.

Thus, the Internal Control System gathers elements and components that work in tandem to ensure Banco do Nordeste's senior management of the mitigation of risks to which the organization is exposed, as regulated by Resolution No. 2554/1998 of the National Monetary Board (CMN).

## **4 DEVELOPMENT AND SUSTAINABILITY**

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### **4.1 Regional Development**

The Bank's contribution to reducing poverty and social inequalities continues to be in the core of its actions, with a view to strengthening its relationship with producers, reinforcing its commitment to solving major regional challenges, expanding opportunities, producing positive impacts on the northeastern society by creating jobs, increasing household income, promoting social and financial inclusion, and working in areas of great economic need, such as the northeastern semi-arid region.

By means of the ETENE the Bank prepares, promotes and disseminates social and economic studies, researches and information, as well as evaluates financing policies and programs.

Etene manages and operates the following funds: Economic, Scientific, Technological and Innovation Development Fund (Fundo de Desenvolvimento Econômico, Científico, Tecnológico e de Inovação - Fundeci), and Regional Development Fund (Fundo de Desenvolvimento Regional - FDR), which together favor the development of various sectors/activities.

During the first half of 2016, some initiatives by Etene should be mentioned, including the technical support for formatting the Northeast Innovation Hub (*Hub Inovação Nordeste* - Hubine), which will operate at the Bank's headquarters in support of innovative businesses that create products, services and solutions that contribute to stimulate the regional economy.

In addition, several industry studies were developed, focusing on activities such as the automotive, glass and auto parts; beverages; electric power generation and distribution; non-metallic minerals; oil and gas; shopping malls; shrimp farming, and other industries.

## **4.2 Sustainability**

The major social and environmental responsibility initiatives conducted in the first half of 2015 are:

- 4,962 financing arrangements in the amount of R\$ 147.9 million allocated to environmental programs FNE Verde, Pronaf Semiárido, Pronaf Floresta, Pronaf Eco and Pronaf Agroecologia, in addition to R\$ 97.9 million allocated to the FNE Inovação program.
- Introduction of an internal program for acknowledging social and environmental initiatives - 2016 Social and Environmental Practices Award (Prêmio Práticas Socioambientais 2016).
- Management of the action plan for the Social and Environmental Responsibility Policy (PRSA). Banco do Nordeste's PRSA was widely disclosed in internal and external media, and is available on the Bank's electronic portal at [www.bnb.gov.br/politica-de-responsabilidade-socioambiental](http://www.bnb.gov.br/politica-de-responsabilidade-socioambiental).

Additionally, the Bank seeks to incorporate in its business other dimensions that foster the sustainable development process, working in partnership with the Ministry of Social Development and Fight against Hunger (Ministério do Desenvolvimento Social e Combate a Fome - MDS), in support of territorial development.

As a result of this partnership, the following results were achieved in the first half of 2016:

- Operationalization of a service agreement with the MDS for building 30,133 cisterns – 28,483 cisterns for human use (“first water”), and 1,650 cisterns for consumption in production activities (“second water”) – in 37 municipalities in the states of Bahia, Ceará, Minas Gerais and Paraíba. This agreement marked the inclusion of Banco do Nordeste in the Cisterns Program, a Federal Government initiative whose main goal is to provide universal access to and use of water by the needy population living in rural communities with poor or irregular water supply. Accumulated figures for the Program by mid-2016



show 24,680 families trained and 20,996 cisterns built, including 19,647 “first water” cisterns and 1,349 “second water” cisterns.

- Approval of the New Operating Model of Development Agents by the Bank’s Executive Board. This new model consists in updating and standardizing Banco do Nordeste’s operating strategy in relation to territorial development.

#### **4.2.1 Development Agent**

Through the Development Agent, the Bank knows the territorial reality, facilitates/articulates the construction and implementation process of territorial action plans and fosters initiatives to be developed by the players involved in the development effort, including the Municipal/Territorial Boards of Sustainable Development, with a view to organizing, strengthening and raising the level of competitiveness in economic activities prioritized by such councils, by completing local and territorial action plans and the structuring of mitigated risk financing arrangements.

In the first half of 2016, 21 pilot projects were initiated in the Brazilian states where Banco do Nordeste operates regionally. These projects include several prioritized activities, as defined by the Territorial Councils.

#### **4.2.2 FNE SOL**

The distributed micro- and mini-generation of energy introduced by ANEEL Resolution No. 482/2015, as amended by ANEEL Resolution No. 687/2015, consists of an electric power consumer unit, such as a residence or a commercial or industrial entity, being able to acquire a small power generation system and generate its own electricity. The system is connected with the power grid, and whatever is produced is offset against whatever is consumed.

To serve this market, the Bank launched a new credit line product, the so-called FNE Sol, to finance systems for distributed micro- and mini-generation of energy for consumption of ventures themselves through the FNE Verde line of credit. FNE Sol finances power generation for own consumption by venturers themselves, with different offset mechanisms for the amount of energy consumed, as long as the conditions established in ANEEL Resolution No. 687/2015 are met.

## **5 PERFORMANCE**

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### **5.1 Economic and financial performance**

#### **5.1.1 Total Assets**

At June 30, 2016, Banco do Nordeste’s total assets were R\$ 42.7 billion, up 3.0% compared to December 31, 2015. The Bank’s assets also include FNE available funds (R\$ 8.7 billion) as well as restricted funds committed to FNE’s loan transactions, i.e. relating to loans taken out pending drawdown (R\$ 5.5 billion). The increase in the Bank’s asset balances from December 2015 to June 2016 is mainly due to the increase in the balance of cash and cash equivalents, interbank investments, and marketable securities.

**Table 1 – Total Assets (R\$ Million)**

Specification	Banco do Nordeste		% Change	FNE		% Change
	12/31/2015	6/30/2016		12/31/2015	6/30/2016	
Cash and cash equivalents, <sup>(*)</sup> interbank investments and marketable securities	24,982.4	27,135.4	8.6%	5,231.5	8,749.8	67.3%
Funds committed to loan transactions	0.0	0.0	0.0%	6,092.8	5,457.7	-10.4%
Interbank accounts	223.6	316.0	41.3%	1,998.6	2,104.6	5.3%
Loans (Adjusted by Allowances)	12,199.9	11,413.7	-6.4%	46,560.7	47,149.1	1.3%
Other Loans (Adjusted by Allowances)	3,749.5	3,550.2	-5.3%	8.4	8.8	4.8%
Other assets	32.0	35.1	9.7%	1.2	1.0	-16.7%
Permanent assets	234.5	230.3	-1.8%	0.0	0.0	0.0%
<b>Total</b>	<b>41,421.9</b>	<b>42,680.7</b>	<b>3.0%</b>	<b>59,893.2</b>	<b>63,471.0</b>	<b>6.0%</b>

<sup>(\*)</sup> Banco do Nordeste cash and cash equivalents include available funds and funds restricted to FNE's loan transactions

Source: Control Department – Banco do Nordeste (2016)

In the first half of 2016, total FNE assets increased by 6.0%, primarily arising from the inflow of funds from the National Treasury. In the first half of 2016, FNE's assets increased by R\$ 3,470 million, compared to R\$ 3,521 million in the same 2015 period. Comparing the positions at 12/31/2015 and 6/30/2016, there was a 1.3% increase in the balance of investments in FNE's loan transactions (adjusted by allowances) and a 25.5% increase in the balance of cash and cash equivalents and restricted funds.

### 5.1.2 Marketable securities

The assets portfolio comprised of Cash and Cash equivalents, Interbank Investments and Marketable Securities at June 30, 2016 amounts to R\$27.1 billion, which represents an increase by R\$2.1 billion (8.6%) as compared with December 31, 2015, when such portfolio totaled R\$25.0 billion.

Abiding by Bacen Circular No. 3068, of November 8, 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". As such, BNB management states that the Institution has the financial capacity and the intention to hold these securities classified into this category until their maturity.

### 5.1.3 Cash and cash equivalents – FNE

The balance of FNE's cash and cash equivalents was up 67.3% from R\$ 5.2 billion in December 2015 to R\$ 8.7 billion in June 2016. The increase in cash and cash equivalents refers substantially to: greater volume of refunds, which grew 15.0% from R\$ 4.6 billion in 2015 to R\$ 5.3 billion in the first half of 2016; lower demand for credit, due to the reduced economic activity; and same inflow of funds from the National Treasury.

The balance of restricted loans decreased 10.4%, from R\$ 6.1 billion in December 2015 to R\$ 5.5 billion in June 2016.

#### 5.1.4 Fundraising

Time Deposits (CDB) – Funds raised through Certificates of Bank Deposit (CDB) decreased by 4.01% (R\$ 224.7 million) comparing the balance in June 2016 (R\$ 5,381.4 million) to the balance in December 2015 (R\$ 5,606.1 million). This decrease was due mainly to the strategy to adapt the portfolio inventory to the average balance targeted in the 2016 Action Program, also aiming to reduce the average funding cost of the Bank's own portfolio.

Time Deposits (Judicial Deposits) – The amount of R\$ 315.5 million was transferred to Caixa Econômica Federal (CEF), which currently manages the judicial deposits of Ceará State.

Agribusiness Credit Bills (LCA) – At June 30, 2016, the balance of LCA increased 22.6%, from R\$ 48.7 million (R\$ 264.1 million in June 2016 and R\$ 215.4 million in December 2015), mainly due to the increase in funds raised in 2016.

**Table 2 – Fundraising (R\$ million)**

Specification	12/31/2015	6/30/2016	Change in R\$	% Change
Time deposits	6,494.8	5,873.5	(621.3)	-9.57%
- CDB	5,606.1	5,381.4	(224.7)	-4.01%
- Judicial deposits	888.7	492.1	(396.6)	-44.63%
LCA	215.4	264.1	48.7	22.61%
<b>Total</b>	<b>6,710.2</b>	<b>6,137.6</b>	<b>(572.6)</b>	<b>-8.53%</b>

Source: Financial Transaction Environment – Banco do Nordeste (2016)

#### 5.1.5 Investment fund management

At June 30, 2016, the net worth of investment funds totaled R\$ 5,504.6 million, up 6.2% from the balance at June 30, 2015. At that date, Banco do Nordeste managed 24 investment funds with 65,255 shareholders, a 4.5% hike over the previous half-year.

Revenue from investment fund management fees totaled R\$ 15.1 million in the first half of 2016, up 5.1% from the first half of 2015.

**Table 3 – Investment Funds (R\$ million)**

Investment Funds	6/30/2015	6/30/2016	Change
Net assets	5,182.8	5,504.6	6.2%
Management fees	14.4	15.1	5.1%
Shareholders (number)	62,432	65,255	4.5%

Source: Investment Funds Support and Instruction Department – Banco do Nordeste (2016)

#### 5.1.6 Equity and Net Income

As at June 30, 2016, Banco do Nordeste's equity amounted to R\$3.04 billion (R\$2.84 billion at December 31, 2015). Capital amounted to R\$ 2.8 billion, comprising 86,371,464 registered paid-up common shares with no par value. In the first half of 2016, Return on Average Equity was 15.9% p.a.

Net income amounted to R\$225.6 million, representing earnings of R\$2.61 per share, a 42.6% increase over the same period in 2015 (R\$158.1 million). The performance was driven by several factors, including:

- increase in net interest income from Crediamigo loan transactions, in view of the review in interest rates applicable to new loans, to offset the loss of revenue in the same 2015 period, when there was a decrease in the equalization of charges by the National Treasury;
- decrease in expenses on the allowance for loan losses in the amount of R\$ 282.0 million, including the allowance for FNE loan losses with risks undertaken by Banco do Nordeste;
- increase in net interest income from market transactions over the same 2015 period, due to the increase in the Selic rate.

In the first half of 2016, FNE's equity increased by 6.0%, totaling R\$63.5 billion. This increase was strongly influenced by the inflow of funds from the National Treasury that totaled R\$3,470 million for the period.

## 5.2 Operating Performance

### 5.2.1 Transactions Volume

Banco do Nordeste's loan transactions conducted in the first half of 2016 totaled R\$ 10.8 billion, a 5.0% decrease over the same 2015 period.

Of the total amount, R\$ 5.8 billion (53.5%) were allocated to long-term financing, which includes rural, industrial, agribusiness, infrastructure, trade and service investments; and R\$ 5.0 billion (46.5%) to short-term loans, including such products as Direct Credit to Consumers (CDC), working capital, credit card, secured accounts, foreign exchange, and discount, as well as the Crediamigo program.

As for the number of transactions, 2.5 million transactions were conducted in the first half of 2016, up 2.0% from the total number of transactions carried out in the first half of 2015, including 280,028 long-term transactions (8.1% hike) and 2,240,950 short-term transactions (1.3% hike).

**Table 4 – Loan Transactions (R\$ million)**

Type	1 <sup>st</sup> half of 2015		1st half of 2016		Change in amount
	Number	Amount	Number	Amount	
Long term	258,972	5,511.9	280,028	5,790.6	5.1%
Short term	2,211,946	5,888.0	2,240,950	5,035.7	-14.5%
<b>Total</b>	<b>2,470,918</b>	<b>11,399.9</b>	<b>2,520,978</b>	<b>10,826.3</b>	<b>-5.0%</b>

Source: Control Department – Banco do Nordeste (2016)

Moreover, the increase in transactions under the National Family Farming Strengthening Program (Pronaf) for the half-year totaled R\$1.3 billion, including Agroamigo loans, up 8.8% in this period over the first half of 2015.

Banco do Nordeste's microcredit program (represented by Crediamigo for urban customers; and by Agroamigo for rural customers) totaled R\$ 5.0 billion and 2.3 million transactions conducted in the first half of 2016, a 3.2% increase in the value of transactions and a 4.4% increase in the number of transactions as compared to the first half of 2015. Crediamigo loans totaled R\$ 4.0 billion, up 1.7% from the same 2015 period. Agroamigo loans increased 9.6%, totaling R\$ 998.3 million in transactions by June 2016.

**Table 5 – Performance of some programs/segments (R\$ million)**

Program/ Segment	1st half of 2015		1st half of 2016		Change in amount
	Number	Amount	Number	Amount	
Pronaf <sup>1</sup> (including Agroamigo)	233,290	1,170.4	253,328	1,272.8	8.8%
Microcredit	2,235,486	4,837.8	2,333,897	4,993.1	3.2%
• Agroamigo	222,181	910.7	242,600	998.3	9.6%
Crediamigo	2,013,305	3,927.1	2,091,297	3,994.8	1.7%
Micro- and Small-Sized Enterprises (MPE)	33,575	1,350.3	28,146	1,150.3	-14.8%

<sup>1</sup> National Family Farming Strengthening Program (Pronaf)  
Source: Control Department – Banco do Nordeste (2016)

Of the total loan transactions in the first half of 2016, R\$ 5.4 billion derived from the Northeast Constitutional Financing Fund (FNE), representing 92.5% of total long-term financing. These funds include R\$ 3.4 billion in loans taken out by small-sized customers, corresponding to 62.9% of total funds from FNE, up 4.6% from the same 2015 period. Loans obtained by medium-sized customers totaled R\$ 645.4 million; transaction with large-sized customers were worth R\$ 1.3 billion, up 0.1% and 19.2%, respectively.

In quantitative terms, loan transactions with small-sized customers increased 8.0%, and these represented 99.7% of the number of FNE transactions conducted in the first half of 2016. The number of transactions with medium-sized customers increased 18.0% and those with large-sized customers increased 105%.

**Table 6 – Loan Transactions by Customer Size (R\$ million)**

Size	1st half of 2015				1st half of 2016				Change in amount
	Number	%	Amount	%	Number	%	Amount	%	
Small	250,032	99.8%	3,223.10	64.5%	270,135	99.7%	3,370.60	62.9%	4.6%
Medium	511	0.2%	644.7	12.9%	603	0.2%	645.4	12.0%	0.1%
Large	80	0.0%	1,126.80	22.6%	164	0.1%	1,342.70	25.1%	19.2%
<b>Total</b>	<b>250,623</b>	<b>100%</b>	<b>4,994.60</b>	<b>100%</b>	<b>270,902</b>	<b>100%</b>	<b>5,358.70</b>	<b>100%</b>	<b>7.3%</b>

Source: Control Department – Banco do Nordeste (2016)

## 5.2.2 FNE

Total financing arrangements with FNE funds in the first half of 2016 were impacted by the continuous decrease in the economic activity in the country and by the delay in decisions regarding investment opportunities, which impacts the contracts.

From January to June 2016, Banco do Nordeste financed the amount of R\$5,358.7 million using funds from FNE to rural and urban enterprises of eleven states comprising its regional operating area.

This represents an increase of approximately 7.3% over the same 2015 period. The contracts comprise 270,902 transactions covering 99.7% of the 1,990 municipalities eligible for FNE financing, with a R\$ 19.8 thousand average ticket.

Financing transactions broken down by State highlights the share of State of Bahia, which accounts for 27.9% of the total amount recorded, in line with the maximum 30% limit of total financing transactions per state.

**Table 7 - Bank/FNE: Total Financing by State (R\$ thousand)**

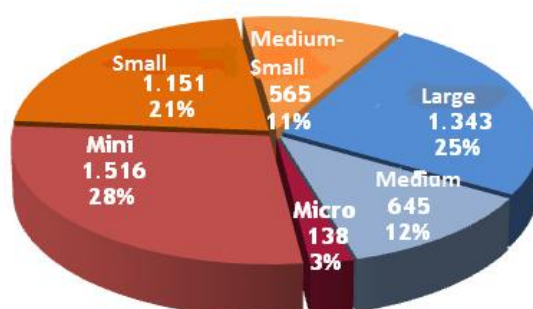
State	Contract value	%
AL	185,500.2	3.5
BA	1,496,248.9	27.9
CE	637,055.9	11.9
ES	136,273.1	2.5
MA	713,911.0	13.3
MG	286,559.0	5.4
PB	257,116.7	4.8
PE	654,611.5	12.2
PI	521,532.2	9.7
RN	268,619.5	5.0
SE	201,307.4	3.8
<b>Total</b>	<b>5,358,735.4</b>	<b>100.0</b>

Source: Development Policies Department – Banco do Nordeste (2016)

In the first half of 2016, in terms of distribution per beneficiary size, Banco do Nordeste granted loans to small enterprises on a priority basis, in compliance with FNE guidelines, thus promoting generation and decentralization of employment and income.

Micro, mini, small and medium-small-sized enterprises, whether rural or urban, concentrated 63% of the total amount of loan transactions in the half-year. Family farmers (Pronaf based) and micro- and small-sized enterprises (MPE) have a higher share in this group of accounts, thus expressing the importance of these segments in the regional economic dynamics. Nominal increase by 9.9% in loans to mini-sized enterprises, by 6.3% in loans to micro-sized enterprises, and by 2.9% in loans to small-medium-sized enterprises as compared to the same 2015 period is also worth noting.

**Chart 1 – Bank/FNE 2016: Financing per Beneficiary size (R\$ million)**





Source: Development Policies Department – Banco do Nordeste (2016)

The funding of projects in the Semiarid totaled R\$ 1,977.4 million, which is equivalent to 76.7% of the amount forecast for the year, 5.6% higher as compared with the same 2015 period, a growth mainly generated by an increase in loans to medium-, large- and micro-sized enterprises, in that order.

The volume of financing in priority micro-regions (Low Income, Stagnant, Dynamic) in the National Policy on Regional Development (PNDR) totaled R\$ 4,639.6 million, approximately 86.6% of total FNE financing in the first half-year, thus exceeding the 70% target for financing forecast in these micro-regions.

Initiatives such as “FNE Itinerante” events, focusing on the practical and objective dissemination of FNE funding possibilities to micro and small enterprises (MPEs) and individual microentrepreneurs (MEIs), contributed to this result. Primarily conducted in cities that meet the criteria of geographical priorities of the National Policy on Regional Development (PNDR), 144 meetings were held in the first half-year, of a total 220 meetings planned for the year, having involved some 46,000 attendants since the beginning of the events in 2010.

The seven Differentiated Mesoregions and the two Integrated Development Regions (RIDEs) are also special attention areas in the National Policy on Regional Development (RNDR), are included in the FNE finance policy, and accounted for financing worth R\$ 1,151.1 million and R\$ 171.7 million, respectively, in a total R\$ 1,322.8 million, up 8.7% from the same 2015 period.

### 5.2.3 Operating Efficiency

Operating efficiency refers to the joint management of administrative expenses as opposed to the net interest income and service revenue. A comparison of the first half of 2016 and the same prior year period shows a significant improvement of Banco do Nordeste's performance in this indicator, as 76.9% was reported for the first half of 2016, up 18.6 percentage points from the 95.5% reported for the first half of 2015.

Improved efficiency was mainly driven by the increase in interest income by some R\$ 545.2 million, especially noting the performance of Crediamigo and the R\$ 282.0 million decrease in the allowance for loan losses, as compared to the same 2015 period. Additionally, Service Revenue increased by R\$ 22.7 million, totaling R\$ 1.05 billion in the first half of 2016.

Administrative expenses were up 17.1% from the same 2015 period, totaling R\$ 204.2 million. In addition to inflation for the period, the following aspects impacted the increase in expenses: salary increase under the last collective bargaining agreement; additional 281 employees in the average headcount; increase in administrative and personnel expenses resulting from the expansion of the branch network; increase in operating costs resulting from the expansion of Crediamigo and Agroamigo programs. It should be noted that there were spending cuts in significant administrative cost items, especially advertising and publicity; customer information; promotions and public relations; donations, sponsorships, asset write-offs and daily rates for services.

**Table 8 – Operating Efficiency (R\$ million)**

Items	6/30/15	6/30/16	Change
Financial margin (a)	215.5	760.7	253.0%
Service revenue (b)	1,033.6	1,056.3	2.2%
Total Administrative Expenses (c)	1,192.9	1,397.1	17.1%
<b>Operating Efficiency [c/(a+b)]</b>	<b>95.5%</b>	<b>76.9%</b>	<b>18.6%</b>

Source: Control Department – Banco do Nordeste (2016)

### 5.3 Performance by Segment

#### 5.3.1 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\$ 8.2 billion, or 1.7 million loan transactions.

In the first half of 2016, the Bank entered into 253.3 thousand financing transactions with family farmers, totaling R\$ 1.2 billion, which reached 105% of the target for the period. Of this total, 68.2% was allocated to financing for the semi-arid region. Comparing the results achieved in the first half of 2016 with those in the same 2015 period, there was a 9% increase in the amount of funds invested and in the number of transactions in the segment. Such information includes transactions under the rural microcredit transactions (Agroamigo Program).

#### 5.3.2 Rural Property Financing Program

Banco do Nordeste offers 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).

In the first half of 2016, through the Fight Against Rural Poverty program, 241 loan transactions involved approximately R\$ 15.7 million, including 212 transactions amounting to R\$ 6.5 million for the acquisition of rural properties (through Land Acquisition Underproject – SAT), and 29 transactions, totaling R\$ 9.2 million through Community Investment Underproject (SIC). Additionally, 9 transactions were completed through the Family Farming Consolidation program (CAF) in the total amount of R\$ 601.5 thousand for the acquisition of rural properties and for building production infrastructure.

#### 5.3.3 Small and Mini Farmers

In the first half of 2016, Banco do Nordeste entered into 3,532 loan transactions with individuals in the Small and Mini Farmers segment, a 7% increase over the same 2015 period. Amounts invested, in a total R\$ 557.4 million, derive from FNE and exceeded by 22.2% the target defined for this segment. The increase in the first half of 2016 over 2015 is 16%.



### 5.3.4 Rural Microfinancing

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, specific for rural environment conditions, through Pronaf.

In the first half of 2016, Banco do Nordeste financed R\$ 998.3 million through Agroamigo, which represents a 9.6% growth as compared with the amounts hired in the same 2015 period. The contracts under the Program totaled 242.6 thousand transactions, with an asset portfolio amounting to R\$ 3.5 billion and more than 1.05 million customers, including some 990 thousand Bank customers. Agroamigo serves family farmers and offers two types of programs: Agroamigo Crescer, designed for Pronaf Group B customers; and Agroamigo Mais, designed for the other Pronaf groups, involving transactions up to R\$15 thousand, except for Groups A and A/C.

### 5.3.5 Urban Microfinancing

Crediamigo is the urban microfinance program of Banco do Nordeste. In the first half of 2016, the amount of R\$ 4.0 billion was disbursed in 2.1 million loan transactions. In addition, the following results are to be highlighted:

- 16.9 thousand disbursements/day, up 2.2% from the same 2015 period;
- 1.5% default in the asset portfolio (past due from 1 to 90 days);
- 1.7% increase in the total contract value and 3.9% increase in the number of transactions.

### 5.3.6 Micro and Small Companies

At June 30, 2016, credit support offered by Banco do Nordeste to micro and small companies amounted to R\$ 7.5 billion in the total balance of transactions. In the first half of 2016 alone, 12,102 companies were served and R\$ 1.1 billion were negotiated in long- and short-term lines of credit.

This segment recorded R\$ 953.4 million in financing with FNE funds in 11,993 transactions; R\$ 196.9 million involved the Bank's "Own Funds" in 16,153 transactions.

### 5.3.7 Business

The Business segment comprises customers with annual revenue ranging from R\$ 3.6 million to R\$ 200 million. At June 30, 2016, the Bank had 7,196 customers, representing a 4.1% increase from 2015. The Bank's results in the Business segment at June 30, 2016 were as follows:

- Specialized Loan Transactions, including FNE-sourced transactions, in the amount of R\$ 1.2 billion.
- Short-term loans and Foreign Trade in the amount of R\$ 751.3 million; average funding balance in the amount of R\$ 2.2 billion.

### 5.3.8 Corporate

The Corporate segment includes customers with annual revenue in excess of R\$ 200.0 million, and comprises 653 customers.

The following results are worth noting in this half-year:

- R\$ 625,102.1 thousand in transactions with FNE funds;

- R\$ 294,176.5 thousand in transactions with Foreign Funds and Agribusiness Credit Bills (LCA);
- R\$ 62.56 million in Commercial Loan transactions;
- Average funding balance in the amount of R\$ 3.3 billion.

### **5.3.9 Agribusiness - Individuals**

Banco do Nordeste plays a significant role in supporting Agribusiness, strongly contributing to the sector's growth and consolidation. Financing by means of the Northeast Plant program (revolving costing) is the great differential in terms of an operational mechanism as it not only mitigates risks but also speeds up the completion of transactions.

In the first half of 2016, Banco do Nordeste's loan transactions with FNE funds in the Individual Agribusiness segment totaled 220. This corresponds to R\$ 535.4 million in the period.

### **5.3.10 Individuals**

Banco do Nordeste offers a large basket of banking and credit products and services for Individual customers. In the first half of 2016, the Bank expanded its customer base by 9.8%, raised funds of some R\$ 2.47 billion and accounted for R\$ 309.3 million in the average balance of Commercial Loans, equivalent to 96.4% of the target for the period.

### **5.3.11 Government**

Government segment customers are comprised of public administration agencies, both direct and indirect, with all their respective bodies, except for non-dependent companies pertaining to indirect public administration, according to current legislation.

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.

At June 30, 2016, the volume of loan and fundraising transactions in this segment amounted respectively to R\$ 1.4 billion (debit balance) and R\$ 839 million in funds raised, with a total 1,947 customers.

## **6 RECOVERY OF LOANS**

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As a result of initiatives involving the recovery of loans, R\$ 1.13 billion were recovered in the first half of 2016, with some R\$ 238.1 million in cash receipts. In quantitative terms, a total 61,780 transactions were settled, including 51,024 FNE-sourced transactions and 10,756 non-FNE-sourced transactions. It is worth mentioning the accreditation of outsourced firms for the provision of services involving extrajudicial collection of defaulted loans and other debts, which will significantly improve the recovery of defaulted loans.

**Chart 1 – Debt Renegotiation (R\$ million)**

Amount renegotiated	Cash amount	Result from Renegotiated Debt	Target Annual Renegotiated Debt	Performance of Target Renegotiated Debt	Annual Target – Loan Recovery in Cash	Target Performance – Loan Recovery in Cash
892.7	238.1	1,130.8	2,600.0	43.49%	546.0	43.62%

Source: Loan Recovery Department – Banco do Nordeste (2016)

The Bank awaits the regulation of Provisional Executive Order (MP) 733, issued on June 14, 2016 to start the renegotiations supported by this ruling. This Provisional Executive Order authorizes financial institutions to grant rebates as high as 95% for the settlement of rural loans, and for the renegotiation of rural debts, with a maturity of ten years, differentiated performance bonus, and finance charges ranging from 0.5% to 3.5% per year. In order to align its loan recovery policy to market practices, Banco do Nordeste accredited outsourced firms for the provision of services involving extrajudicial collection of defaulted loans and other debts. The process was completed with the qualification of 38 firms and awaits completion of a specific system for managing extrajudicial collections.

## 7 RELATIONSHIPS

### 7.1 Customer Relationship

Banco do Nordeste's relationship with customers is based on in-person services (branches and microcredit assistance units) and remote services (ombudsman, relationship center, and internet banking). Customer relationship management involves activities to improve and expand service channels, brand management, sponsorships, agreements, ombudsman and credit granting processes.

As for expansion of service channels, eleven (11) branches were opened, four (4) branches were relocated and construction work is still in progress for 14 new branches, increasing the number of business units from 296 to 307. Physical points of service total 982 units, considering branches and microcredit service units.

Banking transactions in the first half of 2016 totaled 22.4 million, 39% used digital channels (internet and mobile banking), 30% used self-service (own and shared ATMs) and 7% were used POS (Points of Sales – purchases with cards). Only 24% of transactions took place in the branches.

The Customer Relationship and Citizen Information Center completed more than 921,883 service events in the first half of 2016, up 11.17% from the first half of 2015, providing such services as business-oriented guidance, credit management, monitoring of relationship and business opportunities, banking security monitoring, renewal of insurance and electronic service.

The electronic satisfaction survey conducted with customers that contacted the Bank's Customer Service and transactional channel at first level was rated 95.58.

Banco do Nordeste's Ombudsman fulfilled its role of ultimately serving and meeting the demands of its customers and users of its products and services, acting as a communication

channel between this audience and the Bank, also in the mediation of conflicts, in accordance with the provisions of CMN/BACEN Resolution No. 4433/2015.

In June 2016, Banco do Nordeste was best ranked in the ranking of institutions by rate of complaints disclosed by the Central Bank of Brazil, in the segment of banks and finance institutions with more than two million customers.

## 7.2 Relationship with the Society

Shared management by means of a continuous dialogue with all the stakeholders is key to every company. Either for the purpose of obtaining support from the various players to fulfil its mission or for the purpose of understanding what others expect from the company, one must know who the audiences that impact or that are impacted by Banco do Nordeste are.

Relationship with the society is a function that consists in knowing and bringing together an organization's interests with those of its various stakeholders to fulfill its mission. For this, interacting with a large number of institutions and individuals is required. This interaction is essential to act in tandem, to share knowledge, to build and seize opportunities, to mitigate threats and to outline the Bank's organizational strategies. The segmentation of the Bank's stakeholders, used in its external communication, includes the following groups: customers, shareholders, workforce, suppliers, society and community, government, development institutions and the banking industry.

Thus, most employees serve, keep contact and negotiate with various audiences in their day to day. Either in small transactions or in major negotiations with other people and organizations, there are always interests involved that need to be harmonized. Being aware of these issues is important for the Bank to respond to them by adding value, or to reduce conflicting interests that may differ from its purposes.

The Bank's budget for sponsorships in 2016 is R\$ 7.8 million, including R\$ 3.8 for cultural projects qualifying under the Cultural Incentive Law, and R\$ 4.0 million for marketing, institutional and cultural projects with defined budgets. In the first half 2016, funds totaling R\$ 1.1 million were released for 80 projects.

**Table 9 – Sponsored Projects, per type and source – 1H2016**

Budget funds	Market/Institutional Notice 2015	332,837.58	30
	Direct Choice	677,371.50	47
		<b>1,010,209.08</b>	<b>77</b>
Incentive Law	Cultural Notice 2015	75,000.00	2
	Direct Choice	30,000.00	1
		<b>105,000.00</b>	<b>3</b>
<b>Grand Total</b>		<b>1,115,209.08</b>	<b>80</b>

Source: Marketing Department – Banco do Nordeste (2016)

In the first half of 2016, two tender offers were placed for the selection of projects. From the market/institutional notice, 125 projects in the amount of R\$ 2,179,000.00 were selected for contracts between June 2016 and June 2017.

The public notice for cultural projects qualifying under the Roaunet Law is at the pre-selection stage, and the projects will be selected for contracts in 2016 and 2017.

### **7.3 Relationship with Employees**

At June 30, 2016, Banco do Nordeste has 7,225 employees. It is worth highlighting the opportunity given to youth pursuant to Professional Learning Law No. 10097 and to Apprenticeship Law No. 11788, sponsoring the technical and professional training of 392 high-school scholarship students, 697 university scholarship students and 277 Young Apprentices who are part of staff.

In this period, the Corporate University offered and completed 22,883 training opportunities, including distance learning programs, classroom courses and formal education. In addition, 100 new opportunities for formal education, including 40 for undergraduate programs, 55 for specialization and Master of Business Administration (MBA) programs, and 5 for Master programs, were offered to the Bank's employees.

To comply with the regulations of the Brazilian Central Bank, through the National Association of Financial and Capital Market Institutions (ANBIMA), the Bank has 3,576 employees with CPA-10 Professional Certification and 621 employees with CPA-20 Professional Certification.

Concerning Money Laundering Prevention and Fight (PLD), a requirement established by the Central Bank, Banco do Nordeste had qualified 99.60% of its employees by June 2016.

At June 30, 2016, the Internal Competition Policy was improved. This is a milestone, since an outlined policy allows the process to run more transparently and on a merit-awarding basis.

### **7.4 Relationship with suppliers and business partners**

The Bank has adapted its bid documents and administrative contracts that involve the procurement of goods and services to include clauses that prevent suppliers/service providers from adopting nepotism practices, in line with integrity and ethical conduct processes.

## **8 TECHNOLOGY**

The Strategic Plan on Information Technology (Peti) includes the planning of actions and investments required for the maintenance and modernization of the technological complex of Banco do Nordeste (software and hardware). In the first half of 2016, the budget totaled R\$ 102.7 million, R\$ 96.5 million of which refers to expenses and R\$ 6.2 million to investments.

The following activities performed in this half year are to be highlighted:

- Implementation of the Capacity and Availability Management Project;
- Completion of the Infrastructure and Systems Stabilization Plan (Pesi);
- Start-up of the Adoption of Prompt Methodologies project;
- Completion of 11 projects for the Bank' business support solutions, including: NEL *Mobile* 2.0; Control of Working Hours; Automation of Financial Activities – (SICONV), and Certificate of Good Credit Rating.

## 9 SOCIAL SECURITY AND EMPLOYEES' HEALTH CARE ENTITIES

### 9.1 Caixa de Previdência dos Funcionários do Banco do Nordeste - CAPEF

Caixa de Previdência dos Funcionários do Banco do Nordeste (Capef) administers equity of R\$ 3.90 billion at June 30, 2016, with 12,036 participants and beneficiaries assisted by two private pension plans, namely: a Defined Benefit plan (DB), and a Variable Contribution plan (VC I).

In the first half of 2016, DB Plan's equity was R\$3.42 billion; it had 1,754 active participants, 3,703 retirees and 1,181 pensioners; yield on plan assets was 7.83%, or 99.11% of its actuarial target of 7.90% (INPC + 5.50% per annum). The main reason for not reaching the target in the period was the gap between the rate that adjusts the actuarial target (INPC – 5.09%) and the rate that adjusts the main securities in the investment portfolio (IPCA – 4.42%).

CV I Plan's equity is R\$ 487 million; it has 5,291 active participants, 91 retirees and 16 pensioners, representing 78% of its entire target public. From January to June 2016, the plan's yield was 8.18%, or 113.61% of its actuarial target of 7.20% (IPCA + 5.50% per annum). This results from the strategy of allocating investments in government securities indexed to IPCA with rates above the actuarial target.

### 9.2 Caixa de Assistência dos Funcionários do Banco do Nordeste - CAMED

Created in 1979, Caixa de Assistência is part of Banco do Nordeste's human resources policy and belongs to the CAMED Group which includes Camed Corretora de Seguros and Creche Paulo VI.

Camed Saúde has a portfolio of 39,001 beneficiaries and operates in the Northeast and Southeast regions, in addition to the Federal District. Accumulated operating revenue of Camed Saúde in the first half of 2016 was R\$ 93.4 million, up 11% from the same 2015 period.

Camed Corretora, operating in Brazil through the Bank's branches, closes the first half of 2016 with expected commission revenue totaling R\$ 16.4 million, a 6% growth over the same 2015 period.

## 10 LEGAL INFORMATION

In accordance with the Brazilian Securities and Exchange Commission (CVM) Ruling No. 381/03 of January 14, 2003, Banco do Nordeste hereby states that in the first half of 2016, Ernst & Young Auditores Independentes S/S, engaged as independent auditors, did not provide any services other than external audit services.

**BANCO DO NORDESTE DO BRASIL S.A.**

Head office: Av. Dr. SILAS MUNGUBA, 5700 - FORTALEZA - CEARA  
Publicly held - CNPJ No. 07.237.373/0001-20

**Balance sheets**

**Six-month periods ended June 30, 2016 and 2015**

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

<b>ASSETS</b>			
		<b>06.30.2016</b>	<b>06.30.2015</b>
<b>CURRENT ASSETS</b>		<b>19,129,631</b>	<b>23,973,935</b>
CASH AND CASH EQUIVALENTS	(Note 5)	233,478	201,214
INTERBANK INVESTMENTS	(Note 6.a)	8,477,049	9,606,779
Open market investments		8,477,049	9,515,682
Interbank deposits		-	91,097
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	2,464,678	5,958,963
Own portfolio		1,091,224	3,669,364
Linked to repurchase agreements		1,083,347	1,670,791
Derivative financial instruments		-	408,451
Linked to guarantees given		290,107	210,357
INTERBANK ACCOUNTS		254,110	252,757
Unsettled payments and receipts		71,716	87,952
Linked Credits:			
Central Bank Deposits	(Note 8.a)	179,888	161,356
Interbank Onlending		1,552	1,497
Correspondents		954	1,952
INTERDEPARTMENTAL ACCOUNTS		150	172
Internal transfers of funds		150	172
LOANS		4,891,572	5,146,040
Loans	(Note 9.a)	5,378,613	5,886,323
Public sector		227,438	203,812
Private sector		5,151,175	5,682,511
(Allowance for loan losses)	(Note 9.a)	(487,041)	(740,283)
OTHER RECEIVABLES		2,773,463	2,775,856
Guarantees and sureties honored	(Note 10.a)	-	50
Exchange portfolio	(Note 10.b)	604,342	892,144
Income receivable	(Note 10.c)	13,640	14,829
Trading Securities	(Note 10.d)	12	4
Other Receivables	(Note 10.e)	2,348,463	2,018,181
(Allowance for losses on other receivables)	(Note 10.f)	(192,994)	(149,352)
OTHER ASSETS		35,131	32,154
Other assets		14,363	10,964
(Valuation allowance)		(615)	(638)
Prepaid expenses		21,383	21,828
<b>LONG-TERM RECEIVABLES</b>		<b>23,320,715</b>	<b>16,370,173</b>
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	15,960,204	8,990,978
Own portfolio		15,513,625	8,364,634
Linked to repurchase agreements		48,554	119,524
Derivative financial instruments		374,454	360,791
Linked to guarantees given		23,571	146,029
INTERBANK ACCOUNTS		61,673	58,286
Linked Credits:			
National Treasury - Rural Credit Funds		-	17
National Housing System (SFH)	(Note 8.a)	61,673	56,773
Interbank Onlending		-	1,496
LOANS		6,522,087	6,842,651
Loans	(Note 9.a)	7,045,634	7,194,263
Public sector		1,190,372	1,246,893
Private sector		5,855,262	5,947,370
(Allowance for loan losses)	(Note 9.a)	(523,547)	(351,612)
OTHER RECEIVABLES		776,751	478,258
Guarantees and sureties honored	(Note 10.a)	-	50
Income receivable	(Note 10.c)	18,048	18,049
Other receivables	(Note 10.e)	805,662	506,692
(Allowance for losses on other receivables)	(Note 10.f)	(46,959)	(46,533)
<b>PERMANENT ASSETS</b>	(Note 12)	<b>230,330</b>	<b>228,907</b>
INVESTMENTS		1,898	1,879
Other investments		7,201	7,182
(Provision for losses)		(5,303)	(5,303)
PROPERTY AND EQUIPMENT IN USE		211,373	210,345
Property and equipment in use		170,087	167,682
Revaluation of property and equipment in use		107,628	107,628
Other property and equipment in use		280,289	253,770
(Accumulated depreciation)		(346,631)	(318,735)
INTANGIBLE ASSETS		17,056	16,610
Intangible assets		17,056	16,610
DEFERRED CHARGES		3	73
Organization and expansion costs		284	383
(Accumulated amortization)		(281)	(310)
<b>TOTAL ASSETS</b>		<b>42,680,676</b>	<b>40,573,015</b>

**Balance sheets**  
**Six-month periods ended June 30, 2016 and 2015**  
General Management and Branches in Brazil  
(Amounts in R\$ thousand)

**LIABILITIES AND EQUITY**

		<b>06.30.2016</b>	<b>06.30.2015</b>
<b>CURRENT LIABILITIES</b>		<b>14,272,806</b>	<b>14,757,019</b>
DEPOSITS	(Note 13.b)	5,556,136	5,620,477
Demand deposits		328,953	220,601
Savings deposits		1,866,819	1,896,302
Interbank deposits		1,086,619	1,090,322
Time deposits		2,273,745	2,413,252
OPEN MARKET FUNDING	(Note 13.c)	1,156,103	1,735,149
Own portfolio		1,082,848	1,670,578
Third-party portfolio		73,255	64,571
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	271,844	1,125,415
Funds from real estate, mortgage, credit and similar notes		264,087	181,567
Liabilities for foreign marketable securities		7,757	943,848
INTERBANK ACCOUNTS		55,105	59,311
Outstanding payables and receivables		55,105	59,311
INTERDEPARTAMENTAL ACCOUNTS		5,619	4,026
Third-party funds in transit		5,561	3,957
Internal transfers of funds		58	69
BORROWINGS	(Note 14.b)	606,818	1,136,037
Foreign borrowings		606,818	1,136,037
DOMESTIC ONLENDING – OFFICIAL INSTITUTION	(Note 14.c)	152,824	151,710
National Treasury		250	605
BNDES		126,332	123,088
FINAME		26,242	28,017
FOREIGN ONLENDING	(Note 14.d)	139,111	133,785
Foreign onlending		139,111	133,785
OTHER LIABILITIES		6,329,246	4,791,109
Collection of taxes and other contributions	(Note 16.a)	43,894	55,054
Exchange portfolio	(Note 16.b)	10,557	15,657
Social and statutory	(Note 16.c)	70,220	47,063
Tax and social security	(Note 16.d)	423,966	327,462
Securities trading	(Note 16.e)	693	101
Financial and development funds	(Note 16.f)	3,394,496	2,852,442
Hybrid debt/equity instruments	(Note 17)	-	42,369
Other	(Note 16.i)	2,385,420	1,450,961
<b>LONG-TERM PAYABLES</b>		<b>25,372,675</b>	<b>22,949,288</b>
DEPOSITS	(Note 13.b)	4,538,156	5,908,402
Interbank deposits		141,985	191,802
Time deposits		4,396,171	5,716,600
OPEN MARKET FUNDING	(Note 13.c)	48,034	118,904
Own portfolio		48,034	118,904
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	960,008	937,311
Liabilities for foreign marketable securities		960,008	937,311
DOMESTIC ONLENDING – OFFICIAL INSTITUTION	(Note 14.c)	1,565,859	1,540,202
National Treasury		194	-
BNDES		1,462,390	1,413,958
FINAME		103,275	126,244
FOREIGN ONLENDING	(Note 14.d)	681,304	790,030
Foreign onlending		681,304	790,030
OTHER LIABILITIES		17,579,314	13,654,439
Financial and development funds	(Note 16.f)	11,785,391	7,672,026
Hybrid debt/equity instruments	(Note 17)	-	1,353,988
Subordinated debt eligible to capital	(Note 18)	1,898,225	1,691,087
Debt instruments eligible to capital	(Note 16.i)	1,000,000	-
Other		2,895,698	2,937,338
<b>EQUITY</b>		<b>3,035,195</b>	<b>2,866,708</b>
CAPITAL		2,844,000	2,844,000
Domiciled in Brazil		2,844,000	2,844,000
REVALUATION RESERVES		15,556	18,232
INCOME RESERVES		771,046	485,245
EQUITY ADJUSTMENTS		(595,407)	(480,769)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42,680,676</b>	<b>40,573,015</b>



## INCOME STATEMENTS

Six-month periods ended June 30, 2016 and 2015

General Management and Branches in Brazil

(Amounts in R\$ thousand)

	1st half of 2016	1st half of 2015
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>2,545,252</b>	<b>2,772,491</b>
Loans	1,041,458	1,021,123
Gain (loss) on marketable securities transactions	1,695,757	1,364,621
Gain (loss) on derivative financial instruments	(255,902)	230,023
Foreign exchange gains (losses)	43,137	145,870
Compulsory deposit gains (losses)	20,802	10,854
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>	<b>(1,935,107)</b>	<b>(2,407,090)</b>
Funding Operations	(686,500)	(964,089)
Borrowings and onlending	(907,285)	(901,103)
(Allowance for loan losses)	(341,322)	(541,898)
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>610,145</b>	<b>365,401</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>	<b>(273,228)</b>	<b>(267,565)</b>
Income for services provided	1,073,029	1,054,776
Income from bank fees	29,345	23,879
Personnel expenses	(857,602)	(731,165)
Personnel expenses	(764,359)	(657,607)
Post-employment benefits	(93,243)	(73,558)
Other Administrative Expenses	(534,661)	(463,018)
Tax Expenses	(142,768)	(128,119)
Other operating income	1,320,787	776,674
Other operating expenses	(1,161,358)	(800,592)
<b>OPERATING INCOME (EXPENSES)</b>	<b>336,917</b>	<b>97,836</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>	<b>205</b>	<b>1,304</b>
<b>INCOME BEFORE INCOME TAXES AND PROFIT SHARING</b>	<b>337,122</b>	<b>99,140</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>(96,367)</b>	<b>92,213</b>
Provision for income tax	(88,424)	(99,012)
Provision for social contribution tax	(69,868)	(62,412)
Deferred tax asset	61,925	253,637
<b>STATUTORY PROFIT SHARING</b>	<b>(15,191)</b>	<b>(33,225)</b>
<b>NET INCOME</b>	<b>225,564</b>	<b>158,128</b>
<b>INTEREST ON EQUITY (IOE)</b>	<b>(54,012)</b>	<b>(53,165)</b>
Number of shares (in thousands)	86,371	86,371
Basic/diluted earnings per share (in R\$)	2.61	1.83

# STATEMENTS OF CHANGES IN EQUITY

Six-month periods ended June 30, 2016 and 2015

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

EVENTS	PAID-IN CAPITAL		Revaluation reserves	Income reserves			Equity Adjustments	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
	CAPITAL	CAPITAL INCREASE	Own assets	Legal reserve	Statutory reserve	Other			
<b>BALANCES at 12/31/2014</b>	2,437,000	407,000	19,394	185,439	462,009	40,463	(183,496)	-	3,367,809
REVERSALS OF RESERVES Income reserves					(283,648)			283,648	-
EQUITY ADJUSTMENTS Marketable securities adjustment							(4,123)		(4,123)
Actuarial gains (losses)							(293,150)		(293,150)
CAPITAL INCREASE:									
From reserves:									
Approved capitalization	407,000	(407,000)							-
OTHER EVENTS:									
Revaluation of Assets:									
Realization of Reserves (Net of Tax Effects)			(1,162)					1,162	-
NET INCOME FOR THE SIX-MONTH PERIOD								158,128	158,128
Allocations:									
Reserves				7,907	98,219			(106,126)	-
Dividends and IOE								(37,845)	(37,845)
Proposed Additional Dividends (Dividends and IOE)						15,319		(15,319)	-
Provision for Dividends/IOE - 2014						(40,463)		(283,648)	(324,111)
<b>BALANCES at 06/30/2015</b>	2,844,000	-	18,232	193,346	276,580	15,319	(480,769)	-	2,866,708
<b>CHANGES IN THE SIX-MONTH PERIOD</b>	407,000	(407,000)	(1,162)	7,907	(185,429)	(25,144)	(297,273)	-	(501,101)
<b>BALANCES at 12.31.2015</b>	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:									
Realization of Reserves (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)
<b>BALANCES at 06.30.2016</b>	2,844,000	-	15,556	212,004	559,042	-	(595,407)	-	3,035,195
<b>CHANGES IN THE SIX-MONTH PERIOD</b>	-	-	(1,065)	11,278	161,339	-	20,457	-	192,009

**CASH FLOW STATEMENTS**  
**Six-month periods ended June 30, 2016 and 2015**  
General Management and Branches in Brazil  
(Amounts in R\$ thousand)

	06.30.2016	03.30.2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income for the Period	225,564	158,128
Adjustments to Net Income:		
Depreciation and Amortization Expenses	21,397	20,107
Reversal for Impairment of Other Assets	(10)	(55)
Net Allowance for loan losses	338,833	409,441
Net Allowance for Losses on Other Assets	2,489	132,457
Net Provision for Contingent Liabilities (FNE risks)	428,811	513,804
Net Provision for Contingent Liabilities (FDNE Risks)	17	24
Net Provision for Contingent Liabilities	78,573	47,277
Net Provision (Post-Employment Benefits)	92,813	73,558
Provision for Deferred tax asset	61,925	253,637
Provision for Losses on Linked Credits-SFH	14,544	(132)
Setup/Reversal of Operating Provisions	13,282	(108,011)
<b>Adjusted net income</b>	<b>1,278,238</b>	<b>1,500,235</b>
Interbank investments	(5,484)	(79,168)
Interbank and Interdepartamental accounts	(58,828)	144,593
Loans	447,418	(661,835)
Other créditos	297,658	(464,180)
Other assets	(3,036)	(3,836)
Deposits	(656,455)	(396,548)
Open Market Funding	(467,106)	97,706
Funds from acceptance and issue of securities	(187,620)	376,764
Loans and onlending obligations	(644,495)	206,811
Derivative financial instruments	236,021	(261,955)
Other liabilities	2,670,443	1,783,312
Income and Social Contribution Taxes Paid	(212,107)	(116,165)
Available-for-Sale Securities	(6,216,247)	(385,190)
<b>CASH PROVIDED BY/USED IN OPERATING ACTIVITIES</b>	<b>(3,521,600)</b>	<b>1,740,544</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to Investments	(32)	-
Addition to Investments in property and equipment in use	(20,663)	(19,850)
Addition to Investments in intangible assets	(446)	(204)
Addition to Investments in assets not for own use	(153)	(638)
Disposal of property and equipment in use	3,903	798
Disposal of assets not for own use	63	49
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(17,328)</b>	<b>(19,845)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends and interest on equity paid	(17,722)	(433,835)
Hybrid debt/equity instruments	(393,390)	-
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(411,112)</b>	<b>(433,835)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,950,040)</b>	<b>1,286,864</b>
<b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS</b>		
At beginning of period	12,587,311	8,365,461
At end of period	8,637,271	9,652,325
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,950,040)</b>	<b>1,286,864</b>

**STATEMENTS OF VALUE ADDED**  
**Six-month periods ended June 30, 2016 and 2015**  
General Management and Branches in Brazil  
(Amounts in R\$ thousand)

	06.30.2016	%	06.30.2015	%
<b>REVENUES</b>	<b>3,465,938</b>		<b>3,286,635</b>	
Financial intermediation	2,545,252		2,772,491	
Services rendered and bank fees	1,102,374		1,078,655	
Allowance for loan losses	(341,322)		(541,898)	
Other income/expenses	159,634		(22,613)	
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>	<b>(1,593,785)</b>		<b>(1,865,192)</b>	
<b>INPUTS ACQUIRED FROM THIRD PARTIES</b>	<b>(494,581)</b>		<b>(427,652)</b>	
Materials, energy and other expenses	(42,050)		(35,075)	
Third-parties services	(257,971)		(227,347)	
<b>Other</b>	<b>(194,560)</b>		<b>(165,230)</b>	
Data processing and telecommunications	(111,252)		(87,598)	
Advertising, promotions and publications	(6,712)		(16,447)	
Transportation	(13,360)		(12,085)	
Security	(26,778)		(22,625)	
Travel	(6,710)		(5,866)	
Other	(29,748)		(20,609)	
<b>GROSS VALUE ADDED</b>	<b>1,377,572</b>		<b>993,791</b>	
<b>RETENTIONS</b>	<b>(21,397)</b>		<b>(20,107)</b>	
Depreciation, amortization and depletion	(21,397)		(20,107)	
<b>NET VALUE ADDED PRODUCED BY THE ENTITY</b>	<b>1,356,175</b>		<b>973,684</b>	
<b>TOTAL VALUE ADDED TO BE DISTRIBUTED</b>	<b>1,356,175</b>		<b>973,684</b>	
<b>DISTRIBUTION OF VALUE ADDED</b>	<b>1,356,175</b>		<b>973,684</b>	
<b>PERSONNEL</b>	<b>753,576</b>	<b>55.6</b>	<b>660,269</b>	<b>67.8</b>
<b>WORK COMPENSATION</b>	<b>527,929</b>	<b>38.9</b>	<b>473,027</b>	<b>48.6</b>
Salaries	512,738		439,802	
Profit sharing	15,191		33,225	
<b>BENEFITS</b>	<b>186,655</b>	<b>13.8</b>	<b>153,913</b>	<b>15.8</b>
Provisions (post-employment benefits)	93,243		73,558	
Benefits – Other	93,412		80,355	
<b>Fundo de Garantia por Tempo de Serviço (FGTS)</b>	<b>38,992</b>	<b>2.9</b>	<b>33,329</b>	<b>3.4</b>
<b>TAXES, RATES AND CONTRIBUTIONS</b>	<b>358,352</b>	<b>26.4</b>	<b>140,028</b>	<b>14.4</b>
Federal	344,436		125,790	
State	17		27	
Municipal	13,899		14,211	
<b>DEBT REMUNERATION</b>	<b>18,683</b>	<b>1.4</b>	<b>15,259</b>	<b>1.6</b>
Rent	18,683		15,259	
<b>EQUITY REMUNERATION</b>	<b>225,564</b>	<b>16.6</b>	<b>158,128</b>	<b>16.2</b>
<b>INTEREST ON EQUITY (IOE)</b>	<b>54,012</b>	<b>4.0</b>	<b>53,165</b>	<b>5.5</b>
Federal Government	27,546		27,114	
Other	26,466		26,051	
<b>RETAINED PROFITS IN THE PERIOD</b>	<b>171,552</b>	<b>12.6</b>	<b>104,963</b>	<b>10.8</b>

# NOTES TO FINANCIAL STATEMENTS

## Six-month periods ended June 30, 2016 and 2015

Amounts expressed in thousands of reais, unless otherwise stated

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### NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará State, Brazil, and its mission is: “to operate as the Development Bank for the Brazilian Northeast Region”. Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, 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 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 the Brazilian financial accounting standards board - 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 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 Profit or Loss (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, accrued interest and monetary and currency variations, less deferred expenses. Available funds from FNE (Fundo Constitucional de Financiamento do Nordeste) 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 accounted for as described below:

**Securities held for trading:** acquired to be actively and frequently traded, adjusted to market value against P&L for the period;

**Available-for-sale securities:** securities not classified as either securities held for trading or held-to-maturity securities and reported at market value, net of taxes, with unrealized gains and losses reported in a separate 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 sheets. Valuations or devaluations are stated in income or expense accounts. The rates disclosed by the Securities, Commodities and Futures Exchange (BM&FBOVESPA) 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 agreements) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marked-to-market of derivatives 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 are recognized in P&L. However, the market value adjustment of the hedged item is recorded as part of its book value, and is also 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 five years, no longer being included in the balance sheets.

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 advanced payments, 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.

Deferred charges include expenses on third-party properties and software purchase and development incurred through 09.30.2008 and include amortization calculated by the straight-line method at the annual rate of 20%.

CMN Resolution No. 3617 of 09.30.2008 determines that any balances of property and equipment and deferred charges existing before the Resolution came into effect, which have been recorded based on prior standards, should be maintained until such balances are actually written off.

**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 08.31.2015 this rate was 15% and from 09.01.2015 it was changed to 20% up to 12.31.2018, in

compliance with the Provisional Executive Order No. 675 (MP No. 675) of 05.21.2015, signed into Law No. 13169 of 10.06.2015), after the adjustments to statutory profit determined by 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, hedged item and provision for labor claim seeking equal pay for equal work to Banco do Brasil personnel.

Pursuant to current legislation, the expected realization of tax credits is based on future taxable income projections and on technical studies carried out every six months.

PASEP and COFINS are calculated at the rates of 0.65% and 4.00%, respectively.

**l) Employee benefits**

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

Post-employment benefits refer to defined benefit and variable contribution pension plans, a defined benefit health care plan, and defined benefit group life insurance.

For “defined benefit” plans and for the portion of unplanned benefits of the variable contribution plan, which has characteristics of defined benefit plan, the net current service cost and net interest on net actuarial liabilities, including interest on the defined benefit asset limit effect, as applicable, are recognized in P&L, whereas actuarial gains and losses and return on plan assets, less amounts considered in net interest, are recognized under “Equity adjustments”, in Equity.

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

**m) Deposits and open market funding**

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

**n) Impairment of assets**

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

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

Provisions, contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3823 of 12.16.2009, and BACEN Circular No. 3429 of 02.11.2010.

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

Contingent assets are not recognized in the financial statements.

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

**p) Subordinated debts**

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

**q) Interest on equity 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 mandatory minimum dividend.

**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: loans 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 six-month periods ended 06.30.2016 and 06.30.2015, no revenue from transactions with one single external customer accounted for 10% or more of the Bank's total revenue.

The table below, prepared in the format used by the Bank's management, 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 06.30.2016			01.01 to 06.30.2015		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
<b>Revenues</b>	<b>2,338,651</b>	<b>1,527,593</b>	<b>3,866,244</b>	<b>2,378,173</b>	<b>1,172,297</b>	<b>3,550,470</b>
Income from loans	1,041,458	-	1,041,458	1,021,123	-	1,021,123
Gain(Loss) on marketable securities transactions	789,410	906,347	1,695,757	790,881	573,740	1,364,621
Gain(Loss) on derivative financial instruments	(255,902)	-	(255,902)	230,023	-	230,023
Foreign exchange gain(loss)	43,137	-	43,137	145,870	-	145,870
Compulsory investment gain(loss)	20,802	-	20,802	10,854	-	10,854
Other income	699,746	621,246	1,320,992	179,422	598,557	777,979
<b>Expenses</b>	<b>(1,040,798)</b>	<b>(1,324,715)</b>	<b>(2,365,513)</b>	<b>(1,860,102)</b>	<b>(1,062,064)</b>	<b>(2,922,166)</b>
Expenses on open market funding	(686,500)	-	(686,500)	(964,089)	-	(964,089)
Expenses on borrowings and onlending	(12,976)	(894,309)	(907,285)	(353,189)	(547,914)	(901,103)
Allowance for loan losses	(341,322)	(428,811)	(770,133)	(541,898)	(513,804)	(1,055,702)
Other contingent liabilities (Note 20.g)	-	(947)	(947)	(926)	-	(926)
PROAGRO provision receivable	-	(648)	(648)	-	(346)	(346)
<b>Financial margin</b>	<b>1,297,853</b>	<b>202,878</b>	<b>1,500,731</b>	<b>518,071</b>	<b>110,233</b>	<b>628,304</b>
Service revenues	205,849	867,180	1,073,029	198,869	855,907	1,054,776
Income from fees, charges and commissions	29,345	-	29,345	23,879	-	23,879
<b>PASEP and COFINS</b>	<b>(54,414)</b>	<b>(73,870)</b>	<b>(128,284)</b>	<b>(41,627)</b>	<b>(71,901)</b>	<b>(113,528)</b>
<b>Income after fees and commissions</b>	<b>1,478,633</b>	<b>996,188</b>	<b>2,474,821</b>	<b>699,192</b>	<b>894,239</b>	<b>1,593,431</b>
<b>Administrative Expenses</b>			<b>(1,392,263)</b>			<b>(1,194,183)</b>
Personnel expenses			(857,602)			(731,165)
Depreciation and amortization			(21,397)			(20,107)
Other administrative expenses			(513,264)			(442,911)
<b>Other expenses</b>			<b>(649,993)</b>			<b>(253,757)</b>
<b>Expenses with provisions, except allowance for loan losses</b>			<b>(95,443)</b>			<b>(46,351)</b>
<b>Income before taxation and profit sharing</b>			<b>337,122</b>			<b>99,140</b>
Income and social contribution taxes			(96,367)			92,213
Profit sharing			(15,191)			(33,225)
<b>Net income</b>			<b>225,564</b>			<b>158,128</b>

## NOTE 5 - Cash and cash equivalents

Specification	06.30.2016	06.30.2015
Cash and cash equivalents in local currency	144,423	169,664
Cash in foreign currency	89,055	31,550
<b>Total cash</b>	<b>233,478</b>	<b>201,214</b>
Interbank investments <sup>(1)</sup>	8,403,793	9,451,111
<b>Total cash and cash equivalents</b>	<b>8,637,271</b>	<b>9,652,325</b>

<sup>(1)</sup> Transactions whose maturity on the investment date is within 90 days.

## NOTE 6 - Interbank investments

### a) Breakdown

Specification	06.30.2016	06.30.2015
<b>a) Open market investments</b>	<b>8,477,049</b>	<b>9,515,682</b>
Resale agreements pending settlement - Self-funded position	8,403,793	9,451,111
Resale agreements pending settlement - Financed position	73,256	64,571
<b>b) Interbank deposits</b>	<b>-</b>	<b>91,097</b>
Interbank deposits	-	91,097
<b>Total</b>	<b>8,477,049</b>	<b>9,606,779</b>
Short-Term	8,477,049	9,606,779

### b) Income from interbank investments

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
<b>a) Income from open market investments (Note 7.b)</b>	<b>632,339</b>	<b>494,706</b>
Self-funded position	627,877	489,775
Financed position	4,462	4,931
<b>b) Income from interbank deposits (Note 7.b)</b>	<b>-</b>	<b>1,290</b>
<b>Total</b>	<b>632,339</b>	<b>495,996</b>

## 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	06.30.2016	06.30.2015
Available-for-sale securities	17,870,579	14,014,168
Held-to-maturity securities	179,849	166,530
Swap differential receivable	374,454	769,243
<b>Total</b>	<b>18,424,882</b>	<b>14,949,941</b>
Short-Term	2,464,678	5,958,963
Long-Term	15,960,204	8,990,978

a.2) Available-for-sale securities

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				
<b>Fixed income securities</b>	-	-	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 Bill	-	-	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
<b>Investment fund shares</b>	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
<b>Variable income securities</b>	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
<b>Security deposits <sup>(1)</sup></b>	-	-	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 – Nuclebrás	-	-	-	-	-	832	-	(832)	1993
Debentures	-	-	-	-	20,049	19,888	20,049	161	2019
Financial Bills	-	-	25,333	-	-	25,307	25,333	26	2016
<b>Total of category</b>	18,750	-	200,409	2,245,519	15,405,901	18,565,633	17,870,579	(695,054)	
Tax credit (Note 21.c)								299,661	
Provision for deferred taxes and contributions (Note 21.c)								(4,886)	
<b>Total market value adjustment</b>								(400,279)	

Specification	06.30.2015								
	Maturity					Cost value	Market(bo ok) value	Market adjustme nt	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days				
<b>Fixed income securities</b>	-	-	5,250,241	80,641	8,318,102	14,089,476	13,648,984	(440,492)	
Financial Treasury Bills (LFT)	-	-	5,079,346	-	5,035,668	10,115,240	10,115,014	(226)	2015 to 2021
National Treasury Notes (NTN)	-	-	-	-	1,342,220	1,378,860	1,342,220	(36,640)	2050
Financial Bills	-	-	170,865	80,641	1,585,808	1,897,185	1,837,314	(59,871)	2015 to 2019
Debentures	-	-	-	-	348,533	662,673	348,533	(314,140)	2016 to 2035
Federal government securities - FCVS	-	-	-	-	5,744	5,729	5,744	15	2027
Federal government securities - other	-	-	-	-	-	29,553	-	(29,553)	1993
Agrarian Debt Securities (TDAs)	-	-	30	-	129	236	159	(77)	2015 to 2022
<b>Investment fund shares</b>	275	-	-	-	-	1,722	275	(1,447)	
Social Development Funds (FDS)	-	-	-	-	-	1,447	-	(1,447)	No maturity
Investment Guarantee Fund (FGI)	262	-	-	-	-	262	262	-	No maturity
Operation Guarantee Fund (FGO)	13	-	-	-	-	13	13	-	No maturity
<b>Variable income securities</b>	8,523	-	-	-	-	8,745	8,523	(222)	
Other tax incentives (FINOR)	125	-	-	-	-	163	125	(38)	No maturity
Publicly-traded companies shares	8,398	-	-	-	-	8,582	8,398	(184)	No maturity
<b>Security deposits <sup>(1)</sup></b>	-	-	210,357	-	146,029	368,512	356,386	(12,126)	
Financial Treasury Bills (LFT)	-	-	210,357	-	141,332	351,692	351,689	(3)	2015 to 2020
Federal government securities – Nuclebrás	-	-	-	-	-	748	-	(748)	1993
Debentures	-	-	-	-	4,697	16,072	4,697	(11,375)	2035
<b>Total of category</b>	8,798	-	5,460,598	80,641	8,464,131	14,468,455	14,014,168	(454,287)	
Tax credit (Note 21.c)								182,466	
Provision for deferred taxes and contributions (Note 21.c)								(751)	
<b>Total market value adjustment</b>								(272,572)	

<sup>(1)</sup> Breakdown: Guarantees on stock exchange transactions R\$215,669 (R\$188,805 at 06.30.2015); guarantees on clearing house association transactions R\$2,450 (R\$2,133 at 06.30.2015); guarantees on legal proceedings R\$73,330 (R\$145,967 at 06.30.2015); and other guarantees R\$22,229 (R\$19,481 at 06.30.2015).

Account "Federal Government Securities - Other" under items Fixed Income Securities and Security Deposits records cash investments in government securities denominated by the National Treasury as NUCL910801 and CVSB970101 maturing on 08.31.1993 and 01.01.2027, 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\$695,054) ((R\$454,287) at 06.30.2015) was recorded in Equity under "Market value adjustments" account. Such adjustment, net of taxes, corresponds to (R\$400,279) ((R\$272,572) at 06.30.2015).

**a.3) Held-to-maturity securities**

Specification	06.30.2016							
	Maturity					Cost(book value)	Market value <sup>(1)</sup>	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
<b>Fixed income securities</b>	-	-	-	-	<b>179,849</b>	<b>179,849</b>	<b>130,013</b>	
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
<b>Total of category</b>	-	-	-	-	<b>179,849</b>	<b>179,849</b>	<b>130,013</b>	

Specification	06.30.2015							
	Maturity					Cost/book value	Market value <sup>(1)</sup>	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
<b>Fixed income securities</b>	-	-	-	<b>474</b>	<b>166,056</b>	<b>166,530</b>	<b>102,334</b>	
Investment Fund Shares – Ne Empreendedor	-	-	-	474	-	474	474	2016
National Treasury Notes (NTN) - P	-	-	-	-	138,588	138,588	74,392	2030
Investment Fund Shares - CRIATEC	-	-	-	-	12,088	12,088	12,088	2017
Investment Fund Shares – CRIATEC II	-	-	-	-	1,335	1,335	1,335	2023
FIP Brasil Agronegócios	-	-	-	-	13,480	13,480	13,480	2018
Nordeste III FIP	-	-	-	-	565	565	565	2022
<b>Total of category</b>	-	-	-	<b>474</b>	<b>166,056</b>	<b>166,530</b>	<b>102,334</b>	

<sup>(1)</sup>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 first half of 2016, 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:

- 1<sup>st</sup> - Market Prices disclosed by the National Association of Financial Market Institutions (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais- ANBIMA) and BM&FBOVESPA;
- 2<sup>nd</sup> - Goodwill/Negative Goodwill on transactions occurred over the past 3 months in CETIP S.A. - Mercados Organizados; and
- 3<sup>rd</sup> - 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 of holding to maturity the securities classified as held to maturity.

**b) Gain(Loss) on marketable securities**

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Open market investments (Note 6.b)	632,339	494,706
Interbank deposits (Note 6.b)	-	1,290
Fixed income securities	1,062,910	868,096
Variable income securities	508	529
<b>Total</b>	<b>1,695,757</b>	<b>1,364,621</b>

### 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 indices.

As at 06.30.2016, the Bank had swap transactions registered with CETIP S.A. (OTC Clearing House) and the notional value of these transactions is recorded in memorandum accounts (notional value) while the related book value is recorded under the accounts 'Differential Payable' and 'Differential Receivable', as shown below:

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	
<b>Asset position</b>								
Foreign currency (dollar)	578,615	374,454	-	377,270	-	16	-	2,832
<b>Liability position</b>								
Fixed rate	-	-	-	-	-	-	-	-
<b>Total</b>	<b>578,615</b>	<b>374,454</b>	<b>-</b>	<b>377,270</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>2,832</b>
Tax credit (Note 21.b)								1,132
Provision for deferred taxes and contributions (Note 21.c)								6

Breakdown at 06.30.2015								
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative	
<b>Asset position</b>								
Foreign currency (dollar)	1,087,635	769,243	-	762,326	-	14,972	8,055	6,917
<b>Liability position</b>								
Fixed rate	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,087,635</b>	<b>769,243</b>	<b>-</b>	<b>762,326</b>	<b>-</b>	<b>14,972</b>	<b>8,055</b>	<b>6,917</b>
Tax credit (Note 21.b)								3,223
Provision for deferred taxes and contributions (Note 21.c)								5,989

Specification	06.30.2016		06.30.2015	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Up to 3 months	-	-	-	-
3 to 12 months	374,454	-	408,452	-
1 to 3 years	-	-	-	-
3 to 5 years	-	-	360,791	-
<b>Total</b>	<b>374,454</b>	<b>-</b>	<b>769,243</b>	

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

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

<sup>(1)</sup> Net of tax effects at source on interest from loan of R\$969.

Specification	06.30.2015			
	Curve value		Market value	
Hedging instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI
Swap - Foreign currency - Asset position	1,872,546	1,110,222	1,879,463	1,110,222
Hedged item	Curve value <sup>(1)</sup>		Market value <sup>(1)</sup>	
Eurobonds - Senior Unsecured Notes (Note 15.a)	1,872,995		1,879,526	
Tax credit (Note 21.b)				

<sup>(1)</sup> Net of tax effects at source on interest from loan of R\$1,633.

Considering the currency risk exposure as well as funding market conditions abroad through Eurobonds – Senior Unsecured Notes, the Bank entered into swap agreements 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 agreements).

#### d) Gain (loss) on derivative financial instruments

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Swap	(255,902)	230,023
<b>Total</b>	<b>(255,902)</b>	<b>230,023</b>

### NOTE 8 - Interbank accounts -Linked credits

#### a) Linked credits

Specification	06.30.2016			06.30.2015		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory payments	84,523	-	84,523	112,311	-	112,311
Compulsory reserves – Cash funds	95,365	-	95,365	48,958	-	48,958
National Housing System (SFH)	74,642	(12,969)	61,673	69,429	(12,656)	56,773
National Treasury - Rural credit	621	(621)	-	661	(557)	104
<b>Total</b>	<b>255,151</b>	<b>(13,590)</b>	<b>241,561</b>	<b>231,359</b>	<b>(13,213)</b>	<b>218,146</b>
Short-Term	180,024	(136)	179,888	161,913	(557)	161,356
Long-Term	75,127	(13,454)	61,673	69,446	(12,656)	56,790

#### b) Compulsory investment yield

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Income from linked credits – Banco Central do Brasil	3,555	8,758
Income from linked credits – SFH	2,579	2,196
Income from linked credits – Rural Credit	38	30
Appreciation (Depreciation) of linked credits	14,630	(130)
<b>Total</b>	<b>20,802</b>	<b>10,854</b>

### NOTE 9 - Loan portfolio and allowance for loan losses

#### a) Loan portfolio and allowance for loan losses

Specification	06.30.2016		06.30.2015	
	Gross amount	Allowance	Gross amount	Allowance
<b>Loan transactions</b>	<b>12,424,247</b>	<b>(1,010,588)</b>	<b>13,080,586</b>	<b>(1,091,895)</b>
Short-Term	5,378,613	(487,041)	5,886,323	(740,283)
Long-Term	7,045,634	(523,547)	7,194,263	(351,612)
<b>Other accounts with loan features (Note 10.f)</b>	<b>763,399</b>	<b>(192,994)</b>	<b>773,694</b>	<b>(149,352)</b>
Short-Term	760,894	(192,994)	766,126	(149,352)
Long-Term	2,505	-	7,568	-
<b>Total</b>	<b>13,187,646</b>	<b>(1,203,582)</b>	<b>13,854,280</b>	<b>(1,241,247)</b>



## a.1) Breakdown of loan portfolio

Specification	06.30.2016	06.30.2015
Advances to depositors	868	1,770
Loans	5,464,910	5,922,965
Discounted notes	52,387	69,482
Financing	2,307,334	2,247,626
Financing in foreign currency	9,243	296,884
Refinancing with the Federal Government (Note 29.a.1)	524,769	436,194
Rural and agroindustrial financing	1,839,855	1,681,337
Real estate financing <sup>(1)</sup>	243	243
Infrastructure and development financing	2,224,638	2,424,085
<b>Loans subtotal</b>	<b>12,424,247</b>	<b>13,080,586</b>
Guarantees and sureties honored	-	100
Income receivable from advances	33,829	20,454
Debtors for purchase of assets	3,059	5,243
Notes and credits receivable	208,948	43,643
Advances on Exchange Contracts (ACC) <sup>(2)</sup> (Note 11.a)	517,563	704,254
<b>Other accounts with loan features subtotal</b>	<b>763,399</b>	<b>773,694</b>
<b>Total</b>	<b>13,187,646</b>	<b>13,854,280</b>

<sup>(1)</sup> Refer to transactions contracted before the discontinuance of real estate financing activities.

<sup>(2)</sup> Accounts classified as "Other payables/ exchange portfolio".

## a.2) Income from loans

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Loans and discounted notes	567,021	402,254
Financing	294,191	456,628
Rural and agroindustrial financing	134,420	102,123
Recovery of loans written off as losses	45,738	59,671
Guarantees and sureties honored	-	1
Other	88	446
<b>Total</b>	<b>1,041,458</b>	<b>1,021,123</b>

## b) Breakdown by maturity

### b.1) Current loans <sup>(1)</sup>

Type Customer/Activity	of	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 06.30.2016	Total at 06.30.2015
Rural		7,752	1,671	1,305	5,928	10,963	1,753,529	1,781,148	1,620,652
Manufacturing		64,407	62,489	79,459	187,673	270,043	1,962,559	2,626,630	2,872,982
Government		15,034	15,034	36,024	50,153	111,194	1,190,372	1,417,811	1,450,702
Other services		328,572	99,720	85,371	257,079	407,809	1,297,186	2,475,737	2,601,615
Trading		751,718	618,958	510,967	961,934	475,722	603,341	3,922,640	4,207,783
Financial brokers		38	8	8	24	47	114	239	568
Housing		159	50	35	58	45	435	782	296
Individuals		29,300	12,064	9,115	14,245	16,122	19,432	100,278	50,332
<b>Total</b>		<b>1,196,980</b>	<b>809,994</b>	<b>722,284</b>	<b>1,477,094</b>	<b>1,291,945</b>	<b>6,826,968</b>	<b>12,325,265</b>	<b>12,804,930</b>

<sup>(1)</sup> Include loans overdue up to 14 days.

### b.2) Past-due loans

Falling due installments									
Type Customer/Activity	of	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 06.30.2016	Total at 06.30.2015
Rural		25	5	9	685	418	2,813	3,955	23,395
Manufacturing		5,565	5,210	4,786	13,392	23,059	70,476	122,488	111,706
Other services		8,251	7,743	7,148	19,371	33,372	76,688	152,573	305,733
Trading		20,040	16,465	13,452	31,522	45,480	70,765	197,724	309,871
Financial brokers		-	-	-	-	-	-	-	26
Housing		-	-	-	-	-	-	-	-
Individuals		536	486	479	665	642	1,113	3,921	666
<b>Total</b>		<b>34,417</b>	<b>29,909</b>	<b>25,874</b>	<b>65,635</b>	<b>102,971</b>	<b>221,855</b>	<b>480,661</b>	<b>751,397</b>

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 06.30.2016	Total at 06.30.2015
Rural	-	70	41	773	3,833	1,891	44,192	50,800	51,066
Manufacturing	1,951	6,259	5,438	4,528	11,802	8,963	488	39,429	44,644
Other services	3,206	10,856	65,604	9,828	17,848	36,395	196	143,933	72,959
Trading	4,032	13,424	20,595	16,246	35,275	39,347	168	129,087	121,377

Financial brokers	-	-	38	-	-	-	-	38	3
Housing	-	47	-	7	105	312	-	471	-
Individuals	54	1,576	2,143	2,023	4,474	7,681	11	17,962	7,904
<b>Total</b>	<b>9,243</b>	<b>32,232</b>	<b>93,859</b>	<b>33,405</b>	<b>73,337</b>	<b>94,589</b>	<b>45,055</b>	<b>381,720</b>	<b>297,953</b>

### c) Breakdown by risk level

Risk level	06.30.2016				06.30.2015			
	Currentloan (1)	Past-due loan	Total portfolio	Allowance	Currentloan (1)	Past-due loan	Total portfolio	Allowance
AA	4,820,512	-	4,820,512	-	4,934,745	-	4,934,745	-
A	4,087,421	-	4,087,421	(20,437)	4,790,284	-	4,790,284	(23,951)
B	2,045,846	54,325	2,100,171	(21,002)	2,378,750	65,422	2,444,172	(24,442)
C	311,298	165,642	476,940	(14,308)	94,497	75,329	169,826	(5,095)
D	286,087	68,191	354,278	(35,428)	86,444	82,028	168,472	(16,847)
E	107,738	56,322	164,060	(49,218)	59,571	70,450	130,021	(39,006)
F	67,770	64,380	132,150	(66,075)	15,712	72,635	88,347	(44,173)
G	100,406	82,926	183,332	(128,332)	98,279	37,321	135,600	(94,920)
H	498,186	370,595	868,782	(868,782)	346,648	646,165	992,813	(992,813)
<b>Total</b>	<b>12,325,264</b>	<b>862,381</b>	<b>13,187,646</b>	<b>(1,203,582)</b>	<b>12,804,930</b>	<b>1,049,350</b>	<b>13,854,280</b>	<b>(1,241,247)</b>

(1) Include loans overdue up to 14 days.

### d) Changes in the allowance for the period

Specification	06.30.2016	06.30.2015
Opening balance (Allowance for losses on loan portfolio)	1,127,873	890,703
(+) Net allowance recognized for the period	341,166	541,824
(-) Loans written off as loss for the period	(265,457)	(191,280)
<b>(=) Net Allowance for losses on loan portfolio</b>	<b>1,203,582</b>	<b>1,241,247</b>
Opening balance (Allowance for losses on other receivables without loan features)	46,804	46,458
(+) Net allowance for the period	287	150
(-) Loans written off as loss for the period	(132)	(75)
<b>(=) Net allowance for losses on other receivables without loan features (Note 10.f)</b>	<b>46,959</b>	<b>46,533</b>
<b>(=) Balance of allowance for loan losses</b>	<b>1,250,541</b>	<b>1,287,780</b>

### e) Breakdown of the allowance expense balance

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
(+) Expenses on allowance for loan losses	338,833	409,441
(+) Expenses on allowance for losses on other receivables	19,501	132,383
(+) Reversal of operating allowances	(17,168)	-
<b>(=) Balance of expenses on allowance for losses on other receivables with loan features</b>	<b>341,166</b>	<b>541,824</b>
(+) Allowance for losses on other receivables without loan features	194	74
(-) Reversals of allowances for losses on other receivables without loan features	(38)	-
<b>(=) Balance of expenses on allowance for loan losses</b>	<b>341,322</b>	<b>541,898</b>

f) In the first half of 2016, receivables that had been written off as loss were recovered in the amount of R\$45,738 (R\$ 59,671 at 06.30.2015) and renegotiations amounted to R\$ 904,098 (R\$ 104,794 at 06.30.2015).

### g) Recovery of receivables with legal grounds

In conformity with Law No. 11322 of 07.13.2006, Law No. 11775 of 09.17.2008, and Law No. 12249 of 06.11.2010, as well as Law No. 12716 of 09.21.2012, concerning rescheduling of debts arising from rural credit transactions, that provides for rebates in the debt balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of the referred to transactions, a positive effect on the Bank's income, referring to 06.30.2016, was recognized in the amount of R\$3,541 (R\$ 16,180 at 06.30.2015), shown below. Pursuant to the abovementioned legal provisions, part of these transactions was acquired by Fundo Constitucional de Financiamento do Nordeste (FNE).

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Income earned	2,399	8,605
Recovery of transactions written off of assets	1,624	9,775
Expenses on discounts	(22)	(221)
Net effect of allowances	(460)	(1,979)
<b>Total</b>	<b>3,541</b>	<b>16,180</b>

### NOTE 10 - Other receivables

Specification	06.30.2016	06.30.2015
a) Receivables for guarantees and sureties honored	-	100
b) Foreign exchange portfolio (Note 11.a)	604,342	892,144
c) Income receivable	31,688	32,878
d) Securities trading	12	4
e) Other receivables	3,154,125	2,524,873

Tax credits – Provisions (Note 21.b)	1,529,713	1,192,217
Tax credits - marketable securities, derivative financial instruments and hedged item (Notes 7.a.2., 7.c and 21.b)	300,795	188,301
Debtors for escrow deposits	671,390	767,140
Taxes and contributions to offset	144,911	145,453
Tax incentive options	26,748	26,748
Notes and loans receivable	208,948	43,643
Prepaid salaries and advances	33,127	28,148
Payments to be refunded	13,155	11,106
Recalculation, discounts, waivers and bonuses in BNDES transactions	-	11
Recalculation, discounts, waivers and bonuses in FAT transactions	2	17
Other	225,336	122,089
<b>f) Allowance for losses on other receivables</b>	<b>(239,953)</b>	<b>(195,885)</b>
Receivables with loan features (Note 9.a)	(192,994)	(149,352)
Receivables without loan features (Note 9.d)	(46,959)	(46,533)
<b>Total</b>	<b>3,550,214</b>	<b>3,254,114</b>
Short-Term	2,773,463	2,775,856
Long-Term	776,751	478,258

## NOTE 11 - Exchange portfolio

### a) Breakdown

Specification	06.30.2016	06.30.2015
<b>Assets - Other receivables</b>	<b>604,342</b>	<b>892,144</b>
Exchange purchase pending settlement	565,781	864,052
Exchange sales rights	7,457	10,341
Advances received in local currency	(2,724)	(2,703)
Income receivable from advances	33,828	20,454
<b>Current assets (Note 10.b)</b>	<b>604,342</b>	<b>892,144</b>
<b>Liabilities – other liabilities (Note 16.b)</b>	<b>10,557</b>	<b>15,657</b>
Exchange purchase obligations	520,842	709,671
Exchange sale pending settlement	7,277	10,239
(Advances on exchange contracts - ACC) (Note 9.a.1)	(517,563)	(704,254)
Other	1	1
<b>Current liabilities (Note 16.b)</b>	<b>10,557</b>	<b>15,657</b>

### b) Foreign exchange gain(loss)

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
Exchange incomes	43,908	146,253
Exchange expenses	(771)	(383)
<b>Total</b>	<b>43,137</b>	<b>145,870</b>

**NOTE 12 - Permanent assets**
**a) Investments**

Specification	12.31.2015	01.01.2016 to 06.30.2016			06.30.2016		06.30.2015
	Book balance	Changes		Book balance	Cost value	Book balance	Book balance
		Additions	Exclusions				
Shares and units of interest	652	-	-	652	652	652	652
Artworks and valuables	1,214	32	-	1,246	1,246	1,246	1,227
<b>Total</b>	<b>1,866</b>	<b>32</b>	<b>-</b>	<b>1,898</b>	<b>1,898</b>	<b>1,898</b>	<b>1,879</b>

**b) Property and equipment**

Specification	12.31.2015	01.01.2016 to 06.30.2016			06.30.2016			06.30.2015
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Book balance
		Additions	Exclusions	Depreciation				
Buildings	91,421	1,674	-	(5,103)	87,992	260,083	(172,091)	87,992
Data processing system	60,804	9,231	(2,493)	(11,298)	56,244	147,298	(91,054)	56,244
Furniture and equipment in use	28,000	6,863	(1,024)	(2,750)	31,089	76,543	(45,454)	31,089
Land	17,631	-	-	-	17,631	17,631	-	17,631
Facilities	4,933	1,922	(2)	(669)	6,184	21,110	(14,926)	6,184
Communication system	49	14	(4)	(8)	51	327	(276)	51
Construction in progress <sup>(1)</sup>	-	-	-	-	-	-	-	-
Security system	8,689	959	(379)	(833)	8,436	20,648	(12,212)	8,436
Transportation system	4,449	-	-	(703)	3,746	14,364	(10,618)	3,746
<b>Total</b>	<b>215,976</b>	<b>20,663</b>	<b>(3,902)</b>	<b>(21,364)</b>	<b>211,373</b>	<b>558,004</b>	<b>(346,631)</b>	<b>211,373</b>

<sup>(1)</sup> Refers to transfer to Buildings, considering the completion of the construction.

<sup>(2)</sup> Depreciation amounting to R\$ 4,444 was reversed.

**c) Deferred charges**

Specification	12.31.2015	01.01.2016 to 06.30.2016			06.30.2016			06.30.2015
	Book balance	Changes			Book balance	Cost value	Accumulated amortization	Book balance
		Additions	Exclusions	Amortization				
Leasehold improvements	37	-	-	(34)	3	284	(281)	3
<b>Total</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>3</b>	<b>284</b>	<b>(281)</b>	<b>3</b>

**d) Intangible assets**

Specification	12.31.2015	01.01.2016 to 06.30.2016			06.30.2016		06.30.2015
	Book balance	Changes			Book balance	Cost value	Book balance
		Additions	Exclusions	Amortization			
Spending on intangible assets under development	16,610	446	-	-	17,056	17,056	17,056
<b>Total</b>	<b>16,610</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>17,056</b>	<b>17,056</b>	<b>17,056</b>

e) In the current six-month period, no impairment losses were recorded on permanent assets.

**NOTE 13 - Deposits, Open market funding, Funds from acceptance and issue of securities, Hybrid equity/debt instruments/Debt instruments eligible to capital and Subordinated debts**

**a) Breakdown of deposits, funds from acceptance and issue of securities, hybrid equity/debt instruments/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 06.30.2016	Total at 06.30.2015
<b>Demand deposits</b>	<b>328,953</b>	-	-	-	-	-	<b>328,953</b>	<b>220,601</b>
Demand deposits	328,953	-	-	-	-	-	328,953	214,743
Foreign currency deposits	-	-	-	-	-	-	-	5,858
<b>Savings deposits</b>	<b>1,866,819</b>	-	-	-	-	-	<b>1,866,819</b>	<b>1,896,302</b>
<b>Interbank deposits</b>	<b>770,098</b>	<b>316,522</b>	<b>131,431</b>	<b>10,553</b>	-	-	<b>1,228,604</b>	<b>1,282,124</b>
<b>Time deposits</b>	<b>876,260</b>	<b>1,397,486</b>	<b>2,310,878</b>	<b>772,455</b>	<b>1,261,943</b>	<b>50,894</b>	<b>6,669,916</b>	<b>8,129,852</b>
Time deposits	359,404	1,356,445	1,834,866	642,459	1,137,344	50,894	5,381,412	6,345,904
Interest-yielding judicial deposits	492,121	-	-	-	-	-	492,121	893,716
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	-	-	391,015	56,034	56,035	-	503,084	514,064
FAT - Available funds	13,362	13,204	1,496	1,351	1,687	-	31,100	32,361
FAT - invested funds	10,844	27,837	83,501	72,357	66,877	-	261,416	343,062
Other	529	-	-	254	-	-	783	745
<b>Funds from acceptance and issue of securities</b>	<b>49,536</b>	<b>222,308</b>	-	<b>960,008</b>	-	-	<b>1,231,852</b>	<b>2,062,726</b>
Eurobonds	7,757	-	-	960,008	-	-	967,765	1,881,159
Agribusiness Credit Bills (LCA)	41,779	222,308	-	-	-	-	264,087	181,567
<b>Hybrid debt/equity instruments</b>	-	-	-	-	-	-	-	<b>1,396,357</b>
<b>Debt instruments eligible to capital</b>	-	-	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>	-
<b>Subordinated debts</b>	-	-	-	-	-	<b>1,898,225</b>	<b>1,898,225</b>	<b>1,691,087</b>
<b>Total</b>	<b>3,891,666</b>	<b>1,936,316</b>	<b>2,442,309</b>	<b>1,743,016</b>	<b>1,261,943</b>	<b>2,949,119</b>	<b>14,224,369</b>	<b>16,679,049</b>
Short-Term							8,396,389	6,788,261
Long-Term							5,827,980	9,890,788

## b) Deposits

Specification	06.30.2016	06.30.2015
<b>Demand deposits</b>	<b>328,953</b>	<b>220,601</b>
Foreign currency deposits in Brazil	-	5,858
Government deposits	4,410	14,455
Restricted deposits	176,640	117,825
Legal entities	104,384	57,224
Individuals	41,834	20,565
Other	1,685	4,674
<b>Savings deposits</b>	<b>1,866,819</b>	<b>1,896,302</b>
Free savings deposits - Individuals	1,323,536	1,280,664
Free savings deposits - Legal entities	542,474	614,765
From related parties and Financial System Institutions	809	873
<b>Interbank deposits</b>	<b>1,228,604</b>	<b>1,282,124</b>
<b>Time deposits</b>	<b>6,669,916</b>	<b>8,129,852</b>
Time deposits	5,381,412	6,345,904
Interest-yielding judicial deposits	492,121	893,716
<b>Other time deposits</b>	<b>796,383</b>	<b>890,232</b>
<b>Interest-yielding special deposits/FAT (Notes 27 and 29)</b>	<b>292,516</b>	<b>375,423</b>
<b>Available funds (Note 27)</b>	<b>31,100</b>	<b>32,361</b>
ProgerUrbano	2,302	3,938
Protrabalho	520	492
Infrastructure	23,826	26,803
NationalProgram for Production-OrientedMicrocredit(Programa Nacional de Microcrédito Produtivo Orientado- PNMPO)	4,452	1,128
<b>Funds invested (Note 27)</b>	<b>261,416</b>	<b>343,062</b>
ProgerUrbano	14,799	21,406
Protrabalho	69,700	83,028
Infrastructure	79,206	117,837
NationalProgram for Production-OrientedMicrocredit (Programa Nacional de Microcrédito Orientado-PNMPO)	97,711	120,791
<b>FINOR/cash and cash equivalents and reinvestments - Law No. 8167</b>	<b>503,084</b>	<b>514,064</b>
<b>Other</b>	<b>783</b>	<b>745</b>
<b>Total</b>	<b>10,094,292</b>	<b>11,528,879</b>
Short-Term	5,556,136	5,620,477
Long-Term	4,538,156	5,908,402

## c) Open market funding

Specification	06.30.2016	06.30.2015
<b>Own portfolio</b>	<b>1,130,882</b>	<b>1,789,482</b>
Financial Treasury Bills (LFT)	1,130,882	1,789,482
<b>Third-party portfolio</b>	<b>73,255</b>	<b>64,571</b>
National Treasury Notes (NTN)	73,255	64,571
<b>Total</b>	<b>1,204,137</b>	<b>1,854,053</b>
Short-Term	1,156,103	1,735,149
Long-Term	48,034	118,904

## d) Expenses on open market funding

Specification	01.01. to 06.30.2016	01.01. to 06.30.2015
<b>Funding expenses</b>	<b>(576,081)</b>	<b>(860,194)</b>
Time deposits	(351,028)	(363,901)
Savings deposits	(55,408)	(51,744)
Judicial deposits	(34,156)	(40,852)
Interbank deposits	(27,068)	(28,192)
Special deposits	(44,890)	(41,185)
Funds from acceptance and issue of securities	(57,599)	(327,789)
Other deposits	(5,932)	(6,531)
<b>Expenses on open market funding</b>	<b>(116,419)</b>	<b>(106,895)</b>
Third-party portfolio	(4,462)	(4,914)
Own portfolio	(105,957)	(98,981)
<b>Total</b>	<b>(686,500)</b>	<b>(964,089)</b>

## 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 06.30.2016	Total at 06.30.2015
Foreign borrowings	234,036	372,782	-	-	-	-	606,818	1,136,037
Domestic onlending	40,224	112,600	340,133	371,321	641,974	212,431	1,718,683	1,691,912
Foreign onlending	23,981	115,130	243,046	243,045	195,213	-	820,415	923,815
<b>Total</b>	<b>298,241</b>	<b>600,512</b>	<b>583,179</b>	<b>614,366</b>	<b>837,187</b>	<b>212,431</b>	<b>3,145,916</b>	<b>3,751,764</b>

Short-Term	898,753	1,421,532
Long-Term	2,247,163	2,330,232

## b) Borrowings

Specification	Annual restatement rate (%)	06.30.2016	06.30.2015
Foreign borrowings/Foreign currency payables	USD	606,818	1,136,037
<b>Total</b>		<b>606,818</b>	<b>1,136,037</b>
Short-Term		606,818	1,136,037
Long-Term		-	-

## c) Domestic onlending - official institutions

Specification	Annual restatement rate (%)	06.30.2016	06.30.2015
<b>National Treasury</b>	IGP-DI + 2.00	<b>444</b>	<b>605</b>
<b>BNDES</b>		<b>1,588,722</b>	<b>1,537,046</b>
Programa de Operações Conjuntas - 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 7.00/TJLP + 0.00 to 4.00/IPCA + 9.41/Exc. var. + 2.00 to 4.00	1,201,075	1,187,511
Credit Facility for investment in agriculture		387,647	349,535
<b>FINAME</b>		<b>129,517</b>	<b>154,261</b>
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/IPCA + 9.41/Exc. var. + 2.00 to 4.00	107,952	134,701
Programa Agrícola		21,565	19,560
<b>Total (Note 29.a.1)</b>		<b>1,718,683</b>	<b>1,691,912</b>
Short-Term		152,824	151,710
Long-Term		1,565,859	1,540,202

## d) Foreign onlending

Specification	Annual restatement rate (%)	06.30.2016	06.30.2015
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 3.99	325,793	404,738
BID-Prodetur II	USD + 1.85	487,433	511,224
BID - Other programs	USD + 1.85	7,189	7,853
<b>Total</b>		<b>820,415</b>	<b>923,815</b>
Short-Term		139,111	133,785
Long-Term		681,304	790,030

## e) Expenses on borrowings and onlending

Specification	01.01. to 06.30.2016	01.01. to 06.30.2015
<b>Expenses on onlending</b>	<b>(95,402)</b>	<b>(222,113)</b>
<b>Domestic onlending - Official institutions</b>	<b>(82,012)</b>	<b>(68,839)</b>
National Treasury	(16)	(46)
BNDES	(79,051)	(65,762)
FINAME	(2,945)	(3,031)
<b>Foreign onlending</b>	<b>(13,390)</b>	<b>(153,274)</b>
<b>Onlending with foreign banks</b>	<b>(10,794)</b>	<b>(196,501)</b>
<b>Expenses on financial and development funds</b>	<b>(801,089)</b>	<b>(482,489)</b>
<b>Total</b>	<b>(907,285)</b>	<b>(901,103)</b>

## NOTE 15 - Funds from acceptance and issue of securities

### a) Liabilities for foreign marketable securities

Specification	Funding date	Maturity date	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 06.30.2016 <sup>(2)</sup>	Market value at 06.30.2016 <sup>(2)</sup>	Market value at 06.30.2015 <sup>(2)</sup>
<i>Eurobonds - Senior Unsecured Notes</i> <sup>(1)</sup>	11.09.2010	11.09.2015	3,625	300,000	-	-	928,134
<i>Eurobonds - Senior Unsecured Notes</i> <sup>(1)</sup>	05.03.2012	05.03.2019	4,375	300,000	970,697	967,765	953,025
<b>Total</b>				<b>600,000</b>	<b>970,697</b>	<b>967,765</b>	<b>1,881,159</b>

Short-Term	7,757	943,848
Long-Term	960,008	937,311

<sup>(1)</sup> 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.

<sup>(2)</sup> Considering tax effects.

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

#### a) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (%)	Nominal amount	06.30.2016	06.30.2015
Agribusiness Credit Bills (LCA) <sup>(1)</sup>	86.45 of CDI	251,999	264,087	181,567
Short-Term			264,087	27,116
Long-Term			-	154,451

<sup>(1)</sup> Note with average maturity term of 216 days.

#### NOTE 16 - Other liabilities

Specification	06.30.2016	06.30.2015
<b>a) Collection and transfer of taxes and levies</b>	<b>43,894</b>	<b>55,054</b>
Funds from PROAGRO	364	-
Federal taxes received	39,382	51,822
IOF payable	2,575	2,346
Other taxes and levies	1,573	886
<b>b) Foreign exchange portfolio (Note 11.a)</b>	<b>10,557</b>	<b>15,657</b>
<b>c) Social and statutory</b>	<b>70,220</b>	<b>47,063</b>
Dividends and bonuses payable	54,419	38,306
Profit sharing	15,801	8,757
<b>d) Tax and social security</b>	<b>423,966</b>	<b>327,462</b>
<b>Provision for tax contingencies</b>	<b>59,559</b>	<b>44,511</b>
Taxes and contributions	1,196	2,243
Tax proceedings (Note 22.i.1)	58,363	42,268
<b>Provision for deferred taxes and contributions</b>	<b>107,253</b>	<b>55,604</b>
Marketable securities and derivative financial instruments (Note 21.c)	4,892	6,740
Revaluation of buildings and land (Note 21.c)	3,176	4,373
From credits recovered and hedged items (Note 21.c)	99,185	44,491
<b>Provision for income and social contribution taxes (Note 21.a.2)</b>	<b>167,735</b>	<b>160,918</b>
Income tax	91,604	98,641
Social contribution tax <sup>(1)</sup>	76,131	62,277
<b>Taxes and contributions payable</b>	<b>89,419</b>	<b>66,429</b>
<b>e) Securities trading</b>	<b>693</b>	<b>101</b>
<b>f) Financial and development funds</b>	<b>15,179,887</b>	<b>10,524,468</b>
Fundo Constitucional de Financiamento do Nordeste (FNE) - (Note 29.a.1)	14,216,345	9,584,380
Other	963,542	940,088
<b>g) Hybrid debt/equity instruments (Notes 17 and 29.a.1)</b>	<b>-</b>	<b>1,396,357</b>
<b>h) Debt instruments eligible to capital (Notes 17 and 29.a.1)</b>	<b>1,000,000</b>	<b>-</b>
<b>i) Subordinated debts eligible for capital (Notes 18 and 29.a.1)</b>	<b>1,898,225</b>	<b>1,691,087</b>
<b>j) Other</b>	<b>5,281,118</b>	<b>4,388,299</b>
<b>Provision for contingent liabilities</b>	<b>3,370,670</b>	<b>2,802,842</b>
Labor claims (Note 22.i.iv)	222,346	237,757
Civil proceedings (Note 22.i.v)	150,212	153,653
Other proceedings (Note 22.i.vi)	760	703
<b>FNE (Note 22.i.2.i)</b>	<b>2,962,289</b>	<b>2,388,678</b>
Onlending	1,020	1,034
Full risk – BNB	145,556	122,202
Shared risk	2,815,713	2,265,442
FDNE (Note 22.i.2.ii)	671	1,089
Proagro (Note 22.i.2.iii)	1,110	2,913
Other contingent liabilities (Note 22.i.2.iv)	33,282	18,049
<b>Accrued payments</b>	<b>1,633,226</b>	<b>1,397,893</b>
<b>Employee benefits</b>	<b>1,199,704</b>	<b>1,172,343</b>
Retirement and DB pension plan (Note 29.a.2)	347,880	315,367
Health care plan (Note 29.a.2)	787,682	805,055
Life insurance - Post-employment benefit (Note 29.a.2)	64,142	51,922
Personnel expenses	209,494	180,108
Other	46,563	45,441
Interest and charges on debt instruments eligible to capital	72,515	-
Interest and charges on hybrid debt/equity instruments	104,950	-
<b>Other</b>	<b>277,222</b>	<b>187,564</b>
<b>Total</b>	<b>23,908,560</b>	<b>18,445,548</b>



Short-Term	6,329,246	4,791,109
Long-Term	17,579,314	13,654,439

#### NOTE 17- Hybrid debt/equity instruments/Debt instruments eligible to capital

Specification	Amount issued	Remuneration	Funding date	06.30.2016	06.30.2015
Hybrid debt/equity instruments (Notes 16.g and 28.a.1)	1,000,000	IPCA + 6.5715% p.a.	12.22.2010	-	1,396,357
Debt instruments eligible to capital (Notes 16.h and 28.a.1)	1,000,000			1,000,000	-
Short-Term				-	42,369
Long-Term				1,000,000	1,353,988

The Hybrid Debt/Equity Instrument recorded under Tier II Base Capital until 12.31.2015 does not compose the Base Capital since January 2016, as it is currently replaced by a novation and acknowledgment of debt agreement, which is in under negotiation with the National Treasury (STN) and awaiting authorization by BACEN to be deemed eligible for the Principal Capital.

#### NOTE 18 - Subordinated debts

Specification	06.30.2016	06.30.2015
Fundo Constitucional de Financiamento do Nordeste – FNE <sup>(1)</sup>	1,898,225	1,691,087
Funds available	1,316,793	1,044,610
Funds invested	581,432	646,477
<b>Total (Note 29.a.1)</b>	<b>1,898,225</b>	<b>1,691,087</b>

<sup>(1)</sup> 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 06.30.2015) is represented by 86,371,464 common registered paid-in shares with no par value, held as follows:

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 FGO Investment Fund Shares	6,225,700	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,036,781	2.36
<b>Total</b>	<b>86,371,464</b>	<b>100.00</b>

Breakdown at 06.30.2015		
Shareholders	Number of shares	% of capital
Federal Government	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,216,918	34.98
BB FGO Investment Fund Shares	6,231,250	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,026,881	2.36
<b>Total</b>	<b>86,371,464</b>	<b>100.00</b>

##### b) Revaluation reserve

The amount of R\$15,556 (R\$18,232 at 06.30.2015) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its actual realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565 of 05.29.2008. In the current six-month period, a reserve amounting to R\$1,065 (R\$1,162 at 06.30.2015) was transferred to Retained Earnings (Accumulated Losses) and was included in the P&L distribution base.

##### c) Interest on equity for the first half of 2016

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 advance payment of dividends and interest on equity amounting to R\$54,012, of which R\$53,847 is attributed to the dividend amount, corresponding to 25% of the adjusted net income for the six-month period.

Interest on equity were accounted for under "Expenses", however, for the purposes of disclosure of the financial statements, was reclassified to "Retained earnings (accumulated losses)". Total interest on equity for the six-month period reduced tax expenses amounting to R\$23,981 (R\$20,947 at 06.30.2015).

**d) Statement of calculation of interest on equity(IOE):**

Specification	06.30.2016	06.30.2015
<b>1. Net income for the six-month period</b>	<b>225,564</b>	<b>158,128</b>
2. Revaluation reserves transferred to retained earnings (accumulated losses)	1,065	1,162
<b>3. Adjusted net income</b>	<b>226,629</b>	<b>159,290</b>
4. Legal reserve set up	(11,278)	(7,906)
<b>5. Dividends/IOE calculation basis</b>	<b>215,351</b>	<b>151,384</b>
6. Interest on Equity (IOE) proposed in the six-month period	54,012	53,165
7. Withholding Income Tax on IOE	(165)	(162)
8. IOE attributable to dividends (item 6 + item 7)	53,847	53,003
<b>9. IOE gross amount:25.08% on item 5 (35.12% at 06.30.2015)</b>	<b>54,012</b>	<b>53,165</b>
IOE of R\$0.6253445093864 per common share (at 06.30.2015: IOE of R\$0.615538945564 per common share)	54,012	53,165
<b>10. IOE net amount:25.00% on item 5 (35.01% at 06.30.2015)</b>	<b>53,847</b>	<b>53,003</b>

**f) Legal reserve**

The Legal Reserve corresponds to 5% of net income recorded for the six-month period and amounts to R\$ 11,278 (R\$ 7,907 at 06.30.2015).

**g) Statutory reserve**

The Statutory Reserve represents the remaining balance of net income recorded for the six-month period after the set-up of the Legal Reserve and distribution of IOE/Dividend, and corresponds to R\$559,042 (R\$276,580 at 06.30.2015).

**h) Equity Adjustments**

Specification	06.30.2016	06.30.2015
Marketable securities available for sale	117,384	(4,124)
Actuarial Gains and Losses (Post-employment Benefits)	(96,927)	(293,150)
<b>Equity Adjustments</b>	<b>20,457</b>	<b>(297,274)</b>

**NOTE 20 - Other operating income (expenses)**

Specification	01.01. to 06.30.2016	01.01. to 06.30.2015
<b>a) Service revenue</b>	<b>1,073,029</b>	<b>1,054,776</b>
Investment fund management	15,082	14,350
Fund and program management	876,146	865,749
Services rendered	181,801	174,677
<b>b) Income from bank fees</b>	<b>29,345</b>	<b>23,879</b>
<b>c) Personnel expenses</b>	<b>(857,602)</b>	<b>(731,165)</b>
Salaries	(506,346)	(433,378)
Social charges	(185,088)	(155,121)
Retirement and pension plan - DB and VC I Capef Plans	(41,835)	(32,950)
Health care plan - Camed Natural Plan	(49,034)	(38,091)
Life insurance - Post-employment benefit	(2,374)	(2,517)
Benefits, training sessions, fees and compensation of interns	(72,925)	(69,108)
<b>d) Other administrative expenses</b>	<b>(534,661)</b>	<b>(463,018)</b>
Data processing	(96,530)	(73,236)
Advertising and publicity	(2,901)	(10,986)
Third-parties services	(228,794)	(197,045)
Rentals, material and public utilities	(37,651)	(32,331)
Travel	(6,710)	(5,866)
Communications	(14,722)	(14,362)
Depreciation and amortization	(21,397)	(20,107)
Asset maintenance and upkeep	(23,082)	(18,003)
Surveillance, security and transportation	(40,138)	(34,710)
Promotions, public relations and publications	(3,811)	(5,461)
Financial system services	(14,855)	(13,163)
Specialized technical services	(14,322)	(17,139)
Insurance	(1,569)	(1,305)
Court, notary and attorney fees	(21,214)	(10,213)
Worker' union dues and Associations	(1,324)	(1,389)
Condominium fees, catering, kitchen and meals	(2,783)	(2,412)
Other	(2,858)	(5,290)
<b>e) Taxexpenses (Note 21.d)</b>	<b>(142,768)</b>	<b>(128,119)</b>
COFINS and PIS/PASEP	(128,307)	(113,528)
ISS and IPTU/Improvement tax	(13,012)	(13,432)
Other	(1,449)	(1,159)
<b>f) Other operating income</b>	<b>1,320,787</b>	<b>776,674</b>

<i>Del credere</i> commission on fund management	624,904	601,930
Exchange loss on borrowings	344,748	9,584
Exchange losses on funding expenses	230,940	-
Exchange losses on Development Financial Fund	12,115	-
Reversal of operating provisions for risks on FNE transactions	1	40
Reversal of provisions for income and social contribution taxes	299	-
Reversal of operating provisions	26,448	107,971
Recovery of charges and expenses	3,130	7,617
Interest and commissions	3,610	2,235
Monetary restatement	2,281	551
Mark-to-market adjustment	22,138	-
FNE – Recovery of amounts settled by the Bank	28,249	21,400
Other	21,924	25,346
<b>g) Other operating expenses</b>	<b>(1,161,358)</b>	<b>(800,592)</b>
Exchange losses on exchange area	-	(606)
Exchange loss on loans granted	(365,516)	(3,445)
Negative monetary restatement of loans	(39)	(1)
Discounts granted in renegotiations	(903)	(450)
Loan charges	(1,688)	(868)
Tax contingencies	(13,479)	(6,367)
Risks on FNE transactions	(428,811)	(513,804)
Risks on FDNE transactions	(17)	(24)
Labor claims	(61,454)	(17,281)
Civil proceedings	(20,470)	(22,609)
Other proceedings	(40)	(94)
Other contingent liabilities	(947)	(926)
Hybrid debt/equity instruments	(20,213)	(127,060)
Debt instruments eligible to capital	(72,515)	-
FNE remuneration - available funds - article 9-A of Law No. 7827	(77,182)	(53,932)
FNE remuneration - invested funds - article 9-A, Law No. 7827	(28,761)	(31,866)
Other	(69,323)	(21,259)
<b>Total</b>	<b>(273,228)</b>	<b>(267,565)</b>

## 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 06.30.2016	01.01 to 06.30.2015	01.01 to 06.30.2016	01.01 to 06.30.2015
Income before income taxes and profit sharing	337,122	99,140	337,122	99,140
Statutory profit sharing	(15,191)	(33,225)	(15,191)	(33,225)
Interest on Equity (IOE)	(54,012)	(53,165)	(54,012)	(53,165)
Income before income taxes, less statutory profit sharing and interest on equity	267,919	12,750	267,919	12,750
Permanent additions/exclusions	(9,698)	(11,245)	(9,369)	(11,108)
Temporary additions/exclusions	122,104	390,394	122,104	390,394
Taxable income	380,325	391,899	380,654	392,036
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(95,069)	(97,963)	(76,131)	(58,805)
Deductions (tax incentives)	3,464	4,963	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	484	484	387	290
Current IRPJ/CSLL expenses – after tax incentives and revaluation reserve	(91,121)	(92,516)	(75,744)	(58,515)
Provision for deferred taxes and contributions – arising from tax credits recovered and derivative financial instruments	2,697	(6,496)	5,876	(3,897)
Provision for income and social contribution taxes	(88,424)	(99,012)	(69,868)	(62,412)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	46,109	158,527	15,816	95,109
Total income and social contribution taxes	(42,315)	59,515	(54,052)	32,697
Effective rate (%)	(15.79)	466.78	(20.17)	256.45
a.2) Specification of the provision for income and social contribution taxes	Income tax		Social contribution tax	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Expenses with Provision for income and social contribution taxes	91,120	92,516	75,744	58,515
Provision for taxes on revaluation reserve realized	484	484	387	290
Provision for income and social contribution taxes (Note 16.d)	91,604	93,000	76,131	58,805
Taxes recoverable on prepayments, including withholding taxes	(81,297)	(68,852)	(51,732)	(32,602)
Taxes payable (to offset) for the period	10,307	24,148	24,399	26,203

## 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 and BACEN Circular No. 3171 of 12.30.2002; and are based on technical studies conducted every six months determining the probable realization of tax credits for a period of five years.

In accordance with BACEN Circular Letters No. 3068 of 11.08.2011 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 (DFI).

Specification	06.30.2016		06.30.2015		06.30.2016	06.30.2015
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Provisions						
Opening balance	843,438	616,227	588,762	353,271	1,459,665	942,033
Allowance	234,452	187,571	302,116	181,277	422,023	483,393
Realization/ reversal	(183,267)	(168,708)	(145,747)	(87,462)	(351,975)	(233,209)
Closing balance (Note 10.e)	894,623	635,090	745,131	447,086	1,529,713	1,192,217
b) Derivative financial instruments						
Opening balance	-	-	2,078	1,248	-	3,326
Allowance	8,919	5,352	7,857	4,713	14,271	12,570
Realization/ reversal	(8,211)	(4,928)	(7,921)	(4,753)	(13,139)	(12,674)
Closing balance (Note 7.c)	708	424	2,014	1,208	1,132	3,222
c) Hedged item						
Opening balance	5,786	3,472	(590)	(354)	9,258	(944)
Allowance	16,754	10,052	44,879	26,928	26,806	71,807
Realization/ reversal	(22,540)	(13,524)	(42,656)	(25,594)	(36,064)	(68,250)
Closing balance (Note 7.c.1)	-	-	1,633	980	-	2,613
Effect on equity						
d) Marketable securities						
Opening balance	223,773	151,483	112,325	67,396	375,256	179,721
Allowance	361,713	254,495	198,494	118,610	616,208	317,104
Realization/ reversal	(408,983)	(282,820)	(196,778)	(117,581)	(691,803)	(314,359)
Closing balance (Note 7.a.2)	176,503	123,158	114,041	68,425	299,661	182,466

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

Specification	Income tax		Social contribution tax	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Total temporary differences	5,831,045	4,981,305	5,831,045	4,981,305
2. Tax credits on temporary differences	1,457,761	1,245,326	1,148,022	747,196
3. Tax credits recognized in assets on Provisions	894,623	745,131	635,090	447,086
4. Tax credits recognized in assets due to marked-to-market of marketable securities, derivative financial instruments and hedged item	177,213	117,688	123,582	70,613
5. Total tax credits recognized in assets (item 3 + item 4) <sup>(1)</sup>	1,071,836	862,819	758,672	517,699
6. Tax credits not recognized in assets (item 2 - item 5) <sup>(2)</sup>	385,925	382,507	389,350	229,497

<sup>(1)</sup> Tax credits are recognized in assets under "Other receivables - other".

<sup>(2)</sup> 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 06.30.2016 is as follows:

Period	Goal for over - SELIC rate - average (%) <sup>(1)</sup>	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	6.42	187,826	176,489	150,261	141,191	338,087	317,680
2017	11.19	221,690	187,345	177,352	149,876	399,042	337,221
2018	10.67	82,025	62,634	65,620	50,107	147,645	112,741
2019	10.25	87,275	60,447	52,364	36,269	139,639	96,716
2020	10.08	185,934	116,987	111,567	70,197	297,501	187,184
1 <sup>st</sup> half of 2021	4.92	129,873	77,884	77,926	46,730	207,799	124,614
<b>Total</b>		<b>894.623</b>	<b>681,786</b>	<b>635,090</b>	<b>494,370</b>	<b>1,529,713</b>	<b>1,176,156</b>

<sup>(1)</sup> For present value calculation purposes, we considered the goal for average Over - Selic rates projected by BACEN at 06.30.2016.

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	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2016	69,090	69,090	55,272	55,272	124,362	124,362
2017	1,123	1,123	899	899	2,022	2,022
2018	16,062	16,062	12,849	12,849	28,911	28,911
2019	5,238	5,238	3,143	3,143	8,381	8,381
2020	214	214	129	129	343	343

1st half of 2021	85,486	85,485	51,290	51,291	136,776	136,776
<b>Total</b>	<b>177,213</b>	<b>177,212</b>	<b>123,582</b>	<b>123,583</b>	<b>300,795</b>	<b>300,795</b>

Total estimated realization of tax credits at 06.30.2016 is as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2016	256,916	245,579	205,533	196,463	462,449	442,042
2017	222,813	188,468	178,251	150,775	401,064	339,243
2018	98,087	78,696	78,469	62,956	176,556	141,652
2019	92,513	65,685	55,507	39,412	148,020	105,097
2020	186,148	117,201	111,696	70,326	297,844	187,527
1st half of 2021	215,359	163,369	129,216	98,021	344,575	261,390
<b>Total</b>	<b>1,071,836</b>	<b>858,998</b>	<b>758,672</b>	<b>617,953</b>	<b>1,830,508</b>	<b>1,476,951</b>

### c) Provision for deferred taxes

Specification	06.30.2016		06.30.2015		06.30.2016	06.30.2015
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Derivative financial instruments						
Opening balance	5,782	3,469	1,573	944	9,251	2,517
Set up	5,042	3,025	36,425	21,855	8,067	58,280
Realization/ reversal	(10,820)	(6,492)	(34,255)	(20,553)	(17,312)	(54,808)
Closing balance (Note 7.c)	4	2	3,743	2,246	6	5,989
b) Hedged item						
Opening balance	-	-	-	-	-	-
Set up	733	440	-	-	1,173	-
Realization/ reversal	-	-	-	-	-	-
Closing balance (Note 7.c.1)	733	440	-	-	1,173	-
c) Revaluation reserve						
Opening balance	2,249	1,799	3,217	1,930	4,048	5,147
Set up	-	-	-	-	-	-
Realization/ reversal	(485)	(387)	(484)	(290)	(872)	(774)
Closing balance (Note 16.d)	1,764	1,412	2,733	1,640	3,176	4,373
d) From taxes recovered <sup>(1)</sup>						
Opening balance	56,342	42,172	23,481	14,088	98,514	37,569
Set up	2,353	1,539	4,325	2,597	3,892	6,922
Realization/ reversal	(5)	(4,389)	-	-	(4,394)	-
Closing balance (Note 16.d)	58,690	39,322	27,806	16,685	98,012	44,491
Effect on equity						
e) Marketable securities						
Opening balance	947	667	472	283	1,614	755
Set up	6,677	4,527	12,111	7,268	11,204	19,379
Realization/ reversal	(4,884)	(3,048)	(12,114)	(7,269)	(7,932)	(19,383)
Closing balance (Note 7.a.2)	2,740	2,146	469	282	4,886	751

<sup>(1)</sup>Pursuant to article 12 of Law No. 9430 dated 12.27.1996.

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

Period	IRPJ	CSLL	Total
2016	2,459	1,967	4,426
2017	5	4	9
2018	40	32	72
2019	969	582	1,551
1st half of 2021	4	3	7
<b>Total</b>	<b>3,477</b>	<b>2,588</b>	<b>6,065</b>

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 (%)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	6.42	484	455	387	364	871	819
2017	11.19	968	818	775	655	1,743	1,473
2018	10.67	312	239	250	191	562	430
<b>Total</b>		<b>1,764</b>	<b>1,512</b>	<b>1,412</b>	<b>1,210</b>	<b>3,176</b>	<b>2,722</b>

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

Period	Goal for over - Selic rate - average (%)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	6.42	3,900	3,664	3,120	2,932	7,020	6,596
2017	11.19	9,410	8,842	7,526	7,073	16,936	15,915
2018	10.67	7,238	6,801	5,790	5,441	13,028	12,242
2019	10.25	5,920	5,562	3,552	3,337	9,472	8,899
2020	10.08	4,900	4,604	2,940	2,762	7,840	7,366
1st half of 2021	4.92	27,322	25,674	16,394	15,404	43,716	41,078
<b>Total</b>		<b>58,690</b>	<b>55,147</b>	<b>39,322</b>	<b>36,949</b>	<b>98,012</b>	<b>92,096</b>

Total amounts of provisions for tax liabilities at 06.30.2016 are as follows:

Period	IRPJ	CSLL	Total
2016	6,842	5,474	12,316
2017	10,383	8,306	18,689
2018	7,590	6,072	13,662
2019	6,889	4,134	11,023
2020	4,900	2,940	7,840
1st half of 2021	27,327	16,396	43,723
<b>Total</b>	<b>63,931</b>	<b>43,322</b>	<b>107,253</b>

#### d) Tax expenses

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
COFINS and PIS/PASEP	(128,307)	(113,528)
ISS and IPTU/Improvement tax	(13,012)	(13,432)
Other	(1,449)	(1,159)
<b>Total (Note 20.e)</b>	<b>(142,768)</b>	<b>(128,119)</b>

#### NOTE 22 - Provisions, contingent assets and 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. To recognize, measure and disclose provisions, contingent assets, contingent liabilities and legal obligations, CPC 25 - Provisions, Contingent Liabilities and Contingent Assets shall be complied with, adopted by BACEN through CMN Resolution No. 3823 of 12.16.2009, and BACEN Circular Letter No. 3429 of 02.11.2010.
- b) The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made by the 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.
- c) Contingencies classified as probable losses are accounted for and represented by Civil lawsuits (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 lawsuits (represented by legal and administrative proceedings involving federal and municipal taxes) and Other lawsuits (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. 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	06.30.2016		06.30.2015	
	Base value	Provision	Base value	Provision
<b>a) Provision for tax contingencies</b>				
<b>a.1) Taxes and contributions - legal obligation</b>	<b>1,196</b>	<b>1,196</b>	<b>2,243</b>	<b>2,243</b>
<b>a.2) Tax proceedings</b>	<b>1,929,046</b>	<b>58,363</b>	<b>1,522,778</b>	<b>42,268</b>
i) Legal obligation (Note 22.i.1)	291	291	308	308
ii) Other liabilities – other (Note 22.i.1)	1,928,755	58,072	1,522,470	41,960
Probable	58,072	58,072	41,960	41,960
Possible	1,736,292	-	1,135,928	-
Remote <sup>(1)</sup>	134,391	-	344,582	-
<b>b) Provision for contingent liabilities</b>				
<b>b.1) Labor claims</b>	<b>478,241</b>	<b>222,346</b>	<b>418,032</b>	<b>237,757</b>
Probable (Note 16.i)	222,346	222,346	237,757	237,757
Possible	128,416	-	90,513	-
Remote	127,479	-	89,762	-
<b>b.2) Civil lawsuits</b>	<b>5,058,062</b>	<b>150,212</b>	<b>4,149,961</b>	<b>153,653</b>
Probable (Note 16.i)	150,212	150,212	153,653	153,653
Possible	1,155,928	-	895,825	-
Remote <sup>(2)</sup>	3,751,922	-	3,100,483	-
<b>b.3) Other lawsuits</b>	<b>661,679</b>	<b>760</b>	<b>9,383</b>	<b>703</b>
Probable (Note 16.i)	760	760	703	703
Possible	9,008	-	8,358	-
Remote	651,911	-	322	-

<sup>(1)</sup> Contingent liabilities relating to tax lawsuits assessed as remote loss are concentrated in two (2) proceedings, whose contingent liability balance amounts to R\$114,968 at 06.30.2016. At 06.30.2015, risk was concentrated in 3 (three) proceedings, whose contingent liability balances amounted to R\$ 304,464.

<sup>(2)</sup> Contingent liabilities relating to civil lawsuits assessed as remote loss are concentrated in five (5) proceedings, whose balance amounts to R\$2,274,355 at 06.30.2016. At 06.30.2015, risk was concentrated in 5 (five) proceedings, whose contingent liability balance amounted to R\$ 1,946,360.

- d)** The Bank has lawsuits handled by outside attorneys, most of which relate to loan collection actions, whose assessment of the provision for contingent liabilities is performed by the Legal Department, pursuant to item “b” above.
- e)** Tax proceedings classified as Legal Obligation pursuant to the terms of BACEN Circular No. 3429 of 02.11.2010, whose amounts were presented in item “c”, subitem a.2.i, challenge municipal taxes.
- f)** Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

#### **Tax**

Four tax lawsuits challenging the tax deficiency notice. At 06.30.2016, the estimated financial losses total R\$1,593,047. At 06.30.2015, one of these four proceedings had not yet been filed. At 06.30.2015, estimated amounts for other lawsuits totaled R\$ 1,021,649.

#### **Civil**

Civil lawsuit challenging loss of profits and payment of management fees. At 06.30.2016, the estimated amount totals R\$ 198,014. At 06.30.2015, the estimated amount for this proceeding totaled R\$ 160,162.

Civil lawsuit claiming compensation and loss of profits. At 06.30.2016, the estimated amount totals R\$ 134,262. At 06.30.2015, the estimated amount for this proceeding totaled R\$ 108,597.

Civil lawsuit challenging payment of fees. At 06.30.2016, the estimated amount totals R\$ 77,139. At 06.30.2015, the estimated amount for this proceeding totaled R\$ 62,394.

Civil lawsuit challenging reassessment (solução indebiti). At 06.30.2016, the estimated amount totals R\$ 55,241. At 06.30.2015, the estimated amount for this proceeding totaled R\$ 44,681.

Civil lawsuit claiming compensation. At 06.30.2016, the estimated amount totals R\$ 48,844. At 06.30.2015, the estimated amount for this proceeding totaled R\$ 34,958.

Civil lawsuit filed in 2014 related to post-employment benefits. At 06.30.2016, the estimated possible financial loss totals R\$32,557 (R\$34,224 at 06.30.2015).

- g)** 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	06.30.2016	06.30.2015
Labor claims	460,860	433,884
Tax lawsuits	120,561	217,006
Civil lawsuits	89,969	88,653
<b>Total</b>	<b>671,390</b>	<b>739,543</b>

- h) At 06.30.2016, "Other contingent liabilities" account records in the following amounts: R\$ 19,965 (R\$4,121 at 06.30.2015), refers to the provision to cover the Bank risk on loans granted with indication of irregularities, which are the subject of inquiry proceedings carried out by the internal audit area. This account also includes the amounts of R\$11,900 (R\$13,330 at 06.30.2015) for loan risk on securitized transactions under Law No. 9138 of 11.29.1995, currently recorded in memorandum accounts, and R\$1,417 (R\$598 at 06.30.2015) for accrued for risk operational arising from the Loan Transactions Inventory.

## i) Changes in provisions

### i.1) Tax, labor, civil and other claims and legal obligation

Specification	06.30.2016	06.30.2015
<b>i) Taxes and contributions (Legal obligation)</b>		
Opening balance	1,069	90,201
Set up	127	177
Reversal/use/write-off	-	(88,135)
Closing balance (Note 16.d)	1,196	2,243
<b>ii) Tax proceedings (Other legal obligations)</b>		
Opening balance	266	284
Set up	25	24
Reversal/use/write-off	-	-
Closing balance (Note 22.c)	291	308
<b>iii) Tax proceedings (Other liabilities - sundry)</b>		
Opening balance	46,249	36,525
Set up	16,131	7,172
Reversal/use/write-off	(4,308)	(1,737)
Closing balance (Note 22.c)	58,072	41,960
<b>iv) Labor claims (Other liabilities - sundry)</b>		
Opening balance	249,461	221,610
Set up	25,170	22,497
Reversal/use/write-off	(52,285)	(6,350)
Closing balance (Note 16.i)	222,346	237,757
<b>v) Civil proceedings (Other liabilities - sundry)</b>		
Opening balance	142,592	138,045
Set up	25,242	27,382
Reversal/use/write-off	(17,622)	(11,774)
Closing balance (Note 16.i)	150,212	153,653
<b>vi) Other proceedings (Other liabilities - sundry)</b>		
Opening balance	720	608
Set up	122	382
Reversal/use/write-off	(82)	(287)
Closing balance (Note 16.i)	760	703

### i.2) Other provisions

Specification	06.30.2016	06.30.2015
<b>i) FNE</b>		
Opening balance	2,792,367	2,062,717
Set up	801,771	737,262
Reversal/use/write-off	(631,849)	(411,301)
Closing balance (Note 16.j)	2,962,289	2,388,678
<b>ii) FDNE</b>		
Opening balance	654	1,065
Set up	17	24
Reversal/use/write-off	-	-
Closing balance (Note 16.j)	671	1,089
<b>iii) Proagro</b>		
Opening balance	2,644	2,600
Set up	530	319
Reversal/use/write-off	(2,064)	(6)
Closing balance (Note 16.j)	1,110	2,913
<b>iv) Other contingent liabilities</b>		
Opening balance	37,800	28,603
Set up	947	960
Reversal/use/write-off	(5,465)	(11,514)
Closing balance (Note 16.j)	33,282	18,049



## NOTE 23 - Employee and officer compensation (in R\$1.00)

### a) Monthly employee compensation

Gross compensation <sup>(1)</sup>	01.01 to 06.30.2016	01.01 to 06.30.2015
Maximum	36,619.33	33,290.13
Minimum	1,427.35	1,273.33
Average	9,337.48	8,315.10

<sup>(1)</sup> 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	06.30.2016	06.30.2015	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Gross compensation <sup>(1)</sup>	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation <sup>(2)</sup>	482,490.59	544,491.20	33,571.14	32,848.32	31,513.14	30,834.66
Lowest individual compensation <sup>(3)</sup>	333,559.85	400,215.95	25,725.06	26,498.86	25,725.06	25,171.17
Average individual compensation <sup>(4)</sup>	456,460.57	529,921.99	25,960.87	27,317.28	28,040.29	28,470.65
Number of officers/directors <sup>(5)</sup>	7	7	6	6	5	5

<sup>(1)</sup> Amounts approved at the 62<sup>nd</sup> Annual General Meeting held on 03.31.2015.

<sup>(2)</sup> Amount computed without any exclusion, considering all compensation amounts recognized for the period.

<sup>(3)</sup> Amount reached after excluding all those who have not served in their position during the entire period.

<sup>(4)</sup> This corresponds to the total compensation for the period paid by each body divided by the number of officers/directors.

<sup>(5)</sup> The number of officers/directors corresponds to the annual average number of officers/directors of each body calculated on a monthly basis.

At 06.30.2016, the Bank had 7,225 employees (7,114 at 06.30.2015), a headcount increase of 1.56%.

## NOTE 24 - Profit sharing

The provision for employees' profit sharing for the six-month period corresponds to R\$13,503 (R\$7,906 at 06.30.2015), equivalent to 5.99% of net income for the six-month period (5.00% at 06.30.2015) and 25.00% (14.87% at 06.30.2015) of dividends and interest on equity for the six-month period. Expenses with profit sharing for the six-month period amounts to R\$15,191, of which R\$ 13,503 refers to Employees and R\$ 1,688 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 evaluations are conducted by a qualified independent actuary, based on information provided by Capef, 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 benefit plans managed by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF), a closed-ended private pension plan entity that provides the payment benefits supplementary to social security (INSS) to participants and beneficiaries.

The pension plans sponsored by the Bank offer 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.

The Defined Benefit plan (DB) is not open to new participants since 11.26.1999. 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 Variable Contribution plan (VC I), authorized to operate by the MPS/Previc /Detec Ordinance No. 189 of 3.25.2010, began its operations on 5.19.2010, on receipt of the first contributions. 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 statutes of the DB and VC I Plans, the following statutory bodies are responsible for the management and oversight of CAPEF: Deliberative Council, Executive Board and Supervisory Board.

The Deliberative Council 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 Deliberative Council 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 Resolutions No. 22 of 11.25.2015; No. 16 of 11.19.2014; No. 14 of 02.24.2014; No. 13 of 11.04.2013; and No. 10 of 12.19.2012, 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 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, 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 within 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 06.30.2016, the Bank has no past due obligations or contribution debts 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 06.30.2016 (1:1 at 12.31.2015).

#### **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. Such Plan is registered with the Agência Nacional de Saúde Suplementar (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.

In its statute CAMED defines its statutory bodies: Social Board, Deliberative Council, Executive Board and Supervisory Board.

The CAMED's Deliberative Council is a body for monitoring and top-tier administrative decision, composed of representatives of the Bank and of the Social Board. The sponsors' representatives are chosen by the Bank CEO.

The Executive Board is responsible for executing the general guidelines and standards set by the Deliberative Council and other determinations contained in the relevant legislation, in its charter and internal regulations.

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

### a.2.1) Past due obligations and contributions due

At 06.30.2016, the Bank has no past due obligations or contribution debts 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.

### 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 Labor Agreement (2015/2016). Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to current retirees.

### a.3.1) Past due obligations and contributions due

At 06.30.2016, the Bank has no past due obligations or contribution debts 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:

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, because to the adoption of inappropriate actuarial tables and assumptions, or even mismatch between assets and liabilities.
DB/ VC I/ Natural	Liquidity Risk	The liquidity risk relates to mismatch of cash flows of assets and liabilities, so that funds are available for payment of benefits and other plan obligations.
DB/ VC I/ Natural	Operating/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	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.
VC I/ 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.

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

Specification	Assets	Assisted participants	Total
DB Plan	1,729	4,778	6,507
VC I Plan	5,115	99	5,214
Natural Plan	6,834	4,821	11,655
Group life insurance	5,221	3,463	8,684

#### 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) 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, we point out the actuarial or underwriting risks 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 insurance plans after a certain period of default. Risk management monitors the changes in exposure scenarios to which CAMED is subject.

#### b) Actuarial liability analysis

At 06.30.2016, the plans administered by CAPEF and CAMED as well as 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\$3,805,828 is partially based on plan assets amounting to R\$3,457,948, resulting in a present value of the uncovered actuarial obligations of R\$347,880. The obligation referring to assisted participants amounts to R\$3,115,384 and that referring to active participants amounts to R\$690,444;

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\$13,433 is lower than the fair value of plan assets amounting to R\$38,725, resulting in a surplus of R\$25,292, which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

**b.2) Health carePlan:** the present value of the actuarial obligation amounting to R\$879,675 is partially based on plan assets amounting to R\$109,993, resulting in a present value of the uncovered actuarial obligations of R\$787,682. The obligation referring to assisted participants amounts to R\$753,309 and that referring to active participants amounts to R\$144,366.

**b.3) Group life insurance:** the present value of the uncovered actuarial obligations amounts to R\$64,142 and there are no assets for this plan. The obligation referring to assisted participants amounts to R\$39,267 and that referring to active participants amounts to R\$24,875.

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Present value of actuarial obligation at the beginning of the six-month period	(3,287,131)	(3,289,131)	(9,502)	(4,398)
2. Interest cost	(205,762)	(190,826)	(619)	(264)
3. Current service cost	(3,837)	(6,395)	(264)	(89)
4. Benefits paid by the plan	192,460	176,245	135	71
5. Assisted participant contributions (retirees and pensioners)	(35,828)	(32,487)	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	(1,475)	-
7. Administrative expenses paid by the plan	-	-	48	-
<b>8. Remeasurements of actuarial gains (losses)</b>	<b>(465,730)</b>	<b>(207,129)</b>	<b>(1,756)</b>	<b>(3,676)</b>
8.1. From experience adjustments	(104,525)	(182,074)	(1,276)	(3,600)
8.2. From changes in financial assumptions	(361,205)	(25,055)	(480)	(76)
<b>9. Present value of actuarial obligation at the end of the six-month period</b>	<b>(3,805,828)</b>	<b>(3,549,723)</b>	<b>(13,433)</b>	<b>(8,356)</b>

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Present value of actuarial obligation at the beginning of the six-month period	(879,202)	(779,433)	(56,505)	(37,660)
2. Interest cost	(56,773)	(45,270)	(3,544)	(2,103)
3. Current service cost	(6,794)	(6,403)	(382)	(416)
4. Benefits paid by the plan <sup>(1)</sup>	31,620	23,619	3,098	1,357
5. Assisted participant contributions (retirees and pensioners)	(8,700)	(7,986)	-	-
6. Administrative expenses paid by the plan	5,061	8,379	-	-
<b>7. Remeasurements of actuarial gains (losses)</b>	<b>17,113</b>	<b>(66,318)</b>	<b>(6,809)</b>	<b>(13,100)</b>
7.1. From experience adjustments	188,435	4,245	755	(12,540)
7.2. From changes in Demographic Assumptions	(35,678)	-	-	-
7.3. From changes in Financial Assumptions	(135,644)	(70,563)	(7,564)	(560)
8. Reduction in the plan	-	-	-	-
<b>9. Present value of actuarial obligation at the end of the six-month period</b>	<b>(897,675)</b>	<b>(873,412)</b>	<b>(64,142)</b>	<b>(51,922)</b>

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

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

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Fair value of plan assets at the beginning of the six-month period	3,051,653	3,158,800	31,247	11,991
2. Interest income	192,588	185,008	2,125	773
3. Employer's contributions <sup>(1)</sup>	33,358	30,245	694	452
4. Active participants contributions	231	307	694	451
5. Assisted participants contributions	35,828	32,487	-	-
6. Reversal of the contribution balance from DC portion to DB portion of the plan	-	-	1,475	-
7. Administrative expenses paid by the Plan	-	-	(48)	-
8. Benefits paid by the Plan	(192,460)	(176,245)	(135)	(71)
9. Return on plan assets <sup>(2)</sup>	336,750	3,754	2,673	3,668
<b>10. Fair value of plan assets at the end of the six-month period</b>	<b>3,457,948</b>	<b>3,234,356</b>	<b>38,725</b>	<b>17,264</b>

<sup>(1)</sup>Capef - DB Plan: contributions related to active and assisted participants;

<sup>(2)</sup>Except interest income.

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Fair value of plan assets at the beginning of the six-month period	106,225	68,831	-	-
2. Interest income	7,058	4,228	-	-
3. Employer's contributions <sup>(1)</sup>	18,187	19,451	1,549	1,357
4. Return of Sponsor's contributions	(23,726)	-	-	-
5. Active participants contributions	7,455	9,340	1,549	-
6. Astedparticipants contributions	8,700	7,986	-	-
7. Administrative expenses paid by the Plan	(5,061)	(8,379)	-	-
8. Benefits paid by the Plan <sup>(2)</sup>	(31,620)	(23,619)	(3,098)	(1,357)
9. Return on plan assets <sup>(3)</sup>	22,775	(9,481)	-	-
10. Fair value of plan assets at the end of the six-month period	109,993	68,357	-	-

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

<sup>(2)</sup>Camed - Natural Plan - net of co-participations paid by associate participants; and

<sup>(3)</sup>Except interest income.

**e) Reconciliation of the opening and closing balances of asset ceiling effect**

Specification	Capaf	
	VC I Plan	
	06.30.2016	06.30.2015
1. Asset ceiling effect at the beginning of the six-month period	(21,745)	(7,593)
2. Interest on asset ceiling effect	(1,506)	(509)
3. Remeasurement of asset ceiling effect	(2,041)	(806)
<b>4. Asset ceiling effect at the end of the six-month period</b>	<b>(25,292)</b>	<b>(8,908)</b>

**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	Capaf			
	DB Plan		VC I Plan	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Present value of actuarial obligation at the end of the six-month period	(3,805,828)	(3,549,723)	(13,433)	(8,356)
2. Fair value of plan assets at the end of the six-month period	3,457,948	3,234,356	38,725	17,264
3. Surplus (deficit) of the plan (item 1 - item 2)	(347,880)	(315,367)	25,292	8,908
4. Asset ceiling effect at the end of the six-month period	-	-	(25,292)	(8,908)
<b>5. Liability recognized in the balance sheet at the end of the six-month period (Note 16.i) <sup>(1)</sup></b>	<b>(347,880)</b>	<b>(315,367)</b>	<b>-</b>	<b>-</b>

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

Specification	Camed		Life insurance	
	Natural Plan			
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. Present value of actuarial obligation at the end of the six-month period	(897,675)	(873,412)	(64,142)	(51,922)
2. Fair value of plan assets at the end of the six-month period	109,993	68,357	-	-
3. Surplus (deficit) of the plan (item 1 - item 2)	(787,682)	(805,055)	(64,142)	(51,922)
4. Liability recognized in the balance sheet at the end of the six-month period (Note 16.i)	(787,682)	(805,055)	(64,142)	(51,922)

**g) Amounts recognized in P&L for the six-month period**

Specification	Capaf			
	DB Plan		VC I Plan	
	01.01 to 06.30.2016	01.01 to 06.30.2015	01.01 to 06.30.2016	01.01 to 06.30.2015
<b>1. Current service cost, net</b>	<b>(3,606)</b>	<b>(6,088)</b>	<b>430</b>	<b>362</b>
1.1. Service costs	(3,837)	(6,395)	(264)	(89)
1.2. Active participants' contributions	231	307	694	451
<b>2. Net interest</b>	<b>(13,174)</b>	<b>(5,818)</b>	<b>-</b>	<b>-</b>
2.1. Interest cost	(205,762)	(190,826)	(619)	(264)
2.2. Interest income	192,588	185,008	2,125	773
2.3. Interest on asset ceiling effect	-	-	(1,506)	(509)

<b>3. Amounts recognized in P&amp;L for the six-month period (item 1 + item 2)</b>	<b>(16,780)<sup>(1)</sup></b>	<b>(11,906)<sup>(1)</sup></b>	<b>430<sup>(2)</sup></b>	<b>362</b>
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<sup>(1)</sup> Including assigned employees' contribution refunded to the Bank - DB Plan: 01.01 to 06.30.2016: R\$4 and 01.01 to 06.30.2015: R\$2.

<sup>(2)</sup> This amount was recorded under "Reversal of operating provisions".

Specification	Camed Natural Plan		Life insurance	
	01.01 to 06.30.2016	01.01 to 06.30.2015	01.01 to 06.30.2016	01.01 to 06.30.2015
<b>1. Current service cost, net</b>	<b>661</b>	<b>2,937</b>	<b>1,167</b>	<b>(416)</b>
1.1. Service costs	(6,794)	(6,403)	(382)	(416)
1.2. Active participants contributions	7,455	9,340	1,549	-
<b>2. Net interest</b>	<b>(49,715)</b>	<b>(41,042)</b>	<b>(3,544)</b>	<b>(2,103)</b>
2.1. Interest cost	(56,773)	(45,270)	(3,544)	(2,103)
2.2. Interest income	7,058	4,228	-	-
<b>3. Amounts recognized in P&amp;L for the six-month period (item 1 + item 2)</b>	<b>(49,054)<sup>(1)</sup></b>	<b>(38,105)<sup>(1)</sup></b>	<b>(2,377)<sup>(1)</sup></b>	<b>(2,519)<sup>(1)</sup></b>

<sup>(1)</sup> Including assigned employees' contribution refunded to the Bank: 01.01 to 06.30.2015 - Natural Plan: R\$14, and Life Insurance: R\$2; 01.01 to 06.30.2016 - Natural Plan: R\$20, and Life Insurance: 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 06.30.2016	01.01 to 06.30.2015
1. Contributions (DC portion) <sup>(1)</sup>	(22,123)	(18,226)

<sup>(1)</sup> Including assigned employees' contribution: 01.01 to 06.30.2016 - R\$153; and 01.01 to 06.30.2015 - R\$ (137) and difference of estimated contributions for the period from 01.01 to 06.30.2015 - R\$147.

The administrative expenses of the DB plan are recorded for under "Post-employment benefit expenses", as stated below.

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
1. Administrative Expenses	(3,089)	(2,810)

#### h) Amounts for the period recognized in equity

At 06.30.2016, losses on experience adjustments of the DB Plan derive from increases by 10.45% of assisted participants' benefits and by 11% in average salary, whereas for the VC I Plan, these derive from the increase in the average salary and in the amount of pensioners' average benefit. Gains on experience adjustments of the Natural Plan and Group Life Insurance derive from reduction in health average costs and from reduction in the number of former employees in the insurance policy and of average insured capital, respectively. Losses on demographic assumption adjustments recorded in the period for the Natural Plan derive from change in the household composition methodology, which starts to take into consideration the plan's experience, as well as adjustments in the calculation basis of pensioners' contributions.

Actuarial losses arising from financial assumptions at 06.30.2016 refer to changes in interest rates compared to 12.31.2015, from 13.12% (12.31.2015) to 11.80% (06.30.2016) for Defined Benefit and Natural plans, and from 13.12% (12.31.2015) to 11.81% (06.30.2016) for VC I plan, and from 13.25% (12.31.2015) to 11.80% (06.30.2016) in Group Life Insurance.

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 06.30.2016	01.01 to 06.30.2015	01.01 to 06.30.2016	01.01 to 06.30.2015
1. Return on plan assets	336,750	3,754	2,673	3,668
<b>2. Actuarial gains (losses) on obligation</b>	<b>(465,730)</b>	<b>(207,129)</b>	<b>(1,756)</b>	<b>(3,676)</b>
2.1 Experience adjustments	(104,525)	(182,074)	(1,276)	(3,600)
2.2. Changes in financial assumptions	(361,205)	(25,055)	(480)	(76)
3. Asset ceiling effect	-	-	(2,041)	(806)
<b>4. Amounts recognized in equity at the end of the six-month period (item 1 + item 2 + item 3) <sup>(1)</sup></b>	<b>(128,980)<sup>(1)</sup></b>	<b>(203,375)<sup>(1)</sup></b>	<b>(1,124)</b>	<b>(814)</b>

<sup>(1)</sup> Including estimated contribution difference in the DB Plan actuarial calculation: 01.01 to 06.30.2016: R\$98; and DB: 01.01 to 12.31.2015: R\$63.

Specification	Camed		Life insurance	
	Natural Plan			
	01.01 to 06.30.2016	01.01 to 06.30.2015	01.01 to 06.30.2016	01.01 to 06.30.2015
1.Return on plan assets	22,775	(9,481)	-	-
2.Actuarial gains (losses) on obligation	17,113	(66,318)	(6,809)	(13,100)
2.1 Experience adjustments	188,435	4,245	755	(12,540)
2.2. Changes in Demographic Assumptions	(35,678)	-	-	-
2.3. Changes in financial assumptions	(135,644)	(70,563)	(7,564)	(560)
3. Amounts recognized in equity at the end of the six-month period (item 1 + item 2 + item 3)	39,888	(75,799)	(6,809)	(13,100)

**i) Reconciliation of changes in net (liabilities)/assets recognized in the six-month period**

Specification	Capef			
	DB Plan		VC I Plan	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. (Liabilities)/assets recognized at the beginning of the six-month period	(235,478)	(130,331)	-	-
2. Employer contributions	33,358 <sup>(1)</sup>	30,245	694	452
3. Amounts recognized in P&L	(16,780)	(11,906)	430	362
4. Amounts recognized in equity	(128,980)	(203,375)	(1,124)	(814)
<b>5. (Liabilities)/assets recognized at the end of the six-month period (Note 16.i)</b>	<b>(347,880)</b>	<b>(315,367)</b>	<b>-</b>	<b>-</b>

(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			
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
1. (Liabilities)/assets recognized at the beginning of the six-month period	(772,977)	(710,602)	(56,505)	(37,660)
2. Employer contributions	18,187	19,351	1,549	1,357
3. Return of Sponsor's contributions	(23,726)	-	-	-
4. Amounts recognized in P&L	(49,054)	(38,105)	(2,377)	(2,519)
5. Amounts recognized in equity	39,888	(75,799)	(6,809)	(13,100)
6. (Liabilities)/assets recognized at the end of the six-month period (Note 16.i)	(787,682)	(805,055)	(64,142)	(51,922)

**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 by the Capef's Deliberative Council and are mainly intended for defining guidance procedures for management of assets compared with 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 investment fund objectives and criteria of the funding and benefits plan 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 National Regulatory Agency for Private Health Insurance and Plans (Nacional de Saúde Suplementar-ANS), the limits and conditions set forth by this agency are observed.

Specification	Capef				Camed	
	DB Plan (%)		VC I Plan (%)		Natural Plan (%)	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Fixed income	89.05	85.75	93.74	93.51	74.63	56.78
Variable income	0.17	2.22	-	1.48	24.94	42.51
Real estate investments	7.82	9.14	-	-	0.43	0.71
Structured investments	0.23	0.23	1.47	2.11	-	-



Loans and financing to participants	2.71	2.64	4.79	2.90	-	-
Other	0.02	0.02	-	-	-	-
<b>Amounts included in the fair value of plan assets</b>						
In financial instruments at the Bank	0.17	0.23	-	-	74.63	56.78
In properties/other assets used by the Bank	1.04	1.35	-	-	0.43	0.71

## k) Assumption used

### k.1) Demographic assumptions

Demographic assumptions used are based on those adopted in actuarial valuations in the scope of Capef and Camed, based on statistical studies prepared by specialized advisory firms engaged by those entities. Upon actuarial calculations for DB, Natural and Life Insurance plans, the retirement postponement time in relation to each active participant 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.

Specification	DB (Capef), Natural (Camed) and life insurance Plans	
	06.30.2016	06.30.2015
<b>Mortality tables</b>		
Active participants/Retirees	RP2000 – reduced by 15%	RP2000 – reduced by 15%
Disabled people	Winklevoss	Winklevoss
<b>Disability entry table</b>	Álvaro Vindas – (A10)	Álvaro Vindas – (A10)

Specification	VC I Plan (Capef)	
	06.30.2016	06.30.2015
<b>Mortality tables</b>		
Active participants/Retirees	RP 2000 Proj.2014 Unisex (70%M) (D20)	RP 2000 Proj.2014 Unisex (70%M) (D20)
Disabled people <sup>(1)</sup>	IAPC experience - weak	IAPC experience - weak
<b>Disability entry table</b>	Álvaro Vindas (reduced by 50%)	Álvaro Vindas (reduced by 50%)

<sup>(1)</sup> The disabled people mortality table used results from the application of a 0.5 ratio on the original IAPC mortality table rates.

### k.2) Financial assumptions

Specification	Capef (% p.a.)			
	DB Plan		VC I Plan	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Statutory discount rate for the actuarial liability	11.80	11.99	11.81	11.97
Effective discount rate for the actuarial liability	5.97	6.15	5.98	6.13
Average annual inflation rate	5.50	5.50	5.50	5.50
Nominal rate of salary increase <sup>(1)</sup>	6.56	6.56	5.50	5.50
Nominal rate of benefit increases	5.50	5.50	5.50	5.50

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

Specification	Camed (% p.a.)		Life insurance	
	Natural Plan			
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Statutory discount rate for the actuarial liability	11.80	11.99	11.80	11.99
Effective discount rate for the actuarial liability	5.97	6.15	5.97	6.15
Average annual inflation rate	5.50	5.50	5.50	5.50
Nominal rate of salary increase	6.56	6.56	-	6.56
Nominal rate of benefit average increases	7.81 <sup>(1)</sup>	8.85 <sup>(2)</sup>	-	5.50
Rate of increase in health care costs due to aging (aging factor)	3.11	2.91	Not applicable	Not applicable
Healt Care Cost Trend Rate (HCCTR)	2.19 <sup>(1)</sup>	3.18 <sup>(2)</sup>	Not applicable	Not applicable

(1) 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 9<sup>th</sup> (ninth year).

(2) At 06.30.2015, a health care inflation rate was calculated for the Natural plan, considering the plan experience in the last six (6) years. The rate found was 3.18%, above the aging factor and price overall inflation of 5.50% p.a. and decreases gradually in 10 years from 2015, remaining at 1% p.a. from the 11<sup>th</sup> (eleventh 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, assistance, 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 06.30.2016 the following “duration” of the plans was determined: for Capef DB and CAMED Natural Plans: 12.17 years (13.91 years at 06.30.2015); for CAPEF VC I Plan: 22.75 years (24.37 years at 06.30.2015); and for Life Insurance: 11.04 years (12.65 years at 06.30.2015).

#### **l) Sensitivity analysis of main assumptions**

The sensitivity analysis considers the increase or decrease of 1 (one) year in the age of the participant or assisted 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 06.30.2016:

Capef – DB Plan	Current parameters	Biometric table		Interest rate	
	06.30.2016	Age + 1	Age -1	+ 0.25%	-0.25%
Present value of actuarial obligation	(3,805,828)	(3,713,095)	(3,896,826)	(3,728,124)	(3,886,558)
Fair value of assets	3,457,948	3,457,948	3,457,948	3,457,948	3,457,948
<b>Technical surplus (deficit)</b>	(347,880)	(255,147)	(438,878)	(270,176)	(428,610)
<b>Variations:</b>					
Increase/decrease in actuarial obligation (%)		(2.4)	2.4	(2.0)	2.1
Increase/decrease in technical surplus (deficit) - %		(26.7)	26.2	(22.3)	23.2

Capef - VC I Plan	Current parameters	Biometric table		Interest rate	
	06.30.2016	Age + 1	Age -1	+ 0.25%	-0.25%
Present value of actuarial obligation	(13,433)	(12,873)	(14,064)	(13,225)	(13,648)
Fair value of assets	38,725	38,725	38,725	38,725	38,725
<b>Technical surplus (deficit) <sup>(1)</sup></b>	25,291.68	25,852	24,661	25,500	25,077
<b>Variations:</b>					
Increase/decrease in actuarial obligation (%)		(4.2)	4.7	(1.5)	1.6
Increase/decrease in technical surplus (deficit) - %		2.2	(2.5)	0.8	(0.8)

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

Camed – Natural Plan	Current parameters	Biometric table		HCCTR		Interest rate	
	06.30.2016	Age + 1	Age -1	+ 0.25%	-0.25%	+ 0.25%	-0.25%
Present value of actuarial obligation	(897,675)	(855,999)	(937,440)	(923,927)	(872,513)	(871,248)	(925,460)
Fair value of assets	109,993	109,993	109,993	109,993	109,993	109,993	109,993
<b>Technical surplus (deficit)</b>	(787,682)	(746,006)	(827,447)	(813,934)	(762,520)	(761,255)	(815,467)
<b>Variations:</b>							
Increase/decrease in actuarial obligation (%)		(4.6)	4.4	2.9	(2.8)	(2.9)	3.1
Increase/decrease in technical surplus (deficit) - %		(5.3)	5.0	3.3	(3.2)	(3.4)	3.5

Life insurance	Current parameters	Biometric table		Interest rate	
	06.30.2016	Age + 1	Age -1	+ 0.25%	-0.25%
Present value of actuarial obligation	(64,142)	(62,470)	(65,786)	(62,635)	(65,718)
<b>Technical surplus (deficit)</b>	(64,142)	(62,470)	(65,786)	(62,635)	(65,718)
<b>Variations:</b>					
Increase/decrease in actuarial obligation (%)		(2.6)	2.6	(2.4)	2.5
Increase/decrease in technical surplus (deficit) - %		(2.6)	2.6	(2.4)	2.5

#### **m) Impacts on future cash flows**

##### **m.1) Expected contributions for the 2<sup>nd</sup> half of 2016**

Specification	Capef		Camed	Life insurance plan
	DB Plan	VC I Plan	Natural Plan	
1. Employer contributions	42,031	26,024 <sup>(1)</sup>	26,232	1,548
2. Administrative Expenses	7,808	2,912 <sup>(1)</sup>	8,057	-
3. Employees' contributions	255	26,024 <sup>(1)</sup>	14,748	1,548
4. Contributions from assisted	41,776	-	12,688	-

participants				
5. Expected benefits	368,011	142	52,172	6,030

<sup>(1)</sup> Including the DC type.

## m.2) Expected payments of benefits

Specification	Capef <sup>(1)</sup>		Camed <sup>(1)</sup>	Life insurance <sup>(1)</sup>
	DB Plan	VC I Plan	Natural Plan	
Within 1 year	342,418	1,945	19,343	4,918
From 1 to 2 years	341,786	1,760	18,738	5,017
From 2 to 3 years	338,619	1,625	18,637	5,106
From 3 to 4 years	335,997	1,517	18,475	5,151
Above 4 years	5,845,144	18,649	894,078	192,801
<b>Total</b>	<b>7,203,964</b>	<b>25,496</b>	<b>969,271</b>	<b>212,993</b>

<sup>(1)</sup> The amounts of expected benefits were calculated without present value discount.

## n) Estimated expenses for the 2<sup>nd</sup> half of 2016

Specification	Capef		Camed	Life insurance
	DB Plan	VC I Plan	Natural Plan	
1. Current service cost, net	(3,582)	528	(61)	1,166
2. Net interest	(13,174)	-	(49,715)	(3,544)
<b>3. Total unrecognized (expenses)/revenues</b>	<b>(16,756)</b>	<b>528</b>	<b>(49,776)</b>	<b>(2,378)</b>

## NOTE 26 - Fundo Constitucional de Financiamento do Nordeste - FNE

- a) The total assets of FNE, amounting to R\$63,470,927 (R\$56,878,253 at 06.30.2015) are recorded in the Bank's memorandum accounts "Net assets of managed public funds".
- b) The Fund's cash and cash equivalents, totaling R\$14,207,550 (R\$9,576,462 at 06.30.2015), recorded in 'Other liabilities/Financial and development funds' bear interest at extra-market rate. The interest expense on cash and cash equivalents totaled R\$788,367 (R\$462,115 at 06.30.2015).
- 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 Programa da Terra 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-Cost), 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 of the Fund", 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 Bank's transactions with other funds, will maintain the same risk position of the transaction to be settled. The balances of financing and allowances accounted for in the Bank's Contingent liabilities are as follows:

Risk level	Balances	Provision at 06.30.2016	Provision at 06.30.2015
AA	8,758,856	-	-
A	11,754,611	29,499	29,121
B	9,791,719	49,236	49,096
C	2,431,093	36,275	25,610
D	890,054	44,482	61,662
E	540,445	82,772	80,021
F	443,541	111,320	101,021
G	720,215	252,800	77,920
H	4,641,419	2,355,904	1,964,227
<b>Total</b>	<b>39,971,953</b>	<b>2,962,289</b>	<b>2,388,678</b>

- d) The Bank's *del credere* commission on transactions entered as agreement 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 (Ministérios da Fazenda e da Integração Nacional). Income from *del credere* commission totaled R\$621,245 (R\$598,517 at 06.30.2015).

- 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 each fiscal year. The administration fee totaled R\$694,058 (R\$704,183 at 06.30.2015).

## NOTE 27 - Workers' Assistance Fund (FAT)

The Workers' Assistance Fund (Fundo de Amparo ao Trabalhador- 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	06.30.2016	06.30.2015
Proger-Urbano- Investment	017/2006	4,103	9,651
FAT - Infrastructure	018/2006	185,647	209,547
Protrabalho- Investment	004/2007	193,417	174,368
National Program for Production-Oriented Microcredit (Programa Nacional de Microcrédito Produtivo Orientado PNMPO)	001/2010	128,142	151,939
<b>Total</b>		<b>511,309</b>	<b>545,505</b>

Funds derived from the Workers' Assistance Fund (FAT), recorded under 'Remunerated special deposits', totaling R\$292,516 (R\$375,423 at 06.30.2015), are subject to SELIC (Central Bank overnight rate) while they are not used in loans, and to TJLP after they are released to final borrowers. Available funds remunerated bearing interest at SELIC totaled R\$31,100 (R\$32,361 at 06.30.2015).

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			06.30.2016		
		Form <sup>(1)</sup>	R.A.	SELIC remuneration	TMS available <sup>(2)</sup>	TJLP used <sup>(3)</sup>	Total
Proger - Urbano - Investment	17/2006	RA	9,833	387	2,302	14,799	17,101
FAT - Infrastructure <sup>(4)</sup>	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
Programa Nacional de Microcrédito Produtivo Orientado (National Program for Production-Oriented Microcredit - PNMPO)	01/2010	RA	27,788	788	4,452	97,711	102,163
<b>Total (Note 13.b)</b>			<b>107,791</b>	<b>4,487</b>	<b>31,100</b>	<b>261,416</b>	<b>292,516</b>

Specification	Tade	Return of FAT funds			06.30.2015		
		Form <sup>(1)</sup>	R.A.	SELIC remuneration	TMS available <sup>(2)</sup>	TJLP used <sup>(3)</sup>	Total
Proger - Urbano - Investment	17/2006	RA	14,311	497	3,938	21,406	25,344
FAT - Infrastructure <sup>(4)</sup>	18/2006	RA	49,918	2,895	26,803	117,837	144,640
Protrabalho-Investment	04/2007	RA	22,281	51	492	83,028	83,520
Programa Nacional de Microcrédito Produtivo Orientado (National Program for Production-Oriented Microcredit - PNMPO)	01/2010	RA	33,341	850	1,128	120,791	121,919
<b>Total (Note 13.b)</b>			<b>119,851</b>	<b>4,293</b>	<b>32,361</b>	<b>343,062</b>	<b>375,423</b>

<sup>(1)</sup> RA - Automatic Return (Monthly, 2% on balance);

<sup>(2)</sup> Funds remunerated SELIC rate;

<sup>(3)</sup> Funds remunerated Long-term Interest Rate (TJLP); and

<sup>(4)</sup> 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, operational, market and liquidity risks. The Corporate Risk Management Committee analyzes and forwards for approval by the Executive Board proposals for creation of and adjustments in strategies, policies, models and procedures for risk management. The Control and Risk Executive Board coordinates the implementation thereof and the Bank's performance, through a specific unit that manages credit, operational, market and liquidity risks at corporate level, defining management methodologies and models, as well as promoting the dissemination of the risk management culture.

Further information relating to risk management focused on matters related to Referential Equity (RE) and the amount of Risk-Weighted Assets (RWA), in accordance with Circular No. 3678, dated 10.31.2013, of the Central Bank of Brazil (Banco Central do Brasil – BACEN), can be found at [www.bnb.gov.br](http://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 2016 to 2018, which was also approved by the Board of Directors, on 12.03.2015. 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](http://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.

Exposure by Industry	Exposure	
	06.30.2016	06.30.2015
<b>Loans, co-obligations and guarantees given</b>	<b>33,500,488</b>	<b>34,363,549</b>
<b>Public sector</b>	<b>1,473,877</b>	<b>1,504,885</b>
<b>Private sector</b>	<b>32,026,611</b>	<b>32,858,664</b>
Trading	3,953,334	4,010,250
Foreign trade	410,586	1,013,236
Housing	170	242
Manufacturing	9,433,189	9,618,623
Infrastructure	2,790,895	3,248,289
Urban micro-financing	2,905,473	2,830,414
Individuals	132,011	223,070
Rural	7,249,729	6,885,149
Other services	5,151,224	5,029,391
<b>Market transactions</b>	<b>28,612,446</b>	<b>27,329,575</b>
<b>Federal government bonds</b>	<b>25,649,365</b>	<b>23,259,253</b>
Repurchase agreements	10,740,851	13,096,312
Other	14,908,514	10,162,941
<b>Interbank deposits</b>	<b>-</b>	<b>91,096</b>
<b>Other marketable securities</b>	<b>1,979,988</b>	<b>2,094,132</b>
<b>Other transactions</b>	<b>983,093</b>	<b>1,885,094</b>
<b>Other assets</b>	<b>3,784,793</b>	<b>3,377,003</b>
<b>Total</b>	<b>65,897,727</b>	<b>65,070,127</b>

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 agencies' 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.

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\$2,757,233 (R\$5,211,666 at 06.30.2015). These transactions are backed by collaterals totaling R\$8,301,178 (R\$4,212,553 at 06.30.2015).

### 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		06.30.2016 (%)	06.30.2015 (%)
Liquidity ratio	At reporting date	531.96	366.26
	Average for the last 12 months	393.81	357.37
	Maximum for the last 12 months	531.99	429.24
	Minimum for the last 12 months	249.52	296.56

### 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:

- VaR (value at risk) of asset and liability transactions in trading and non-trading portfolios, by risk factor;
- capital requirement map, for coverage of market and liquidity risks;
- Report of foreign exchange exposure;
- Sensitivity analysis;
- stress testing;
- back-testing; and
- reports on monitoring of limits established for portions exposed to market risk.

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

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

Risk exposure limits	Control procedure
<ul style="list-style-type: none"> <li>Trading portfolio: 1% of Referential Equity</li> <li>Banking portfolio: 5% of Referential Equity</li> </ul>	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 (changeof 25%)		Scenario 3 (changeof 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	7,375,047	7,361,620	(13,428)	7,348,621	(26,426)
Banking portfolio						
Dollar coupon	Reduction in coupon	(125,734)	(129,303)	(3,570)	(133,337)	(7,603)
Euro coupon	Increase in coupon	(652)	(662)	(10)	(671)	(20)
IGP coupon	Increase in coupon	730,960	695,228	(35,731)	662,370	(68,590)
IPCA coupon	Reduction in coupon	713,370	622,050	(91,320)	543,976	(169,394)
TJLP coupon	Increase in coupon	512,351	420,896	(91,454)	350,830	(161,521)
TR coupon	Increase in coupon	(1,734,506)	(1,751,296)	(16,789)	(1,763,590)	(29,083)
Fixed interest rate	Increase in interest rate	4,817,013	4,698,215	(118,798)	4,591,944	(225,069)

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 BM&FBOVESPA. 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 (change of 25%)	Scenario 3 (change of 50%)
Hedging derivatives	Increase in Referential Rate - BM&FBOVESPA DI x dollar	Swap Dollar x DI	1,023,551	1,000,284	978,083
		Liabilities in Foreign Exchange	(1,004,614)	(981,930)	(960,283)
		Net exposure	18,937	18,354	17,800

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-exchange 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 (BM&FBOVESPA). 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 operational 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 (Conselho Monetário Nacional 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 foreign exchange adjustment clause presented net balance of foreign exposure sold, in the amount of R\$35,939 (R\$72,343 at 06.30.2015 - short position), as follows:

Specification	06.30.2016	06.30.2015	Specification	06.30.2016	06.30.2015
Cash and cash equivalents	89,055	31,550	Deposits	-	5,858
Interbank Investments	-	-	Interbranch accounts	5,561	3,957
Loans	786,642	881,538	Domestic - Borrowings and onlending	79,443	85,219
Other receivables	608,852	1,181,390	Foreign - Borrowings and onlending	1,788,181	2,804,974
			Other liabilities	614,096	1,146,277
<b>Total assets in foreign exchange, excluding derivatives</b>	<b>1,484,549</b>	<b>2,094,478</b>	<b>Total liabilities in foreign exchange</b>	<b>2,487,281</b>	<b>4,046,285</b>
Swap transactions	966,793	1,879,464	<b>Total short position in foreign exchange</b>	<b>2,487,281</b>	<b>4,046,285</b>
<b>Total long position in foreign exchange</b>	<b>2,451,342</b>	<b>3,973,942</b>			

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 06.30.2016, the Bank had an Extended Basel Index(including capital to cover RBAN) of 11.81% (13.95% at 06.30.2015) and Tier I rates and Principal Capital were both at 7.58% (7.64% at 06.30.2015). The RE computed was R\$4,648,057 (R\$5,294,087 at 06.30.2015), Tier I and Principal Capital had the same amount of R\$2,802,307 (R\$2,813,862 at 06.30.2015), while risk weighted assets (RWA amount) totaled R\$36,973,189 (R\$36,832,758 at 06.30.2015).

**i. Minimum Capital Requirements (Basel III)**

Specification	06.30.2016	06.30.2015
<b>Referential Equity (RE)</b>	<b>4,648,057</b>	<b>5,294,087</b>
. <b>Tier I</b>	<b>2,802,307</b>	<b>2,813,862</b>
. Principal Capital	2,802,307	2,813,862
. <b>Tier II</b>	<b>1,845,750</b>	<b>2,480,225</b>
<b>Risk-Weighted Assets (RWA)</b>	<b>36,973,189</b>	<b>36,832,758</b>
. RWACPAD	30,029,367	30,701,528
. RWACAM	36,942	378,887
. RWAJUR	55,544	70,391
. RWACOM	9,650	2,891
. RWAOPAD	6,841,686	5,679,061
<b>RBAN amount</b>	<b>2,396,024</b>	<b>1,112,328</b>
<b>Margin on RE(RE- [RWA * 9.875%])<sup>1</sup></b>	<b>996,955</b>	<b>1,242,484</b>
<b>Margin on REconsidering RBAN {BC - ([RWA + RBAN]* 9.875%)}<sup>1</sup></b>	<b>760,347</b>	<b>1,120,128</b>
<b>Margin on Tier I RE(Tier I RE- RWA * 6%)</b>	<b>583,916</b>	<b>603,897</b>
<b>Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)</b>	<b>1,138,513</b>	<b>1,156,388</b>
<b>Required Additional Capital (RWA * 0.625%)</b>	<b>231,083</b>	-
<b>Margin on Additional Required Capital (whichever lower of margins - additional required principal capital)</b>	<b>352,833</b>	-
<b>Basel Indexes:</b>		
. Principal capital index (minimum requirement of 4.5%)	7.58%	7.64%
. Tier I index (minimum requirement of 6.0%)	7.58%	7.64%
. Basel index (minimum requirement of 9.875%) <sup>(1)</sup>	12.57%	14.37%
. Basel index including RBAN	11.81%	13.95%

Where:

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

**ii. Breakdown of Referential Equity (Basel III)**

Specification	06.30.2016	06.30.2015
<b>Referential Equity (RE)</b>	<b>4,648,057</b>	<b>5,294,087</b>
<b>Referential Equity Tier I</b>	<b>2,802,307</b>	<b>2,813,862</b>
<b>Principal Capital</b>	<b>2,802,307</b>	<b>2,813,862</b>
Capital	2,844,000	2,844,000
Income reserves	771,046	485,245
Capital and revaluation reserve	15,556	18,232
Unrealized gains or losses - equity valuation and marketable securities	(595,407)	(480,769)
Prudential Adjustments	(232,888)	(52,846)
Prudential Adjustments - intangible assets	(5,436)	(3,446)
Prudential adjustment - Deferred assets	(3)	(73)
Prudential adjustment - Tax credits from temporary differences	(165,668)	(49,327)
Prudential adjustment – Difference to less – Adjustments of CMNResolution No. 4277	(61,781)	-
<b>Referential Equity Tier II</b>	<b>1,845,750</b>	<b>2,480,225</b>
Instruments eligible to Tier II	1,898,225	2,532,761
Investment in other entities deducted from Tier II	(52,475)	(52,536)

The Subordinated Debt Instruments contracted 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.

The Hybrid Debt/Equity Instrument recorded under Tier II until 12.31.2015 does not compose the RE since January 2016, as it is currently replaced by a novation and acknowledgment of debt agreement, which is in under negotiation with the National Treasury (Secretaria do Tesouro Nacional STN) and awaiting authorization by BACEN to be deemed eligible for the Principal Capital.



### iii.Leverage Ratio (LR)

On 02.27.2015, BACEN published Circular No. 3748 effective from October 2015, which describes the calculation methodology of Leverage Ratio (LR). This calculation is the result of the division of Tier I Referential Equity, calculated according to CMN Resolution No. 4192 of 03.01.2013, by Total Exposure defined in subparagraph II, article 2 of BACEN Circular No. 3748. At 06.30.2016, the Leverage Ratio of Banco do Nordeste was 4.38, as follows

Specification	06.30.2016
Tier I Referential Equity	2,802,307
Total exposure for Leverage Ratio	63,966,791
Leverage Ratio (%)	4.38

### iv.Investment index

CMN Resolution No. 2669 of 11.25.1999 set forth a limit of 50% of adjusted RE, as from December 2002, for the investment index. The Bank's investment index is as follows:

Specification	06.30.2016	06.30.2015
Referential Equity for investment limit	4,648,058	5,294,087
Investment limit	2,324,028	2,647,044
Status	224,891	225,388
Margin	2,099,137	2,421,656
Investment index	4.84%	4.26%

## 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	06.30.2016	06.30.2015
<b>Assets</b>		
Loans - refinancing with the Federal Government (Note 9.a.1)	524,769	436,194
<b>Total</b>	<b>524,769</b>	<b>436,194</b>

Specification	06.30.2016	06.30.2015
<b>Liabilities</b>		
<b>Time deposits - FAT (Note 13.b. and Note 27)</b>	<b>292,516</b>	<b>375,423</b>
<b>Domestic onlending – Official institutions (Note 14.c.)</b>	<b>1,718,683</b>	<b>1,691,912</b>
National Treasury	444	605
BNDES	1,588,722	1,537,046
FINAME	129,517	154,261
<b>Other liabilities</b>	<b>17,114,570</b>	<b>12,671,824</b>
Fundo Constitucional de Financiamento do Nordeste (FNE) - (Note 16.f)	14,216,345	9,584,380
Hybrid debt/equity instruments (Notes 16.g and 17)	-	1,396,357
Debt instruments eligible to capital (Notes 16.h and 17)	1,000,000	-
Subordinated debts eligible for capital (Notes 16.h and 18)	1,898,225	1,691,087
<b>Total</b>	<b>19,125,769</b>	<b>14,739,159</b>

a.2) Significant transactions with entities related to the Bank's employees, namely, Caixa de Previdência (CAPEF) and Caixa de Assistência Médica (CAMED), are broken down as follows:

Specification	06.30.2016	06.30.2015
<b>Liabilities</b>	<b>1,199,704</b>	<b>1,172,343</b>
Post-employment benefits - CAPEF DB Plan (Note 16.i)	347,880	315,367
Post-employment benefits - Camed Natural Plan (Note 16.i)	787,682	805,055
Post-employment benefits - Life insurance (Note 16.i)	64,142	51,922
<b>Total</b>	<b>1,199,704</b>	<b>1,172,343</b>

### b) Management compensation

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

Specification	01.01 to 06.30.2016	01.01 to 06.30.2015
<b>Fees</b>	<b>1,865</b>	<b>1,838</b>
Executive Board	1,588	1,566
Board of Directors	148	133
Supervisory Board	129	139
<b>Other</b>	<b>904</b>	<b>638</b>
<b>Profit sharing</b>	<b>770</b>	<b>1,284</b>

<b>Total short-term benefits</b>	<b>3,539</b>	<b>3,760</b>
<b>Post-employment benefits</b>	<b>103</b>	<b>162</b>
<b>Total</b>	<b>3,642</b>	<b>3,922</b>

The Bank does not have variable stock-based compensation and other long-term benefits and does not offer post-employment benefits to management, except for those comprising the headcount, participants of the Bank's Pension and Health Care Plan.

The Bank does not grant loans to its Executive Officers or members of its Board of Directors and Supervisory Board, since this practice is forbidden to financial institutions regulated by the Central Bank of Brazil (Banco Central do Brasil – BACEN).

#### **NOTE 30 - Statement of comprehensive income**

<b>Specification</b>	<b>01.01 to 06.30.2016</b>	<b>01.01 to 06.30.2015</b>
<b>Net income</b>	<b>225,564</b>	<b>158,128</b>
<b>Other comprehensive income (loss)</b>	<b>21,522</b>	<b>(296,111)</b>
Equity adjustment to available-for-sale securities	196,250	(6,871)
Tax effect on Equity adjustment to available-for-sale securities	(78,866)	2,748
Realization of revaluation reserve	1,936	1,937
Tax effect on realization of revaluation reserve	(871)	(775)
Actuarial gains (losses)	(96,927)	(293,150)
<b>Comprehensive income (loss)</b>	<b>247,086</b>	<b>(137,983)</b>

#### **NOTE 31 - Other Information**

##### **a) Guarantees given**

Co-obligations and risks related to guarantees given by the Bank are broken down as follows:

<b>Specification</b>	<b>06.30.2016</b>	<b>06.30.2015</b>
Import financing	8,587	143,045
Export credits confirmed	51,515	58,500
Guarantee beneficiaries		
- Individuals or non-financial legal entities	-	450
- FNE	20,222,087	19,425,397
- FDNE	115,403	108,926
Credit assignment co-obligations	20,160	22,659

##### **b) Statement of compliance**

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

##### **c) Approval of financial statements**

The financial statements were approved by the Board of Directors at a meeting held on August 8, 2016.

Fortaleza, August 8, 2016.

**The Executive Board**

**NOTE: These notes are an integral part of the financial statements.**

# **Financial Statements**

## **Banco do Nordeste do Brasil S.A.**

June 30, 2016  
with Independent Auditor's Report

## **Independent auditor's report on financial statements**

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

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, 2016 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.

### **Management's responsibility for the financial statements**

Bank management is responsible for the preparation and fair presentation of the 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Bank's financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2016, 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).

### **Other matters**

#### **Statement of Value Added**

We have also audited the statement of value added (SVA) for the six-month period ended June 30, 2016, whose presentation is required by the Brazilian Corporation Law for publicly-held companies. This statement was subject to the same audit procedures previously described and, based on our opinion, it is fairly presented, in all material respects, in relation to the overall financial statements.

São Paulo, August 8, 2016.

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

Eduardo Wellichen  
Accountant CRC-1SP184050/O-6

## **REPORT OF SUPERVISORY BOARD**

The Supervisory Board of Banco do Nordeste do Brasil S.A., exercising its legal and statutory prerogatives, examined the Management Report, the Balance Sheet, the Statements of Income, of Changes in Equity, of Cash Flows and of Value Added of Banco do Nordeste do Brasil S.A., for the six-month period ended June 30, 2016, 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 fairly present the financial position of Banco do Nordeste do Brasil S.A.

Brasília (Federal District), August 8, 2016.

**SUPERVISORY BOARD**

## SUMMARY OF THE AUDIT COMMITTEE REPORT

### 1 - Introduction

The Audit Committee is a collegiate statutory body organized on the terms of CMN Resolution No. 3198/2004, which is the regulation that establishes its prerogatives, functions and responsibilities. The internal regulation and electronic address of BNB's Audit Committee are made available on the Internet at the address [www.bnb.gov.br](http://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 aiming to ensure the mitigation of risks associated with the business of the Institution.

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, while the Internal Audit is responsible for monitoring, evaluating and assessing, independently, the quality of the Bank's internal control system and risk management.

### 2 – Activities

The Audit Committee held 14 in-person meetings in the six-month period, totaling 31 business days of joint work, in addition to individual overtime. During the period, in compliance with their attributions and responsibilities, and also observing their work plan, the Audit Committee developed their activities also through regular meetings held with the Board of Directors, Supervisory Board, Executive Board and managers of the Bank, where they had the opportunity to express their opinions and points of view on various aspects arising from the performance of their duties.

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, thus allowing the adoption of corrective actions by Management, and has improved every year. The weaknesses detected in the corporate processes and any failures in operations have not significantly affected the Bank's financial position. Management has been approving and implementing important measures aimed at improving the controls and correction of deficiencies. Nevertheless, the administrative actions for the correction of deficiencies should be taken on a timely basis to avoid negative financial, economic, reputational or other consequences. Some of the approved and implemented measures have already taken effect in the period, while other measures will require additional time to achieve their proposed results and the Bank's sustainable growth;
- b) The Internal Audit concentrated efforts in the execution of relevant works during the period, construed to be those provided for by the Annual Activities Plan, approved by the Board of Directors and the Brazilian Office of the Comptroller General ("Controladoria Geral da União"), or resulting from unforeseen and pressing events. Additional measures are required and have been implemented mainly related to process optimization and standardization that will certainly contribute to the improvement of the internal audit work and strengthening of internal controls;

c)No significant events that could threaten the effective performance, objectivity and independence of Ernst & Young Auditores Independentes S/S have been detected;

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 (Ceará State), August 8, 2016.

#### **AUDIT COMMITTEE**





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

## **Financial Statements**

**F N E**

**In thousands of reais (R\$)**

**Position at 06.30.2016**

A free translation from Portuguese into English of financial statements prepared in Brazilian currency in accordance with the accounting practices described in Notes 2, 4 and 6 to the financial statements

<b>FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE</b> <b>(Law No. 7827 of 09.27.1989)</b> <b>Balance sheets</b> <b>Six-month periods ended June 30, 2016 and 2015</b> (Amounts in R\$ thousand)							
ASSETS				LIABILITIES AND EQUITY			
		06.30.2016	06.30.2015			06.30.2016	06.30.2015
<b>CURRENT ASSETS</b>		<b>24,926,176</b>	<b>19,250,971</b>	<b>CURRENT LIABILITIES</b>		<b>40</b>	<b>28</b>
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	8,749,833	3,351,167	Other liabilities		40	28
FUNDS COMMITTED WITH LOANS		5,457,717	6,225,296	Accrued liabilities payable		40	28
AMOUNTS RECEIVABLE - CEF - EQUALIZATION OF BONUS FOR TIMELY PAYMENT - PROF		237	-				
LINKED CREDITS		2,129	3,020	<b>EQUITY</b>	(Note 4.c)	<b>63,470,927</b>	<b>56,878,253</b>
Rural Credit – PROAGRO receivable		2,129	3,020	TRANFERS FROM FEDERAL GOVERNMENT:			
ONLENDING DEBTORS		55,591	58,269	At the six-month period		3,470,289	3,520,916
Onlending Debtors – Other Institutions		55,591	58,269	In prior years/periods		61,208,063	54,813,281
LOANS	(Note 4.b.2 and Note 6)	10,651,619	9,605,095	INCOME (LOSS) FROM PRIOR YEARS		(1,315,352)	(1,348,746)
Financing		4,440,799	4,181,384	NET INCOME (LOSS) FOR THE SIX-MONTH PERIOD		107,927	(107,198)
Export financing		106,503	66,588				
Infrastructure and Development Financing		480,630	527,840				
Agribusiness Financing		244,051	271,266				
Rural Financing		6,077,282	5,240,225				
(Allowance for loan losses)		(697,646)	(682,208)				
OTHER RECEIVABLES	(Note 4.b.7)	8,795	7,918				
Rights on assets received in loans transactions		8,795	7,918				
OTHER ASSETS	(Note 4.b.8)	255	206				
PROAGRO securities		4	4				
Agrarian Debt Securities (TDAs)		251	235				
(Allowance for devaluation of securities)		-	(33)				
<b>LONG-TERM RECEIVABLES</b>		<b>38,544,791</b>	<b>37,627,310</b>				
LINKED CREDITS		1,725	4,076				
Rural Credit – PROAGRO receivable		1,725	4,076				
ONLENDING DEBTORS		2,044,836	1,839,188				
Onlending Debtors – Banco do Nordeste - Law No. 7827 – article 9, item A	(Note 8)	1,898,225	1,691,087				
Onlending Debtors - Other Institutions		146,611	148,101				
LOANS	(Note 4.b.2 and Note 6)	36,497,477	35,783,136				
Financing		18,707,533	17,757,397				
Infrastructure and Development Financing		3,840,624	4,281,047				
Agribusiness Financing		686,361	684,995				
Rural Financing		13,262,959	13,059,697				
OTHER ASSETS	(Note 4.b.8)	753	910				
Agrarian Debt Securities (TDAs)		998	1,173				
(Allowance for devaluation of securities)		(245)	(263)				
<b>TOTAL ASSETS</b>		<b>63,470,967</b>	<b>56,878,281</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>63,470,967</b>	<b>56,878,281</b>

<b>INCOME STATEMENTS</b> <b>Six-month periods ended June 30, 2016 and 2015</b> (Amounts in R\$ thousand)			
		1st half of 2016	1st half of 2015
<b>REVENUES</b>			
From loans	(Note 6.i)	638,299	649,814
From remuneration of Cash and cash equivalents	(Note 4.b.1)	788,367	462,115
From Reversal of Operating Provisions		254	5
<b>EXPENSES</b>	(Note 4.a.8)		
From management		(694,058)	(704,183)
From Pronaf-Remuneration of Financial Agent/Performance Premium		(173,122)	(151,723)
Allowances for loan losses and devaluation of securities		(451,776)	(363,191)
From Audit		(37)	(35)
<b>INCOME (LOSS) FOR THE SIX-MONTH PERIOD</b>		<b>107,927</b>	<b>(107,198)</b>

<b>STATEMENTS OF CHANGES IN EQUITY</b> <b>Six-month periods ended June 30, 2016 and 2015</b> (Amounts in R\$ thousand)				
EVENTS		TRANSFERS FROM FEDERAL GOVERNMENT	RETAINED EARNINGS (ACCUMULATED LOSSES)	Total
<b>BALANCES AT 12.31.2014</b>	(Note 7)	<b>54,813,281</b>	<b>(1,334,467)</b>	<b>53,478,814</b>
Transfers from Federal Government in the six-month period		3,520,916	-	3,520,916
Prior years' adjustments		-	(14,279)	(14,279)
Loss for the six-month period		-	(107,198)	(107,198)
<b>BALANCES at 06.30.2015</b>		<b>58,334,197</b>	<b>(1,455,944)</b>	<b>56,878,253</b>
<b>CHANGES IN THE SIX-MONTH PERIOD</b>		<b>3,520,916</b>	<b>(121,477)</b>	<b>3,399,439</b>
<b>BALANCES at 12.31.2015</b>		<b>61,208,063</b>	<b>(1,314,952)</b>	<b>59,893,111</b>
Transfers from Federal Government in the six-month period		3,470,289	-	3,470,289
Prior years' adjustments		-	(400)	(400)
Income for the six-month period		-	107,927	107,927
<b>BALANCES at 06.30.2016</b>		<b>64,678,352</b>	<b>(1,207,425)</b>	<b>63,470,927</b>
<b>CHANGES IN THE SIX-MONTH PERIOD</b>		<b>3,470,289</b>	<b>107,527</b>	<b>3,577,816</b>

# CASH FLOW STATEMENTS

Six-month periods ended June 30, 2016 and 2015

(Amounts in R\$ thousand)

	06.30.2016	06.30.2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Income (loss) for the six-month period</b>	<b>107,927</b>	<b>(107,198)</b>
<b>Non-cash expenses (revenues):</b>		
Allowance for loan losses and devaluation of securities	451,776	363,150
Reversals of Operating Provisions	(254)	(5)
Accrued liabilities payable	(20)	(23)
<b>Adjusted income for the six-month period</b>	<b>559,429</b>	<b>255,924</b>
Linked Credits	3,495	(19)
Onlending debtors	(109,312)	(78,507)
Loans	(1,039,975)	(1,898,461)
Amounts Receivable - CEF – Equalization of Bonuses for timely payment Profrota	(171)	-
Other loans	(352)	3
Other assets	207	181
Prior years' adjustments	(400)	(14,279)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(587,079)</b>	<b>(1,735,158)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Transfers from Federal Government	3,470,289	3,520,916
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,470,289</b>	<b>3,520,916</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>2,883,210</b>	<b>1,785,758</b>
<b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS:</b>		
At beginning of six-month period	11,324,340	7,790,705
At end of six-month period	14,207,550	9,576,463
<b>Increase in Cash and Cash Equivalents</b>	<b>2,883,210</b>	<b>1,785,758</b>

**NOTES TO FINANCIAL STATEMENTS**  
**Six-month periods ended June 30, 2016 and 2015**  
**Amounts expressed in thousands of reais, unless otherwise stated**

**Notes to Financial Statements – Contents**

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**NOTE 1 - History**

Fundo Constitucional de Financiamento do Nordeste - FNE was established by the Federal Constitution of 1988 (Article 159, item I, letter "c"), and is regulated by Law No. 7827 of 9.27.1989, amended by Supplementary Law No. 125 of 1.3.2007, Laws No. 9126 of 11.10.1995, No. 9808 of 7.20.1999, and No. 10177 of 1.12.2001, 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, 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 Brazilian Corporate Law, if applicable, and the regulation specifically for constitutional funds established by the Federal Government.

**NOTE 3 - Management**

Banco do Nordeste do Brasil S.A. is responsible for allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil (Banco Central do Brasil – BACEN), observing the guidelines established by the Ministry of National Integration (Ministério da Integração Nacional), reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including renegotiating and settling debts, pursuant to Articles 15-B, 15-C, and 15-D of Law No. 7827 of 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 invested cash.
- a.2) Through Resolution No. 4395, of 12.30.2014, the National Monetary Council (Conselho Monetário Nacional – CMN) defined the financial charges on financing granted with funds from FNE in the period from January 1, 2015 to June 30, 2015, which range from 4.71% to 8.83% p.a. for rural producers and their cooperatives, according to the financing modality and annual gross revenue of the producer or cooperative. For the other sectors, the established rates range from 8.24% to 14.71% p.a., according to financing purpose and annual gross revenue of the financed enterprise. Bonus for timely payment was established at 15% p.a. on these financial charges for instalments paid up to the date of maturity. Such financing charges and bonus for timely payment do not apply to borrowers based on Article 8-A of Law No. 10177 dated 1.12.2001 and

Article 15 of Law No. 12716 dated 9.21.2012 and family farmers qualifying under the National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar -PRONAF).

Through Resolution No. 4423 of 06.25.2015, the National Monetary Council (Conselho Monetário Nacional – CMN) changed 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 rates of charges for other sectors, defined in Resolution No. 4395, remain unchanged.

Under normal conditions, the financial charges at rates established by law are recorded in the Fund's proper P&L 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.

On the financial charges established by law, a 15% bonus for timely payment will be granted provided that the debt is paid by the due date. The bonus expense is recognized as the borrower pays the related charges.

Financing transactions under the National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar -PRONAF) are subject to financial charges established by the National Monetary Council, pursuant to the legislation and regulation of the Program set forth in Chapter 10 of the Rural Loan Manual of the Central Bank of Brazil (Banco Central do Brasil – BACEN).

- a.3)** Provisional Executive Order No. 2196-1 of 6.28.2001, 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;
  - For transactions contracted with a risk of 50% for Banco do Nordeste, BNB's financial (*del credere*) commission will be 3% p.a.; and
  - For transactions resulting from onlending to Banco do Nordeste, in its name and at its own risk, to grant loans, the financial (*del credere*) commission will be 6% p.a.
- a.4)** Decree No. 5818 of 6.26.2006, combined with CMN Resolution No. 3293 of 6.28.2005, established that, for Programa Nacional de Financiamento da Ampliação e Modernização da Frota Pesqueira Nacional - PROFROTA transactions with large companies, with shared risk, BNB's financial (*del credere*) commission is 2.5% p.a.
- a.5)** Administrative Ruling No. 616 of 5.16.2003, of the Ministry of National Integration (Ministério da Integração Nacional), establishes that, for onlending to institutions authorized to operate by the Central Bank of Brazil (Banco Central do Brasil – BACEN), BNB is entitled to the financial (*del credere*) commission agreed to with the institutions, observing the limit established by legislation.
- a.6)** For financing under PRONAF A, A/Microcredit B, A/C, Semiarid, Forest, -Emergency, -Flooding, -Drought, -Semiarid-Drought-2012 and Drought-2012-Costing, the Bank is not entitled to any commission, according to the legislation and regulation of the Program.
- a.7)** 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.8)** 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 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 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 Ministry of Finance and Ministry of National Integration (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 the Brazilian Integration Ministry (Ministério da Integração Nacional) Ruling No. 616 of 5.26.2003 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 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 the Central Bank of Brazil (Banco Central do Brasil – BACEN).

<b>Specification</b>	<b>06.30.2016</b>	<b>06.30.2015</b>
Cash and cash equivalents	8,749,833	3,351,167
Funds committed to loan transactions	5,457,717	6,225,296
<b>Total cash and cash equivalents</b>	<b>14,207,550</b>	<b>9,576,463</b>

- 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 renegotiation 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 debit 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 4.25.2002 and No. 11322 of 07.13.2006, Provisional Executive Order No. 2196-3 of 8.24.2001, CMN Resolution No. 2471 of 2.26.1998, of the National Family Farming Strengthening Program (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 debit balances, waivers, and maintenance or rescheduling of payment periods.
- b.5)** Law No. 12249 of 6.11.2010, provides for, in Articles 69 and 70, the remission of agricultural debts renegotiated based on Article 2 of Law No. 11322, of 7.13.2006, 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, dated 9.21.2012, authorized the Executive Branch to introduce special credit facilities 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 facility 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 facility was regulated by the National Monetary Council (Conselho Monetário Nacional), through Resolution No. 4147, dated 10.25.2012.
- b.7)** The Provisional Executive Order No. 733 of 06.14.2016 authorizes the settlement and rescheduling 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 such Provisional Executive Order.
- 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 7º of Administrative Ruling No. 11 of 12.28.2005.
- b.9)** Securities recorded under account "Other Assets" are stated at their face value, plus expected yield on each security, 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 (IRPJ) and Federal VAT (IPI) on a 10-day period basis;
- Returns and operating results; and
- Returns and results of transactions Interest paid by Banco do Nordeste on FNE's temporarily not invested cash.

**d) Tax exemption**

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

**e) Functional currency**

The 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	06.30.2016			06.30.2015		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	22,559,112	589,220	23,148,332	21,398,690	540,091	21,938,781
Export financing	105,899	604	106,503	60,179	6,409	66,588
Infrastructure and development financing	4,244,915	76,339	4,321,254	4,808,887	-	4,808,887
Agribusiness financing	851,189	79,223	930,412	877,800	78,461	956,261
Rural financing	18,408,756	931,485	19,340,241	17,482,670	817,252	18,299,922
<b>Subtotal</b>	<b>46,169,871</b>	<b>1,676,871</b>	<b>47,846,742</b>	<b>44,628,226</b>	<b>1,442,213</b>	<b>46,070,439</b>
Onlending to BNB	1,898,225	-	1,898,225	1,691,087	-	1,691,087
Onlending to other institutions	202,202	-	202,202	206,371	-	206,371
<b>Total portfolio</b>	<b>48,270,298</b>	<b>1,676,871</b>	<b>49,947,169</b>	<b>46,525,683</b>	<b>1,442,213</b>	<b>47,967,896</b>
Allowance for loan loss	(250,579)	(447,067)	(697,646)	(318,295)	(363,913)	(682,208)
<b>Total, net<sup>(1)</sup></b>	<b>48,019,719</b>	<b>1,229,804</b>	<b>49,249,523</b>	<b>46,207,388</b>	<b>1,078,300</b>	<b>47,285,688</b>

**a.2) Full risk portfolio for BNB**

Financing	06.30.2016			06.30.2015		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	7,732	922	8,654	8,438	-	8,438
Agribusiness financing	1,696	-	1,696	1,517	-	1,517
Rural financing	300,373	12,544	312,917	269,160	10,940	280,100
<b>Subtotal</b>	<b>309,801</b>	<b>13,466</b>	<b>323,267</b>	<b>279,115</b>	<b>10,940</b>	<b>290,055</b>
Onlending to BNB	1,898,225	-	1,898,225	1,691,087	-	1,691,087
Onlending to other institutions	149,421	-	149,421	155,125	-	155,125
<b>Total portfolio</b>	<b>2,357,447</b>	<b>13,466</b>	<b>2,370,913</b>	<b>2,125,327</b>	<b>10,940</b>	<b>2,136,267</b>
<b>Total, net<sup>(1)</sup></b>	<b>2,357,447</b>	<b>13,466</b>	<b>2,370,913</b>	<b>2,125,327</b>	<b>10,940</b>	<b>2,136,267</b>



### a.3) Shared risk portfolio

Financing	06.30.2016			06.30.2015		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	22,488,661	581,168	23,069,829	21,334,536	531,696	21,866,232
Export financing	105,899	604	106,503	60,179	6,409	66,588
Infrastructure and development financing	4,244,915	76,339	4,321,254	4,808,887	-	4,808,887
Agribusiness financing	784,074	72,714	856,788	810,635	72,609	883,244
Rural financing	10,595,373	549,051	11,114,424	9,911,420	424,063	10,335,483
<b>Subtotal</b>	<b>38,218,922</b>	<b>1,279,876</b>	<b>39,498,798</b>	<b>36,925,657</b>	<b>1,034,777</b>	<b>37,960,434</b>
<b>Total portfolio</b>	<b>38,218,922</b>	<b>1,279,876</b>	<b>39,498,798</b>	<b>36,925,657</b>	<b>1,034,777</b>	<b>37,960,434</b>
Allowance for loan loss	(67,952)	(278,512)	(346,464)	(44,824)	(212,851)	(257,675)
<b>Total, net<sup>(1)</sup></b>	<b>38,150,970</b>	<b>1,001,364</b>	<b>39,152,334</b>	<b>36,880,833</b>	<b>821,926</b>	<b>37,702,759</b>

### a.4) Full risk portfolio for FNE

Financing	06.30.2016			06.30.2015		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	62,719	7,130	69,849	55,716	8,373	64,089
Agribusiness financing	65,419	6,509	71,828	65,648	5,852	71,500
Rural financing	7,513,010	369,890	7,882,900	7,270,168	334,326	7,604,494
<b>Subtotal</b>	<b>7,641,148</b>	<b>383,529</b>	<b>8,024,677</b>	<b>7,391,532</b>	<b>348,551</b>	<b>7,740,083</b>
Onlending to other institutions	52,781	-	52,781	51,245	-	51,245
<b>Total portfolio</b>	<b>7,693,929</b>	<b>383,529</b>	<b>8,077,458</b>	<b>7,442,777</b>	<b>348,551</b>	<b>7,791,328</b>
Allowance for loan loss	(182,627)	(168,566)	(351,182)	(273,471)	(151,062)	(424,533)
<b>Total, net<sup>(1)</sup></b>	<b>7,511,302</b>	<b>214,974</b>	<b>7,726,276</b>	<b>7,169,306</b>	<b>197,489</b>	<b>7,366,795</b>

### a.5) Full risk portfolio for Procerá

Financing	06.30.2016			06.30.2015		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	-	-	-	-	22	22
Rural financing	-	-	-	31,922	47,923	79,845
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,922</b>	<b>47,945</b>	<b>79,867</b>
<b>Total portfolio</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,922</b>	<b>47,945</b>	<b>79,867</b>
<b>Total, net<sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,922</b>	<b>47,945</b>	<b>79,867</b>

(1) The "Normal" status took into account allowances arising from renegotiations/acquisitions and extraordinary allowance set up due to irregularities identified in operations 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 and National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar - PRONAF), as well as the provisions in 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 12/1/1998:

- in financing under Programa da Terra, the risk lies with FNE;
- in transactions under PRONAF, A, A/Microcredit, B and A/C, and Programs 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 the Central Bank of Brazil (Banco Central do Brasil-BACEN), contracted after Administrative Ruling No. 616 of 5.26.2003 becomes effective, the risk lies totally with BNB; Under referred to Administrative Ruling and under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the operator institution;
  - in the transactions addressed by Article 31 of Law No. 11775 of 9.17.2008, 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 renegotiated transaction involves this type of risk; and
  - In other transactions, the risk is 50% for FNE leaving 50% risk to the Bank, and the provisions of CMN Resolution No. 2682 of 12.21.1999 are observed.
- 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. Changes in the allowance for loan losses for the six-month are as follows:

Specification	06.30.2016	06.30.2015
<b>Allowance for loan losses at the beginning of the period</b>	<b>689,634</b>	<b>661,711</b>
. Full FNE risk	364,652	425,993
. Shared risk	324,982	235,718
<b>(+) Net allowance recognized for the six-month period</b>	<b>451,531</b>	<b>363,145</b>
<b>Expense on allowance for loan losses</b>	<b>451,531</b>	<b>363,145</b>
. Full FNE risk	174,685	155,932
. Allowance for past due payment/Renegotiations	178,039	159,964
. Allowance adjustments due to discounts	(3,354)	(4,032)
. Shared risk	276,846	207,213
. Allowance for past due payment/Renegotiations	280,378	209,778
. Adjustments of provision for operations indicating irregularities	(3,532)	(2,565)
<b>(-) Receivable written off as loss for the six-month period</b>	<b>443,519</b>	<b>342,648</b>
. Full FNE risk	188,155	157,392
. Shared risk	255,364	185,256
<b>(=) Allowance for loan losses at the end of the period</b>	<b>697,646</b>	<b>682,208</b>
. Full FNE risk	351,182	424,533
. Shared risk	346,464	257,675

- d) Under Interministerial Administrative Ruling No. 46 of 3.07.2007, an allowance for loan losses is recorded for transactions renegotiated under Law No. 11322 of 7.13.2006, 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. The amounts for the six-month are described in subaccount "Net Provision for Discount - Transactions Acquired based Law No. 11322" in the table of item "c" of this Note; 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\$ 12,599 (decrease by R\$ 15,482 at 06.30.2015), R\$ 10,867 (decrease by R\$ 13,341 at 06.30.2015) referring to full FNE risk transactions and R\$ 1,732 (decrease by R\$ 2,141 at 06.30.2015) referring to shared risk transactions. These decreases include R\$ 1,617 (decrease by R\$6,106 at 06.30.2015) arising from rebates and remissions of transactions classified under Law No. 12249 of 06.11.2010 and Law No. 12716 of 9.21.2012, including R\$1,542 (decrease by R\$ 5,742 at 06.30.2015) referring to full FNE risk transactions and R\$75 (decrease by R\$ 364 at 06.30.2015) referring to shared-risk transactions. These amounts are included in "Allowance for loan losses" in the table of 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 operating provisions"; and
  - e.2) For renegotiated FNE transactions, the allowance was reduced by R\$4,604 (R\$6,526 at 06.30.2015), including R\$3,792 (R\$5,049 at 06.30.2015) referring to full FNE risk transactions and R\$812 (R\$1,477 at 06.30.2015) referring to shared-risk transactions. These amounts include a decrease by R\$542 (R\$2,049 at 06.30.2015) arising from rebates and remissions of transactions classified under Law No. 12249 of 06.11.2010 and Law No. 12716 of 9.21.2012, including R\$485 (R\$1,780 at 06.30.2015) referring to full FNE risk transactions and R\$ 57 (R\$269 at 06.30.2015) referring to shared-risk transactions. These amounts are included in "Allowance for loan losses" in the table of item "c" of this note.
- f) At 06.30.2016, the amount of R\$46,714 (R\$15,704 at 06.30.2015) is recorded as Allowance for Loan Losses, related to an extraordinary allowance set up in the year 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 payments under Interministerial Administrative Ruling No 11 of 12.28.2005.
- g) The renegotiations documented in the period based on Law No. 11775, dated 9.17.2008, Law No. 9138, dated 11.29.1995, Law No. 10437, dated 4.25.2002 and Law No. 11322, dated 7.13.2006, Provisional Executive Order No. 2196-3 of 8.24.2001 and the remissions and rebates granted in conformity with Law No. 12249, dated 6.11.2010 and Law No. 12716, dated 9.21.2012, increased the Fund's income by R\$10,840 (R\$18,426 decrease at 06.30.2015). This effect includes costs on renegotiation 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	06.30.2016	06.30.2015
Recovery of transactions written off of assets	3,613	19,733
Expenses – bonuses and waivers	(13,762)	(68,081)
Net effect on allowances	20,989	29,922
<b>Total</b>	<b>10,840</b>	<b>(18,426)</b>

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

Specification	06.30.2016	06.30.2015
Income from loans	1,728,538	1,658,099
Expenses on BNB's financial (del credere) commission	(621,245)	(598,517)
Expenses on BNB's financial (del credere) commission from other institutions	(1,684)	(1,766)
Expenses on negative monetary restatement	(714)	(911)
Expenses on renegotiation discounts granted	(7,625)	(36,834)
Expenses on rebates/bonuses for timely payment - contracted by Banco do Nordeste	(452,781)	(358,609)
Expenses on rebates/bonuses for timely payment - onlending Law No. 7827 - Article 9 A	(4,752)	(5,251)
Expenses on rebates/bonuses for timely payment - onlending to other institutions	(979)	(946)
Expenses on principal rebates - receivables from FAT - BNDES - Law No. 10193 of 2.14.2001	(1)	-
FNE's transactions honored by BNB - rebate/recalculation - Resolutions No. 4298/4299	-	(8)
Expenses on other transactions BNB - rebate Law No. 12249 and 12844 of 6.11.2010 and 7.19.2013	(40)	(1,294)
FNE's expenses honored by the Bank - rebate Law 12249 and 12844 of 6.11.2010 and 7.19.2013	(417)	(4,149)
Write-off of excess book value - receipt of assets	(1)	-
<b>Total</b>	<b>638,299</b>	<b>649,814</b>

**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\$ 258,888 (R 187,803 in 06.30.2015), related to BNB's share of risk in transactions that were written off as loss.

**j) Renegotiation and reclassification of loans**

Law No. 11775 of 9.17.2008, established measures to encourage the settlement or renegotiation of debts from rural credit 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 the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (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 law authorized the replacement of financial charges on outstanding rural and non-rural transactions, contracted until 1.14.2001, subject to floating rates and backed with resources from FNE, by fixed rates set by legislation applicable to this type of transaction.

In the six-month period, credits were reclassified to FNE or new transactions were contracted to settle financing with funds from other sources, with full risk for the Fund, totaling R\$74 (R\$592 at 06.30.2015), under referred to law, as follows:

<b>Specification</b>	<b>06.30.2016</b>	<b>06.30.2015</b>
Article 7 (Cocoa Farming Operations in Bahia)	74	27
Article 19 (Operation whose risk lies with the Federal Government - funds from FAT)	-	13
Resolution No. 2471	-	552
<b>Total</b>	<b>74</b>	<b>592</b>

In the six-month period, credits were reclassified to FNE or new transactions were contracted to settle financing with funds from other sources, with full risk for the Bank, supported by Law No. 11775 of 09.17.2008 (R\$3,675 at 06.30.2015), as follows:

<b>Specification</b>	<b>06.30.2016</b>	<b>06.30.2015</b>
Article 31 (Mixed Funds from Other Sources/FNE's transactions)	-	3,483
Article 31 (FAT transactions)	-	192
<b>Total</b>	<b>-</b>	<b>3,675</b>

**NOTE 7 - Prior years' adjustments**

The net negative adjustment at 06.30.2016 of R\$399 (negative by R\$14,279 at 06.30.2015), refers to recalculations of charges on loan transactions.

**NOTE 8 – Onlending to BNB under article 9-A of Law No. 7827 of 9.27.1989**

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

<b>Specification</b>	<b>06.30.2016</b>	<b>06.30.2015</b>
Available funds	1,316,793	1,044,610
Applied funds	581,432	646,477
<b>Total</b>	<b>1,898,225</b>	<b>1,691,087</b>

The line “Available funds” records amounts temporarily not invested by the BNB in loan transactions, and yield at extra-market interest rate disclosed by the Central Bank of Brazil.

The line “Invested 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.

Fortaleza, August 8, 2016.

**The Executive Board**

**These notes are an integral part of the financial statements.**

## **Financial Statements**

### **Fundo Constitucional de Financiamento do Nordeste - FNE**

June 30, 2016

with independent auditor's report on financial statements

## **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.)

We have audited the accompanying financial statements of Fundo Constitucional de Financiamento do Nordeste - FNE ("Fund"), which comprise the balance sheet as at June 30, 2016, and the related statements of operations, 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.

### **Management's responsibility 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Fund's financial statements 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. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2016, its financial performance and its cash flows for the six-month period then ended, in accordance with accounting practices described in Notes 2, 4 and 6.

### **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.

São Paulo, August 8, 2016.

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

Eduardo Wellichen  
Accountant 1SP184050/O-6



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**MANAGEMENT COUNCIL:** Ricardo Soriano de Alencar (President) – Daniel de Sousa Xavier – Guilherme Mascarenhas Gonçalves – Jeferson Luis Bittencourt – Marcos Costa Holanda – Zilana Melo Ribeiro

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**SUPERVISORY BOARD:** André Proite (President) – Carlos Henrique Soares Nuto – José Mário Valle – Manuel dos Anjos Marques Teixeira – Maria Teresa Pereira Lima

**AUDIT'S COMMITTEE:** Manoel das Neves (President) – Cleber Santiago (Full Member) – José Wilkie Almeida Vieira (Full Member in exercise)

**SUPERINTENDENT:** José Jurandir Bastos Mesquita (Financial Control)

**ACCOUNTANT:** Aíla Maria Ribeiro de Almeida Medeiros – CRC-CE 007949/O-7

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