



# **FINANCIAL STATEMENTS**

**Bank and FNE**

**In thousands of Reais**

**Position as of 12.31.2012**

*Financial Statements*

**BANK**

**In thousands of Reais**

Position as of 12.31.2012

## **MANAGEMENT REPORT – 2012**

### **WORD FROM THE PRESIDENT**

In 2012, Banco do Nordeste (BNB) completed 60 years, with a significant role as the main development agent of the Brazilian Northeast region.

2012 was a challenging year for Banco do Nordeste. BNB implemented changes in various processes, including credit granting and management, seeking a higher operational effectiveness and integrated view of customer services.

Twenty key measures were set out to expand the customer and commercial portfolio, mobilization for hiring, cut down costs, and improve the Bank's productivity. Other strategies were also designed so the Bank could reach record loan transaction values, thus increasing its financial results.

The Bank's Board of Executive Officers, together with its Board of Directors, set up new service channels, effectively putting the bank closer to its customers.

In a few months, Banco do Nordeste increased by 15% its network of branches, inaugurated 27 new branches in November and December and hired 169 new employees, and also redesigned new Bank units and provided more qualification to its professionals.

Also as important achievement in 2012 built in a participatory the Bank's new vision and mission, setting out new principles and values and, based on these new pillars, BNB prepared the 2013-2016 Strategic Plan under the challenging perspective of sustainable growth, in order to become one of the five largest financial institutions in Brazil.

This strategy is shared with all members of this institution, who are aware of their important role in the Brazilian northeastern society, working with firmness of purpose, and exerting all efforts to provide high quality services and fully comply with the applicable regulations and meet the highest control, governance, ethics and transparency standards for their activities.

Accordingly, Banco do Nordeste presents the results achieved in 2012, pointing out how important are its activities for the regional sustainable growth as a profitable and competitive public bank.

Ary Joel de Abreu Lanzarin

CEO of Banco do Nordeste

### **PRESENTATION**

Banco do Nordeste do Brasil S.A. (BNB) is a multiple-service financial institution created by Federal Law No. 1649, of 07/19/1952, and organized as a publicly-held, mixed-capital company, where over 94% of its capital is held by the Federal Government. Headquartered in the City of Fortaleza, State of Ceará, the Bank mainly operates in the nine states of the Brazilian Northeast region, the Northern area and Vale do Mucuri and Vale do Jequitinhonha, State of Minas Gerais, and the Northern area of the State of Espírito Santo, providing services to 1,990 municipalities.

The operational performance of Banco do Nordeste in 2012, translated by the volume of transactions conducted, was above 5.0% in comparison with the previous year, especially for the so-called "small credit facilities". This year, the Bank exceeded its

objective of contracting R\$ 22.8 billion in 3.8 million global transactions, a number that represented an expressive 18.2% growth in comparison with 2011, reflecting the strategy adopted by the Bank to meet the needs of mini, micro and small urban and rural entrepreneurs. Long-term financing for investment totaled R\$ 12.5 billion, while supplementary short-term loans for investments totaled R\$ 9.5 billion. Capital market transactions summed up R\$ 807.2 million.

The Northeast Financing Constitutional Fund (FNE) was the most frequently used source of funds by BNB for long-term financing transactions, being responsible for R\$ 12 billion, i.e. equivalent to 95.7% of all financing transactions, thus demonstrating how important is the FNE for the Northeast region development. The amount taken out from the FNE exceeded the goal for the year by 7.4%.

Banco do Nordeste operates in the important segment of microcredit with two programs: Crediamigo and Agroamigo, for urban and rural areas, respectively. To support the productive activities of small informal entrepreneurs, the Bank carried out 3.2 million loan transactions, with global amount of R\$ 5.2 billion, representing a 39.6% growth in relation to the previous year. This amount represented 113.3% of 2012 goal for the two microcredit programs, given that Crediamigo value exceeded the annual by 13.7%, while Agroamigo exceeded the annual goal by 11.4%. Both programs are integrated with “Brasil Sem Miséria” Plan, launched by the Federal Government to increase income and welfare conditions of the Brazilian Northeast region.

Crediamigo also is a part of the Federal Government’s “Crescer” Program, in order to stimulate the productive inclusion of the extremely poor population supported by Brasil Sem Miséria Plan.

Micro and small companies carried out 88 thousand transactions involving R\$ 2.6 billion, with 27.9 thousand companies from the segment. As for family agriculture, the Bank invested R\$ 2 billion through the Family Farming Strengthening Program (PRONAF), with a 50.6% growth in relation to the previous year, exceeding by 30.8% the goal for 2012.

Banco do Nordeste had an important role in certain municipalities by declaring state of emergency or public calamity caused by drought through the Drought Emergency Program (FNE Seca), created by the Federal Government. The program’s objective is promoting the recovery or preservation of rural producers’ and entrepreneurs’ activities adversely affected by drought seasons. BNB invested R\$ 1.8 billion in 231,817 operations with FNE funds.

At the end of December 2012, the Bank’s rural credit portfolio had a balance of R\$ 18 billion, i.e. the second largest of Brazil, only behind Banco do Brasil, which includes countrywide operations. Banco do Nordeste reached the 9<sup>th</sup> position in the ranking of highest credit transactions among the largest banks in Brazil, with a balance of R\$ 46 billion, including FNE funds. It still has the majority of the region’s long-term credit balances, i.e. 65.1%. As for the short-term balance, the Bank holds 6.0%, and for rural credit it holds a 69.0% market share.

Throughout 2012, and in compliance with the Brazilian Federal Government policy, BNB cut down the interest rate of various short- and long-term credit products, thus decreasing the interest rates applied to financings granted using FNE funds.

Also as the major financial agent of the Brazilian Northeast region, Banco do Nordeste maintained its actions integrated with the Federal Government policies, aiming at improving the social and economic indicators and reducing the region’s disparities. Some of these actions are: the Bank’s support to the Growth Acceleration Program (PAC) and to 2014 World Cup.

## **2012 HIGHLIGHTS**

### **60 years of Banco do Nordeste – July 19, 2012**

Created by Law No. 1649 of July 19, 1952, Banco do Nordeste was established as a response of Getúlio Vargas' government, through the Minister of Finance, Mr. Horácio Láfer, to the damages caused by drought seasons to the Brazilian Northeast region's economy. BNB was therefore established to support development projects, especially in the so-called Drought Polygon (Polígono das Secas) region.

### **President of Brazil enacts law providing for R\$ 4 billion investment in Banco do Nordeste**

The Brazilian President enacted the conversion of Provisional Executive Order No. 564 into law, ensuring a R\$ 4 billion investment in Banco do Nordeste up to 2014. This law also determines that Banco do Nordeste shall be the preferred operator of FDNE funds. Additionally, this law sets forth that 1.5% of said funds shall be used for activities in research development and technology of regional interest.

### **Banco do Nordeste raises US\$ 300 million abroad**

The Bank issued bonds in the international market in order to raise R\$ 300 million within seven years. The funds raised were used to support transactions with companies from the Brazilian Northeast region.

### **Drought Emergency Program**

Banco do Nordeste had an important role in certain municipalities by declaring state of emergency or state of public calamity through the Drought Emergency Program (FNE Seca), created by the Federal Government. The program's objective is supporting the recovery and preservation of rural producers' and entrepreneurs' activities affected by the drought season. The Bank invested R\$ 1.8 billion in 231,817 operations with FNE funds.

### **Participative development of BNB new vision and mission**

"Support the sustainable regional development as a public, competitive and profitable Bank." This is the Bank's mission, developed with the participation of all its employees. A new vision was also defined: "Being the favorite Bank of the Brazilian Northeast region, recognized for excellence in customer service and effectiveness in promoting and sustainable development."

### **27 new branches opened in the last two months of 2012**

Banco do Nordeste inaugurated 27 new branches in November and December. The Bank's Board of Executive Officers, together with the Board of Directors, sped up the opening of new service channels, effectively putting the bank closer to its customers.

### **New employees**

The new employees strongly contributed with the opening of the Bank's branches.

### **Innovative customer service channels – "Espaço Nordeste"**

Banco do Nordeste provides a customer service channel that integrates cultural, business and citizenship actions. In 2012, the Bank inaugurated 14 Espaços Nordeste; in December it reached the number of 30 units. Until December 2012, approximately 373 thousand people participated in social and cultural events.

### **Mr. Ary Lanzarin is the new CEO of Banco do Nordeste**

The new CEO of Banco do Nordeste, Mr. Ary Joel de Abreu Lanzarin, took office on August 18. Mr. Lanzarin is a long-time employee of Banco do Brasil (BB). As BB Distribution Officer, he was responsible for micro and small companies. He was born

in the city of São Miguel do Oeste, state of Santa Catarina, and is 55 years old. He has a college degree in Executive Service Management from Faculdade de Cambury, state of Goiás, and a MBA in High Executive Qualification and Advanced Business Management Executive.

### **Crediamigo is granted the highest social rating among microcredit institutions**

The credit rating agency *Planet Rating* granted Crediamigo the highest social rating among the world's microcredit institutions. The Bank also was granted a financial rating compatible with the best microcredit agencies. The report considered that Crediamigo is at an advanced stage and is strongly committed with social goals.

### **Agroamigo achieved the first place in “Excellence – Best in Products and Services for Financial Inclusion” category**

One of the most renowned awards in Brazil, the VIII Banking Report Award (Prêmio Relatório Bancário), granted Agroamigo the first place in “Excellence – Best in Products and Services for Financial Inclusion” category. As the largest South American rural microcredit program, Agroamigo was responsible for the financial inclusion of over 270 thousand family farmers. The program enabled family farmers to open up checking and savings accounts and have debit card.

### **Bank Products and Services**

As for the Bank for All (Banco Para Todos) program, Banco do Nordeste opened up 600 thousand simplified accounts, exceeding by 60% the Federal Government's goal to open up 375 thousand new checking accounts over 2012.

## **OPERATIONAL PERFORMANCE**

### **Global Operations**

Banco do Nordeste global operations in 2012 totaled R\$ 22.8 billion, i.e. a 5.0% increase in relation to 2011, with a total of 3.8 million operations, i.e. a 18.2% increase. Contracted loans grew by 4.6%, provided that R\$ 12.5 billion refers to long-term financing targeted for investment and R\$ 9.5 billion refers to short-term loans, equivalent to a 5.4% and 3.5% growth, respectively.

#### **OVERALL CREDIT OPERATIONS (R\$ thousand)**

Type	2011		2012		Variation (Value)
	Number	Value	Number	Value	
Credit contracted	3.256.395	21.054,0	3.849.853	22.016,8	4,6%
Long-term <sup>(1)</sup>	444.666	11.868,5	514.955	12.510,3	5,4%
Short-term <sup>(2)</sup>	2.811.729	9.185,5	3.334.898	9.506,5	3,5%
Capital market	5	689,0	4	807,2	17,2%
FDNE Disbursements <sup>(3)</sup> – Risk	1	11,7	2	9,2	(21,9%)
<b>Total</b>	<b>3.256.401</b>	<b>21.754,7</b>	<b>3.849.859</b>	<b>22.833,2</b>	<b>5,0%</b>

(1) Rural, manufacturing, agribusiness, infrastructure and trade/service financing;

(2) Microcredit loans (Crediamigo), Direct Consumer Credit (CDC), working capital loans, factoring, foreign exchange and secured accounts;

(3) FDNE: Northeast Development Fund.

In breakdown by size, we highlight “credit to small entrepreneurs”, with 51.2% of the funds and amounting to R\$ 11.7 billion. The Bank's emphasis to mini, micro and small urban and rural entrepreneurs reinforces its role as a regional supporting entity.

In 2012, the Bank's support to Micro and Small Companies (MPE) had 0.3% growth in comparison with 2011, with an investment of approximately R\$ 2.6 billion. Family agriculture loans in 2012 amounts to R\$ 2.0 billion, representing a 50.6% increase in relation to 2011.

Banco do Nordeste microcredit operations grew 39.6% in the year, with investment of R\$ 5.2 billion, of which R\$ 4.3 billion was allocated to urban microcredit and R\$ 916.4 million to rural microcredit.

**PERFORMANCE OF CERTAIN PROGRAMS AND SEGMENTS (R\$ million)**

Program / Segment	2011	2012	Variation
Micro and small companies (MPE)	2.569,5	2.576,1	0,3%
Family farming (PRONAF)	1.349,1	2.032,2	50,6%
BNB microcredit	3.751,0	5.236,6	39,6%
Urban (Crediamigo program)	2.975,9	4.320,2	45,2%
Rural (Agroamigo program)	775,1	916,4	18,2%

In 2012, Banco do Nordeste met the goals for almost all segments. With the R\$ 12 billion in loans contracted, FNE reached 107.4% of the goal, while the microcredit (Crediamigo and Agroamigo) reached 113.3%. Family agriculture was the best performing segment, with a realized value representing 130.8% of the goal for the year.

**LENDING GOALS FOR 2012 (R\$ million)**

Variable	Realized	Goal	Realized / Goal
Northeast Financing Constitutional Fund (FNE)	11.970,2	11.150,0	107,4%
Micro and small companies (MPE)	2.576,1	3.000,0	85,9%
Family farming (PRONAF)	2.032,2	1.554,0	130,8%
BNB microcredit	5.236,6	4.622,8	113,3%
Urban (Crediamigo program)	4.320,2	3.800,0	113,7%
Rural (Agroamigo program)	916,4	822,8	111,4%

Loan transactions per economic segment presented grew in rural, manufacturing and commercial/services segments. The manufacturing segment presented the highest growth (21.7%), followed by the rural segment (12.3%). The commercial/services segment had a 10.2% increase and represented 46.8% of the loan transactions in 2012.

**CONTRACTED CREDIT OPERATIONS BY INDUSTRY (R\$ million)**

Setor	2011	2012	Varição
Rural	4.686,6	5.262,9	12,3%
manufacturing	5.041,1	6.133,8	21,7%
Infrastructure	1.977,0	312,5	(84,2%)
Trade/Services <sup>(1)</sup>	9.349,3	10.307,6	10,2%
<b>Total</b>	<b>21.054,0</b>	<b>22.016,8</b>	<b>4,6%</b>

(1) Includes microcredit loans (Crediamigo).

The FNE was responsible for 95.7% of the long-term financing granted in 2012, totaling R\$ 12 billion and representing a 7.9% growth in relation to year 2011.

**LONG-TERM FINANCING PER SOURCE (R\$ million)**

Source	2011	2012	Variation
Northeast Financing Constitutional Fund (FNE)	11.090,7	11.970,2	7,9%
Agribusiness Credit Bills (LCA)	294,9	252,7	(14,3%)
Internal Resources (Recin)	198,2	137,8	(30,5%)
Brazilian Development Bank (BNDES)	117,6	90,5	(23,0%)
Rural savings account	67,9	14,8	(78,2%)
Land and Agrarian Reform Funds	52,9	27,3	(48,4%)
Workers' Assistance Fund (FAT)	27,5	13,8	(49,8%)
Other	18,8	3,2	(83,0%)
<b>Total</b>	<b>11.868,5</b>	<b>12.510,3</b>	<b>5,4%</b>

BNB operates with short-term working capital transactions, discount bonds, guaranteed accounts and foreign exchange operations. The Bank contracted R\$ 9.5 billion in short-term transactions in 2012, representing a 3.5% increase in relation to 2011, with CDC, Working Capital and Crediamigo products presenting expansion.

### **Northeast Financing Constitutional Fund (FNE)**

In 2012, total FNE investments was R\$ 11,970.2 million.

#### **FNE – LOAN TRANSACTION CONTRACTED (R\$ million)**

<b>Fonte</b>	<b>2011</b>	<b>2012</b>	<b>Variation</b>
<b>Northeast Financing Constitutional Fund (FNE)</b>	<b>11.090,7</b>	<b>11.970,2</b>	<b>7,9%</b>

### **Ranking of Banks per Loan Transactions**

BNB portfolio totals R\$ 45.9 billion, including the FNE credit portfolio managed by the Bank, which amounts to R\$ 34.8 billion. Therefore BNB maintained the 9<sup>th</sup> position in the ranking of loan transaction balances of the largest Banks in Brazil, according to the latest report disclosed by the Brazilian Central Bank (BACEN).

#### **TOP-10 LARGEST BANKS IN BRAZIL PER LOAN TRANSACTION BALANCE – SEPTEMBER 2012 (R\$ million)**

<b>Ranking/Bank</b>	<b>Balance</b>	<b>Ranking/Bank</b>	<b>Balance</b>
1 BB	447.862,3	11 BANRISUL	22.666,8
2 CEF	324.498,8	12 VOLKSWAGEN	20.922,4
3 ITAÚ	308.825,9	13 BMG	16.094,8
4 BRADESCO	253.962,7	14 CITIBANK	13.643,2
5 BNDES	232.191,3	15 BASA (with FNO)	13.629,8
6 SANTANDER	182.510,0	16 BIC	10.286,7
7 VOTORANTIM	54.844,7	17 PANAMERICANO	9.037,0
8 HSBC	47.873,7	18 MERCEDES-BENZ	8.510,1
<b>9 Banco do Nordeste (with FNE)</b>	<b>45.993,1</b>	19 BANSICREDI	8.177,3
10 SAFRA	41.514,9	20 MERCANTIL DO BRASIL	7.794,7

Source: SISBACEN

## **CREDIT BUSINESS SEGMENTS**

### **Urban Microcredit (Crediamigo)**

Crediamigo is the Oriented Productive Microcredit Program of Banco do Nordeste which facilitates the access to credit by thousands of urban entrepreneurs. The loans granted support the development of activities related to production, trade of goods and provision of services, improving the national economy and improving the quality of life of thousands of Brazilian families.

In 2012, Banco do Nordeste granted R\$ 4.3 billion in loans, representing a 44% growth in relation to 2011 amounts. The 2,844,021 loan transactions represent a 26.6% growth. The number of active customers grew by 30%, reaching the mark of 1,360,170 customers as of December 31, of which 1,171,619 are benefited by “Crescer” Program, a strategy of the Federal Government’s “Brasil Sem Miséria” Plan.

The active portfolio grew 41.4% in relation to 2011, and at the end of 2012, it reached the balance of R\$ 1.6 billion.



### CREDIAMIGO PROGRAM – RESULTS

Variable	2011	2012	Variation
Number of operations	2.246.905	2.844.021	26,6%
Contracted value (R\$ million)	2.975,9	4.320,2	45,2%
Average contracted value (R\$ 1.00)	1.324,43	1.519,04	14,7%
Daily average contractions	8.952	11.285	26,1%
Active customers	1.046.062	1.360.170	30,0%
Active portfolio (R\$ million)	1.144,9	1.619,9	41,4%
Points of service	381	413	8,5%
Municipalities served	1.878	1.992	6,1%

At the end of 2012, loan default level was 0.69%, i.e. the lowest since the launching of Crediamigo program.

Crediamigo was available in 1,992 Brazilian municipalities through a network of 413 service points.

In addition to credit and banking inclusion, the program provides entrepreneurial and environmental guidance to its clients, providing information and knowledge.

Crediamigo was certified in the segment of microcredit through financial and social rating reports prepared by the credit rating agency Planet Rating. The ratings granted by Planet Rating are among the highest of microcredit programs, and the social assessment granted the program the highest rating ever reached by a financial institution in the world.

#### **Rural Microcredit (Agroamigo)**

Agroamigo, launched in 2005, is the Brazilian largest rural microcredit program and is focused on improving the economic and social profile of family farmers under PRONAF B Group.

By adopting a methodology developed by BNB, adapted to the conditions of the rural segment – the main characteristic of which is full customer service with a strong presence of the Microcredit Advisor in rural communities –, the program supports the development of agricultural and non-agricultural activities.

In 2012, the program carried out 375,088 transactions in all Bank's area of operation, corresponding to an amount of R\$ 916.4 million. Currently, women represent 47% of the active Agroamigo customers.

Agroamigo is provided in 160 branches of the Bank, available to 1,945 municipalities, i.e. 97.7% of all municipalities covered by BNB branches.

Agroamigo is also focused on financial inclusion and environmental awareness of micro-entrepreneurs. Over 354 thousand farmers benefited by the program already have BNB checking/savings account.

In 2012, the main achievements of Banco do Nordeste for Agroamigo aimed at consolidating its institutional image and managerial improvement, with emphasis to:

- § International Seminar on Microcredit held in Salvador (BA), attended by 350 participants from various countries;
- § Presentation of Agroamigo in the International Microcredit Seminar held in Peru;
- § Research on Agroamigo social and economical impact on local economies performed by São Paulo University (USP), announced through the release of

the book “Cinco anos de Agroamigo”. Picture of the public and effect of the program, audited by Ricardo Abramovay;

- § Events held in the cities covered by the Bank in order to develop customer loyalty, approaching subjects such as the International Women’s Day and Mother’s Day, and also to perform emergency actions against drought season and regularization of debts;
- § Implementation of the pilot project for expansion of Agroamigo for transactions of up to R\$ 15,000.00 for other PRONAF groups;
- § Creation and distribution of Agroamigo card for withdrawal of funds, and Bank inclusion actions;
- § Banking Report Award reached the 1<sup>st</sup> place in category Excellence – Best in Products and Services for Financial Inclusion; and
- § 180 client empowerment events, approaching financial and environment education, attended by 15,936 farmers.

### **Family farming (PRONAF)**

PRONAF is a Federal Government program to support the family farming segment. In the Brazilian Northeast region, this segment represents 92.7% of the rural establishments, corresponding to 2.2 million family establishments and 6.8 million farmers.

Banco do Nordeste is the main PRONAF financial agent, with an active portfolio of R\$ 5.3 billion, corresponding to 1.3 million transactions.

In 2012, BNB carried out 467,899 loan transactions with low-income customers, especially family farmers, totaling R\$ 2.0 billion, given that 66% of the financing granted were for farmers from the semiarid region. Compared with 2011, the amount of transactions had a 50.6% increase.

Of the referred to transactions, 81.1% were for family farmers affected by the Northeastern 2012 drought season. 217.6 thousand transactions were carried out – equivalent to R\$ 1.1 billion, thus directly contributing to mitigate the climatic effects which passes the Region.

#### **PRONAF – LANDING BY MODALITY IN 2012 (R\$ million)**

<b>Modality</b>	<b>Number</b>	<b>Value</b>
Pronaf A	3.101	59,3
Pronaf AC	979	3,9
Pronaf B	227.107	549,6
Pronaf B – 2012 Drought Special Line	148.366	367,6
Pronaf Variable Income	8.254	82,4
Pronaf – Mais-Alimento	6.458	165,6
Semiarid	2.551	25,8
Woman	400	4,6
Youth	47	0,4
Forest	124	1,9
Pronaf Eco	35	0,8
Pronaf – 2012 Dought Special Line	69.269	764,4
Pronaf C	866	2,7
Agribusiness	8	0,2
Procir – Pronaf (Law No. 12716/2012)	334	3,0
<b>Total</b>	<b>467.899</b>	<b>2.032,2</b>

In order to maintain the good quality of services provided to farmers, the Bank implemented various actions in 2012, among which we highlight the following:

- § Credit support to farmers affected by drought in the Northeast region in 2012, through the Special Investment Credit Lines and PRONAF funding;
- § Renegotiation of transactions for farmers adversely affected by drought;
- § Opening of 295,648 checking accounts; and
- § Agreement with the Agricultural Development Ministry (MDA) for qualification of 4,310 youths, to be supported with rural microcredit.

By means of the Eradication of Rural Poverty (CPR) and Family Farming Consolidation (CAF) programs, members of the National Land Credit Program, Banco do Nordeste finances the acquisition of rural properties by nonproprietary family farmers or farmers with no access to land.

The CPR program encompasses two subprojects: the Land Acquisition Subproject (SAT), which finances the acquisition of rural real estate, and the Community Investment Subproject (SIC), which finances – on a non-reimbursable basis – the supplementary community investments. CAF program finances the acquisition of rural properties including their existent improvements, and also invests in basic and productive infrastructure.

In 2012, R\$ 50.6 million were contracted by the CPR program for SAT, SIC and CAF projects.

### **Mini and Small Farmers**

Banco do Nordeste provides services to mini and small farmers in order to strengthen the regional economy and mitigate the poverty in agricultural areas. Integrated with the public policies in various government spheres, BNB promotes the financial and social inclusion, improvement of customers' income, expansion and diversification of competition and development of the region's economy.

As for the rural segment, Banco do Nordeste goes beyond the financial services, as credit provider for investments and cost. As a regional development institution, the Bank's policies are focused on combining market, technologic, scientific, organizational and environmental aspects.

For this segment, BNB priority is enabling rural properties to have a productive infrastructure. To accomplish this, BNB finances mini and small farmers through various financing programs, in order to meet their needs - ranging from the purchase of raw material up to the sale of their production.

At the end of 2012, BNB active portfolio includes 138 thousand customers, with an active balance of R\$ 5.8 billion. 14,428 rural loans were taken out by mini and small farmers, totaling R\$ 928.7 million.

### **Micro and Small Companies (MPEs)**

In 2012, Banco do Nordeste provided R\$ 2.6 billion for small and micro companies through short- and long-term credit facilities. 27,852 micro and small companies were benefited through 88,280 loan transactions.

### **Enterprise Business**

The enterprise business segment includes small, medium and large customers. This segment includes rural producers, with gross income above R\$ 3.6 million, and companies with annual income ranging from R\$ 3.6 million to R\$ 200 million.

The Bank also operates in the corporate segment, which includes customers with income above R\$ 200 million.

In 2012, transactions totaling approximately R\$ 11,129.1 million were carried out with customers from these segments.

### **Transactions with government and individuals customers**

Government customers are represented by direct and indirect public administration members with all the respective bodies, except for Indirect Public Administration companies, i.e. the so-called “non-dependent” companies, according to the legislation in force.

The active portfolio of loans and the amount of funds raised reached, respectively, R\$ 1.5 billion and R\$ 1.1 billion, with 1,964 registered customers.

As for Individuals segments, individuals linked to establishments financed by the Bank receive priority services.

## **BANKING AND FINANCIAL BUSINESS**

### **Support to the Growth Acceleration Program (PAC) and 2014 World Cup**

Banco do Nordeste fully complies with the Federal Government guidelines in order to support PAC and 2014 World Cup projects.

In 2012, BNB invested R\$ 308.3 million in 2014 World Cup and PAC projects.

### **Commercial Credit Business**

Commercial loans, supplementary to investments and including Direct Credit to Consumer (CDC), Working Capital, Bonds Discount and Guaranteed Accounts, totaled R\$ 4.2 billion in 2012.

#### **CONTRACTED COMMERCIAL LOANS IN 2012 (R\$ million)**

<b>Product</b>	<b>Value</b>
Consumer Direct Credit (CDC) and Working Capital	2.281,9
Discount	768,3
Guaranteed accounts	1.109,9
<b>Total</b>	<b>4.160,1</b>

Within the context of modernization of commercial credit business supporting tools, in 2012, a new simpler, quicker and safer system for CDC and Overdraft Facilities for individuals was implemented.

### **International Trade and Foreign Exchange**

All foreign exchange transactions totaled R\$ 5.1 billion. This Advances on Exchange Contracts amount was 3.7% higher than the R\$ 4.9 billion for 2011, with emphasis to ACC/ACE, totaling R\$ 1.2 billion in 2012.

With the foreign exchange and international trade transactions, Banco do Nordeste provides support for companies from the Northeast region to access the international market fulfilling its developmental role.

### **Credit Recovery**

In 2012, 274,309 written off loss or past due transactions for at least 61 days were regulated at their respective renegotiation dates. These transactions amount to R\$ 1.3 billion, given that R\$ 369.1 million was paid in cash.

Of the total amount recovered, R\$ 516.5 million correspond to regularization of transactions with PRONAF customers and R\$ 828.6 million correspond to transactions with non-PRONAF customers. With the FNE, R\$ 1,023.8 million were regularized.

## **Bank Products and Services**

As for the Bank for All (Banco Para Todos) program, Banco do Nordeste opened up 600 thousand simplified accounts, exceeding by 60% the Federal Government's goal of opening up 375 thousand new checking accounts in 2012.

In order to expand BNB portfolio of products and services to micro-entrepreneurs, the Bank granted over one million debit cards, thus enabling these customers to purchase raw materials for production activities.

Banco do Nordeste launched "Seguro de Vida do Agricultor Familiar", insurance product with accessible prices and specific conditions as part of BNB strategy for sale of microinsurance credit, for both urban and rural customers – over three million policies were contracted in 2012.

At the end of the year, the Bank's ATMs started providing deposit services.

## **Capital Market**

Banco do Nordeste supports Northeastern companies by providing access and capital market instruments, complementing and strengthening the Bank's development regional activities. These measures improve the Bank's visibility and support companies from the Brazilian Northeast region to diversify their portfolios, increase their income and generate a virtuous circle that benefits the Brazilian Northeast region.

## **Fixed Income Transactions**

Until 2012, the Bank participated in the structuring, coordination and distribution of public issues of fixed income securities, amounting to R\$ 2.7 billion.

We also highlight the Bank's participation in consortiums of banks, where it coordinated the first public issuance of Fixed Income Novo Mercado debentures, causing a major repercussion in the specialized communication means.

## **Fund raising**

Banco do Nordeste intensified its fundraising activities, with a higher volume of term deposits, interbank deposits for microcredit transactions (DIM) and savings account deposits. In order to raise the necessary funds meet the Northeastern companies' working capital needs, the Bank increased the volume of term deposits, amounting to R\$ 1.7 billion in 2012. The current volume of funds totals R\$ 6.2 billion.

Interbank Deposits linked to Microcredit (DIM) transactions reached the amount of R\$ 578 million. The improvement in this modality's conditions enabled BNB to cut down interest rates applied to final users of Crediamigo program.

## **Reinvestment Deposits**

In 2012, Banco do Nordeste raised R\$ 134.7 million in Reinvestment Deposits, a modality which – supported by tax benefits – enables SUDENE-assisted companies to invest a portion of their Corporate Income Tax in modernization or equipment-acquisition projects. The amount raised by the Bank corresponds to 73.8% of the amount for 2011. At December 31, 2012, the approximate amount of BNB Deposits for Reinvestment was R\$ 401.8 million.

## **Investments Funds**

In 2012, Banco do Nordeste administered 20 investment funds, 12 of which were for retail market customers, two exclusively for the public sector and six for exclusive investors.

At the end of 2012, equity funds totaled R\$ 3.9 billion, representing a 13.4% increase in relation to the end of 2011. Of the total equity, R\$ 2.4 billion refers to exclusive funds, R\$ 1.5 billion refers to retail market and public sector funds.

INVESTMENT FUNDS – EQUITY (R\$ million)			
Funds	12/31/2011	12/31/2012	Variation
Retail Market and Public Sector	1.228,9	1.489,1	21,2%
Exclusives	2.218,3	2.419,7	9,1%
<b>Total</b>	<b>3.447,2</b>	<b>3.908,8</b>	<b>13,4%</b>

### **Northeast Investment Fund (FINOR)**

At the end of December 2012, FINOR net worth amounted to R\$ 391 million. The average for the year was R\$ 407.5 million, computed based on the daily equity amount.

Compared with the amount at the end of 2011, FINOR net worth grew 4.6%. in the year 2012, the inflow of funds was R\$ 144.1 million, from options to the FINOR tax grants for years 2000 to 2008; these funds were transferred by the Brazilian Treasury Office (STN). These investments enabled the processing of orders issuance of shares for the year 2008 in the amount of R\$ 156.4 million, as well as additional orders for that year and from previous years, amounting to R\$ 110.7 million.

### **Private Equity Funds**

In 2012, Banco do Nordeste maintained its position in the three Private Equity Funds with a committed amount of R\$ 51.4 million, as follows:

- § CRIATEC – Fund for Investment in Emerging Companies: this is a partnership between Banco do Nordeste and the Brazilian Development Bank (BNDES), to benefit emerging innovative companies, especially within the IT, Biotechnology, New Materials, Nanotechnology and Agribusiness fields. The Fund invests in companies and provide them with adequate managerial support so that they have capital gains and other sources of income. In 2008, the Bank became a Fund's shareholder, investing R\$ 20.0 million, equivalent to 20% of Criatec equity, while BNDES holds 80%.
- § Nordeste Empreendedor – Mutual Investment Fund for Emerging Companies: this was the first risk capital fund created and approved for the Northeast region and made investments in seven companies of said region. Banco do Nordeste holds 43.6% of the Fund's equity; and
- § Brasil Agronegócio – Private Equity Fund: it started operating in 2012 and invests solely in companies which develop or invest in the Brazilian agribusiness segment. Banco do Nordest holds 2.6% of this Fund's equity and participated as share distributor.

## **ECONOMIC AND FINANCIAL INDICATORS**

### **Total Assets**

At the end of 2012, BNB total assets grew 20.6% in relation to the end of 2011, considering that the total asset balance of FNE grew 13.5%.

### **Results**

Net income for 2012 was R\$ 508.4 million, i.e. a 61.5% growth in relation to the previous year (R\$ 314.8 million). Net earnings per share for December 31, 2012 was R\$ 5.84; at December 31, 2011 it was R\$ 3.62.

The average equity profitability grew from 13.57% p.a. in 2011 to 20.26% p.a. in 2012.

## **International and Local Risk Assessment – Rating**

In 2012, the three major international credit rating agencies confirmed the ratings granted to Banco do Nordeste.

Moody's Investors Service confirmed the investment level at global scale. Since 2011, the agency increased Banco do Nordeste rating to 'Baa2' for long-term foreign currency deposits and 'Prime-2' for short-term foreign currency deposits. As for national scale, the agency maintained the 'Aaa.br' rating for long-term and 'BR-1' for short-term deposits. All ratings have a stable perspective.

Fitch confirmed the global scale investment level, where both foreign and local currency long-term Issuer Default Ratings (IDRs) maintained the 'BBB' rating, with a stable perspective. The rating of short-term foreign and local currency IDRs was 'F2'. The national long- and short-term rating was 'AAA(bra)' and 'F1+(bra)', respectively. According to the agency, this rating reflects how important is BNB for the development of the Brazilian Northeast region.

Standard & Poor's reasserted BNB's global investment grade in foreign currency, and granted the rating 'BBB/Stable/A-2'. For local currency, the rating was 'brAAA', also Stable. In April 2012, Standard & Poor's raised the Bank's individual credit profile rating from "BBB-" to "BBB". According to said credit rating agency, the Bank's ratings reflect its importance for the public policies of the Brazilian Northeast region and the support provided by its controlling shareholder, the Federal Government.

## **Convergence with International Accounting Standards**

In 2011, Banco do Nordeste started disclosing its yearly financial statements according to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB). As for financial institutions, IASB standards are mandatory in Brazil solely for disclosure of consolidated financial statements; whereas individual financial statements may not observe said standards.

## **TECHNICAL OFFICE OF ECONOMIC STUDIES FOR THE NORTHEAST (ETENE)**

### **ETENE**

Banco do Nordeste structure encompasses the Technical Office of Economic Studies for the Northeast (ETENE), whose responsibilities include the preparation, disclosure and development of technical and scientific knowledge supporting the BNB actions in this segment, with a focus on sustainable development.

In 2012, 38 books were published under the categories Theses and Dissertations, ETENE documents, BNB Science and Technology Series, Northeast Economic Magazine (REN), BNB Economic Scenario Magazine, among others.

ETENE organized and coordinated the XVIII BNB Development Forum and the XVII Economy Regional Meeting "60 YEARS OF DEVELOPMENT", in order to involve academics, entrepreneurs and politics in relevant issues for the region's development.

### **Analyses and Researches**

ETENE conducted the following analyses and researches in 2012:

- § BNB Economic Scenario Magazine;
- § Monthly Scenario Bulletin;
- § The role of Equitable Allocation of National Healthcare system SUS Funds;
- § IBGE Regional Accounts Analysis – 2009;
- § "Tourism in Northeast Region Report – 2011";

- § Limits, Opportunities and Strategic Positioning for Mango Production in Emerging Areas;
- § Wood-Consuming Segments: current market aspects and eucalyptus potential;
- § Family agriculture percentage in the Brazilian Northeast region's GDP;
- § Northeast Region's Family Agriculture: comparative analyses between two agricultural census; and
- § Beef Cattle Production in the Brazilian Northeast Region.

### **Evaluation of Policies and Programs**

The following reports were prepared in 2012:

- § 2011 FNE Results and Impacts;
- § 2012 FNE Results and Impacts Report – First Six-Month Period;
- § 2011 FNE Management Report;
- § 2011 PRONAF Report;
- § Assessment of Impacts of Banco do Nordeste and Northeast Financing Constitutional Fund (FNE) on Jobs Generation in the Brazilian Northeast Region – 2000 to 2007;
- § Assessment of Impacts of Banco do Nordeste and Northeast Financing Constitutional Fund (FNE) on Jobs Generation in the Brazilian Northeast Region – 2000 to 2008;
- § Five Year of Agroamigo: public picture and program's effects;
- § Assessment of Macroeconomic Impacts of the Programs Financed by the Northeast Financing Constitutional Fund (FNE); and
- § Rural FNE Assessment.

### **Scientific, Technological and Development Funds**

Recognizing the importance of the researches focused on the Brazilian Northeast region's potential and competences, the 59<sup>th</sup> General Shareholders' Ordinary Meeting approved the investment of R\$ 20.2 million in the Science and Technology Development Fund (FUNDECI), R\$ 6.5 million in the Northeast Socioeconomic Activities Support Fund (FASE) and R\$ 8.5 million in the Regional Development Fund (FDR) for 2012. With the funds invested in previous years and those invested in 2012, Banco do Nordeste allocated R\$ 35.8 million in 609 projects through FUNDECI, FASE and FDR.

#### **Science and Technology Development Fund (FUNDECI)**

Established in 1971, FUNDECI pioneered the promotion of research and dissemination of technologies focused on productive activities the area where Banco do Nordeste operates, contributing to overcome bottlenecks and mitigate the Bank's financial risk. Since its establishment, its goal has been the development, validation and dissemination of technologies compatible with the regional peculiarities, especially the semiarid region, considering the economic, social and cultural aspects of the productive sector.

In 2012, the Bank invested R\$ 22.9 million in 393 projects, with emphasis to the following activities: Agriculture, Cattle Husbandry and Agribusiness.

Among FUNDECI activities for 2012, we highlight the following: Disclosure and Preliminary Analysis of 01/2012 Notice - Support Program for Preparation of Theses and Dissertations and Technical / Financial Assessments. We emphasize the



inspected agreements with Paraíba State Company for Agricultural Research (EMEPA), Rio Grande do Norte State Company for Agricultural Research (EMPARN) and Universidade Federal Rural do Semiárido (UFERSA), located in the states of Paraíba and Rio Grande do Norte.

As for the projects supported by FUNDECI in 2012, we highlight the following:

- § Implementation of observation units for technical assessment of temperate and tropical cultures in the irrigated areas of Ceará state, amounting to R\$ 190,000.00; and
- § Test and selection of species for the furniture industry of the city of Marco (CE), amounting to R\$ 97,184.00.

### **Northeast Socioeconomic Activities Support Fund (FASE)**

Established on February 21, 1980 by Resolution No. 3666 of BNB Board of Executive Officers, FASE aims to finance projects and socio-economic researches in the Brazilian Northeast region, as well to provide technical and managerial support for the region's small and medium enterprises. In 2012, R\$ 8.5 million were invested in 136 projects.

Among the projects supported by FASE in 2012, we highlight:

- § XVII Regional Economic Meeting, held in the city of Fortaleza, amounting to R\$ 89,400.00;
- § 1<sup>st</sup> Intensive Training on Planning, Implementation, Operation and Promotion of Export Processing Zones - ZPEs, held in the city of Fortaleza, amounting to R\$ 69,750.00.

### **Regional Development Fund (FDR)**

FDR was created by the Federal Government Decree No. 94385 of May 28, 1987, in order to support programs and projects providing credit, technical or social assistance to production activities in the segments where Banco do Nordeste operates.

In 2012, R\$ 4.4 million were invested in 80 projects from the following thematic areas: professional empowerment; solidarity economy; local development and environment; coexistence with the semi-arid regions; culture; and citizenship.

We highlight the following projects supported by FDR in 2012:

- § Agroecology and Revenue: Strengthening Local Productive Systems of Araripe Hinterland, in the municipalities of Ouricuri (PE), Bodocó (PE) and Ipubi (PE), amounting to R\$ 100,000.00 and
- § Seed, Semi-arid Food Security, in the municipalities of Itapipoca, Trairi and Irauçuba, in the state of Ceará, amounting to R\$ 49,600.00.

## **STRATEGIC MANAGEMENT**

### **Human Development**

At the end of 2012, Banco do Nordeste had 6,169 employees: 335 with intermediate education scholarships, 447 with higher education scholarships and 160 young apprentices. BNB aims to provide technical and professional qualification for these adolescents, in accordance with the Professional Apprenticeship Law No. 10097.

As for the achievements of employee's salary, 2012 was a milestone with the execution of the 2012/2013 Collective Bargaining Agreement, together with other banks.

In 2012, BNB also implemented the electronic timecard system, which is an important tool – both for the Bank, and especially for the employees – to control the professionals' working hours.

The Formal Education program offered 275 new opportunities, of which 85 are for degree programs, 172 for specialization and MBA programs, 15 for masters and 3 for doctorate programs.

The Bank provided 22,189 training opportunities, of which 10,797 (49%) are for classroom training and 11,392 (51%) distance learning trainings, benefiting 61% of the Bank's employees.

In order to meet the Brazilian Central Bank (BACEN) through the National Association of Financial Market Institutions (ANBIMA), Banco do Nordeste has 2,229 employees with CPA-10 Financial Certification and 306 employees with CPA-20 Financial Certification.

In 2012, the Bank qualified 99% of its employees according to BACEN Money Laundering Combat and Prevention (PLD) requirements.

To achieve these objectives, Banco do Nordeste's Corporate University has been seeking partnerships with educational entities and institutions in order to enable the vertical integration of knowledge in strategic segments for the Bank's operations. The majority of these educational institutions are benchmark entities in the Brazilian and international market, such as: Fundação Getúlio Vargas (FGV), Instituto Brasileiro de Mercado de Capitais (IBMEC), Amana-Key, Fundação Instituto de Administração (FIA/USP), among others.

## **Planning**

In 2012, Banco do Nordeste's Strategic Planning for 2013-2016 period was approved, with a new mission, vision, new values, strategic objectives and strategies which will guide BNB within the following years, with the participation of all the Bank's employees and also the construction of the 2013 Action Plan for BNB's branches network.

## **Marketing**

In 2012, we highlight the achievement of strategic actions with regard to brand management, customer satisfaction, customer service management, analyses on the economic and financial feasibility to open up new branches and implement "Espaço Nordeste" units, as well as to conduct other researches.

### Brand

In 2012, BNB took important steps towards brand consolidation: "A multiple-service financial institution which, with its core development, culture and business is partner in important moments of the life of people from the Brazilian Northeast region."

For the fifth consecutive year, BNB is among the Global 500 Banking Brands Index, which includes the most valuable publicly-traded bank brands. In 2012, Banco do Nordeste hiked up 29 positions in relation to the prior year edition, reaching the 304<sup>th</sup> place worldwide and the 7<sup>th</sup> place among the Brazilian Banks. Since the first time the Bank figured in this ranking, it hiked up 151 positions.

Banco do Nordeste brand estimated value grew from US\$ 220 million to US\$ 333 million, i.e. more than 50%. The Bank also achieved a better brand ranking, from "A" to "A+".

This ranking is disclosed on a yearly basis by the British consulting agency Brand Finance, specialized in brand rating and management, in a partnership with the English magazine The Banker, and with Austin Rating.

### Excellence in Customer Service

In 2012, Banco do Nordeste monitored the operation time of all its branches, and improved the customer service processes in order to decrease the waiting time.

All of the Bank's branches were provided with the Excellence in Customer Service training.

#### Customer Relations and Citizen Information Center

In 2012, the Customer Relations Center carried out over one million attendances, providing services such as:

- § Entrepreneurial guidance focused on businesses, bank transactions and internet banking on support for business, collection activities, partnerships and payroll;
- § Credit management through debt renegotiation and credit recovery campaigns, bank slip issuance services, reimbursement and collection warnings, in order to decrease the default rate on transactions;
- § Monitoring of relationship and business opportunities in order to support the business prospection at BNB branches; and
- § Improvement of banking security with monitoring suspected fraudulent transactions.

We highlight the average waiting time (TME) of two seconds and the average service time (TMA) of three minutes. Customer satisfaction level was 90%.

The Citizen Information Service (SIC), implemented according to Law No. 12527/2011, received over 42 thousand information requests.

#### Customer Service Channels

##### *New branches*

In order to expand the customer service channels, Banco do Nordeste conducted feasibility analyses resulting in the approval of 108 new branches, of which 27 were inaugurated in 2012.

##### *Espaço Nordeste units*

In 2012, the Bank inaugurated 14 Espaço Nordeste units; in December BNB had 30 units. This channel incorporates cultural, business and citizenship actions. Espaço Nordeste units were visited by approximately 400 thousand people, and held social, cultural and business activities (accumulated number from July 2009 to December 2012).

#### **Communication channel**

In order to expand and improve BNB communication with the press, and build and maintain BNB image, the Bank's press office maintains profiles on certain social network websites, such as Twitter, YouTube, Flickr and Slideshare, in addition to a Facebook fan page ([facebook.com/imprensabnb](https://www.facebook.com/imprensabnb)). This new communication channel with the press currently reaches approximately 700 thousand people.

Furthermore, 160 press releases containing BNB-related information were prepared – equivalent to 950 newspaper pages – and published for free by various agencies of the Brazilian press with news of interest to the bank

In view of the Bank's achievements and in order to strengthen and enhance BNB image, an integrated communication campaign was organized for the Bank's 60 anniversary (July 19), with the purpose of informing the society how important was the Bank's operations over its history and how the BNB will keep contributing for the future of thousands of Brazilians.

## Information Technology (IT)

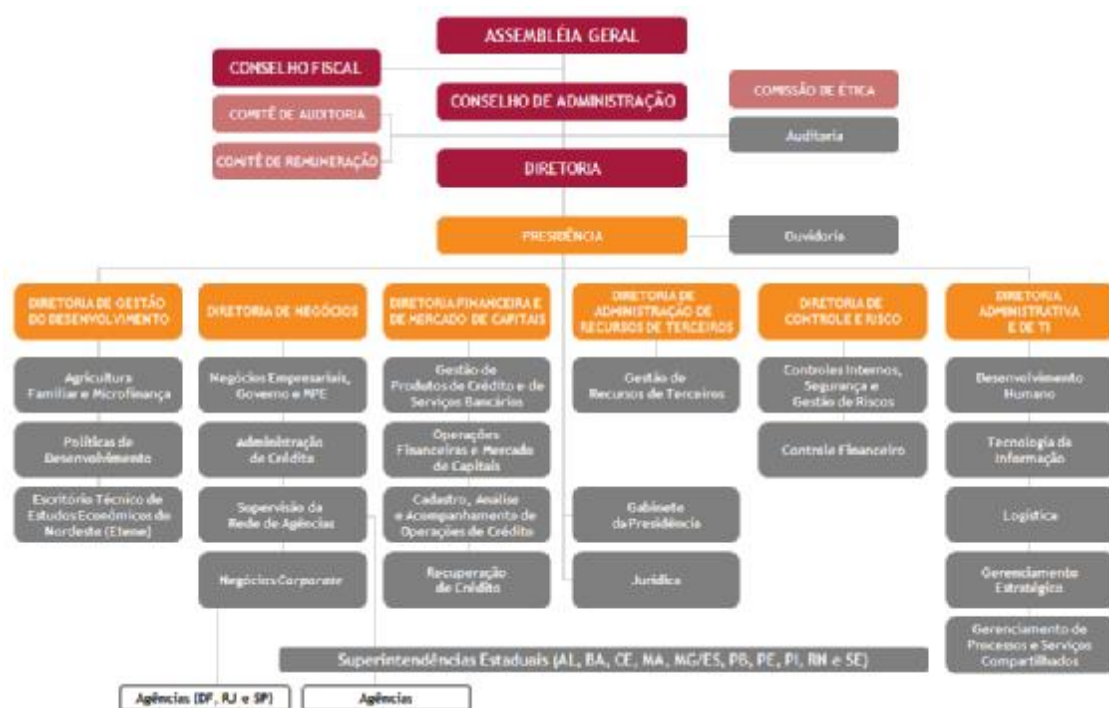
In 2012, the Information Technology Strategic Planning (PETI) was concluded for the period from 2012 to 2015. The new PETI determines the strategy, measures and resources for the IT area, in compliance with Banco do Nordeste's strategic planning.

As for the IT infrastructure, we emphasize the expansion of the data storage capacity. Over 584 ATMs were acquired, 4,211 microcomputers and 108 server computers for the branches network.

## GOVERNANCE AND RISK MANAGEMENT

BNB organizational structure was designed based on corporate governance principles aiming to establish a solid structure by means of adequate risk management policies.

### Banco do Nordeste's Organizational Chart



In order to maintain a transparent management, Banco do Nordeste has an organizational structure with 14 decision-making committees.

### Internal Audit

The Bank's audit area enables improvements to the risk management processes and also strengthens the internal control system; additionally the audit area mitigates legal, operational and image risks by enhancing the corporate governance system.

In 2012, the Bank's internal audit area conducted 33 analyses related to business and IT procedures, attorneys' provisions and special audits, and also coordinated demands arising from control, inspection and supervisions bodies and external audits.

### Institutional Ombudsman

This is the communication channel provided to the Bank's customers who are not satisfied with the solutions offered by its usual customer service channels. The Ombudsman registers complaints, suggestions and compliments, which are analyzed in accordance with the Consumer Defense Code and under the perspective of the Bank's transparent relationship with its customers, and then forwarded to the internal responsible areas so that the applicable measures are taken.

## **Ethics Commission**

In 2003, Banco do Nordeste established the Ethics Commission, designed to promote educational, preventive and corrective actions relating to the employee's professional ethics in dealing with people and managing government funds, whose operation is governed by Federal Decrees No. 1171, of June 22, 1994, and No. 6029, of February 1, 2007.

In compliance with Article 6 of Decree No. 6029, the Ethics Commission's activities are annually reported to the Public Ethics Commission (CEP), covering the period from May of the previous year to April of the current year. In September 2012, a specific report was forwarded to CEP.

## **Audit Committee**

The Bank's Audit Committee, created and governed through Resolution 3198/2004 of the National Monetary Council, is an advisory board controlled by the Bank's Board of Directors.

According to Article 17 of said resolution, the Audit Committee's activities are reported on a half-yearly basis, and a summary of said activities is disclosed in the Bank's financial statements.

In 2012, the Audit Committee was focused on the evaluation of the activities being carried out by the audit area.

## **ENVIRONMENTAL AND CULTURAL RESPONSIBILITY**

### **Environment and Innovation**

In 2012, Banco do Nordeste conducted various activities focused on Environment and Innovation, with emphasis to the following:

- § R\$ 157.9 million contracted in environmental credit programs: FNE Verde, PRONAF Semi-Árido, PRONAF Floresta, PRONAF Eco and PRONAF Agropecuária;
- § R\$ 749.6 million invested in innovation;
- § I Regional Conference for the Sustainable Development of Caatinga Biome, resulting in the preparation of the "Caatinga Declaration", which is a document encompassing the commitments undertaken by state governments and other segments of the society;
- § The Bank's participation at Rio+20, when it disclosed its actions towards desertification prevention and mitigation of drought season effects; additionally, the Bank started negotiating with the Environment Ministry (MMA) about the Weather Fund (Fundo Clima) and the Brazilian Environment Fund (Fundo Nacional do Meio Ambiente); and
- § Execution of the Technical Cooperation Agreement with BID, in order to mitigate illegal deforestation and promote Caatinga's sustainable development, higher energy efficiency of ceramicists and plasterers, and to build landfills in major cities (Brazilian National Policy of Solid Waste).

### **Cistern Program**

Resulting from a partnership between Banco do Nordeste and the Ministry of Social Development and Fight Against Hunger (MDS), this program's objective is building 30,133 cisterns, of which 28,483 are for human consumption and 1,650 for food production. The Bank operates as a MDS representative, and is responsible for monitoring and making the program feasible.

In 2012, Banco do Nordeste announced a public bidding for not-for-profit private entities interested in participating in the Cistern Program.

### **Environmental Responsibility**

Banco do Nordeste, aware of its importance to the region's sustainable social and economic development, integrates its social and environmental responsibility with its strategic decisions and how it relates with the society.

In 2012, the Bank developed programs, projects and actions to strengthen its social and environment responsibilities, of which we highlight:

- § Adhesion to the United Nations Global Pact to include the principles related to human rights, labor relations, environment protection and corruption prevention in the Bank's business strategies, decision-making procedures and other daily activities;
- § Investment of R\$ 1.0 million in the Children and Adolescent Rights Fund (FIA), benefiting approximately 1,200 children and adolescents under risk and social vulnerability situations;
- § Investment of R\$ 1.0 million in projects within the scope of the Sport Incentive Law, benefiting approximately 2,400 children and adolescents from low-income families;
- § Participation in the 4<sup>th</sup> edition of the Gender and Ethnicity Pro-Equality Program, coordinated by the Federal Government's Special General Office for Women's Policies;
- § Participation in A3P Regional Forum, held at Banco do Nordeste and attended by the government bodies, social organizations and entrepreneurs, approaching the Sustainable Consumption and Waste Management by the Public Administration;
- § Preparation of the Sustainability Report, based on the guidelines determined by the Global Report Initiative (GRI) and the Statements of Social and Environmental Information (DINSA) for 2011;
- § 11 editions of the Social Showroom, which is an open space for presentation of projects conducted by non-governmental organizations (NGOs) and not-for-profit entities in order to disclose and commercialize the activities performed by these entities; and
- § Fortaleza Digital Inclusion Program (PROINFOR), together with the municipal government of the city of Fortaleza and the Ceará Technology, Science and Education Federal Institute (IFCE), is a program benefiting 45 children and adolescents from low-income families.

### **Culture as a development factor**

Banco do Nordeste strongly supports the strengthening of the Brazilian Northeast region's cultural identity, in the understanding that culture contributes to regional development. Banco do Nordeste's Cultural Centers reinforce the Bank's brand in relation to its support to the Northeast region's culture, establishing regional partnerships and supporting activities involving: music, dance, theater, cinema, literature and all regional traditions.

In 2012, the three cultural centers were visited by 822,705 people, as presented below:

**BANCO DO NORDESTE CULTURAL CENTERS - PUBLIC 2012**

<b>Cultural Centers</b>	<b>Public</b>
Fortaleza (CE)	404.305
Cariri (Juazeiro do Nordeste, CE)	227.792
Sousa (PB)	190.608
<b>Total</b>	<b>822.705</b>

In addition to its three cultural centers, Banco do Nordeste has 30 Espaço Nordeste units for presentation of cultural activities.

112,581 attended 1,757 cultural events held at Espaço Nordeste units.

**ESPAÇO NORDESTE CENTERS**

<b>Item</b>	<b>2011</b>	<b>2012</b>	<b>Variation</b>
Number of units	16	30	76,5%
Number of events	1.176	1.757	49,4%
Public	43.105	112.581	161,2%

Banco do Nordeste and the Brazilian Development Bank (BNDES) renewed their partnership for 2012 and 2013 editions of Banco do Nordeste/BNDES Culture Program in order to support cultural projects selected by public bidding. Over seven editions of this program, 1,497 projects were benefited, with a total investment of R\$ 28.6 million, covering 868 municipalities of the Brazilian Northeast region, given that R\$ 2.9 million were approved for 2012.

**CVM Rule No. 381/03**

With reference to Brazilian Securities and Exchange Commission (CVM) Rule No. 381/03, of January 14, 2003, BNB informs that Ernst & Young Terco Auditores Independentes S/S, engaged as our independent auditors, has not provided any non-audit services to the Bank in 2012.

Fortaleza, February 5, 2013.

**A free translation from Portuguese into English of financial statements prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil**

<b>BALANCE SHEETS</b> <b>Years ended December 31, 2012 e de 2011</b> General Management and Branches in the Country (In thousands of Reais)			
<b>ASSETS</b>			
		<b>12.31.2012</b>	<b>12.31.2011</b>
<b>CURRENT ASSETS</b>		<b>14,312,230</b>	<b>10,584,659</b>
CASH AND CASH EQUIVALENTS	(Note 5)	121,853	97,086
INTERBANK INVESTMENTS	(Note 6.a)	6,514,841	3,240,283
Money market investments		6,384,020	3,036,454
Interbank deposits		130,821	203,829
SECURITIES AND DERIVATIVES	(Note 7)	459,453	233,192
Own portfolio		309,498	233,158
Derivative financial instruments		-	34
Bound to guarantees		149,955	-
INTERBANK ACCOUNTS		315,987	267,274
Unsettled payments and receipts		1,126	90
Restricted deposits:			
Deposits with the Central Bank of Brazil	(Note 8.a)	306,374	260,563
National Treasury - Rural Credit Funds	(Note 8.a)	6,191	4,984
Interbank onlendings		986	905
Correspondents		1,310	732
LOANS		4,775,461	4,950,715
Loans	(Note 9.a)	5,199,136	5,251,775
Public sector		102,633	78,446
Private sector		5,096,503	5,173,329
(Allowance for loan losses)	(Note 9.a)	(423,675)	(301,060)
OTHER RECEIVABLES		2,100,029	1,778,988
Receivables for guarantees honored	(Note 10.a)	8	-
Foreign exchange portfolio	(Note 10.b)	592,978	641,071
Income receivable	(Note 10.c)	25,434	22,902
Securities trading	(Note 10.c)	4	-
Other Receivables	(Note 10.d)	1,558,087	1,118,570
(Allowance for loan losses on other receivables)	(Note 10.f)	(76,482)	(3,555)
OTHER ASSETS		24,606	17,121
Other assets		5,924	6,169
(Valuation allowance)		(760)	(1,248)
Prepaid expenses		19,442	12,200



**BALANCE SHEETS**  
**Years ended December 31, 2012 and 2011**  
General Management and Branches in the Country  
(In thousands of Reais)

**ASSETS**

		<b>12.31.2012</b>	<b>12.31.2011</b>
<b>LONG-TERM ASSETS</b>		<b>17,375,096</b>	<b>15,662,089</b>
SECURITIES AND DERIVATIVES	(Note 7)	10,783,710	9,874,595
Own portfolio		9,691,773	8,878,659
Held under purchase commitments		665,509	672,509
Derivative financial instruments		193,640	44,860
Bound to guarantees		232,788	278,567
INTERBANK ACCOUNTS		40,609	36,863
Restricted deposits:			
National Treasury - Rural Credit Funds	(Note 8.a)	3	422
Financial Housing System (SFH)	(Note 8.a)	37,156	32,369
Interbank onlendings		3,450	4,072
LOANS		5,748,868	5,639,615
Loans	(Note 9.a)	6,123,950	5,960,393
Public sector		1,262,790	1,255,601
Private sector		4,861,160	4,704,792
(Allowance for loan losses)	(Note 9.a)	(375,082)	(320,778)
OTHER RECEIVABLES		801,909	111,016
Receivables for guarantees honored	(Note 10.a)	7	-
Other Receivables	(Note 10.d)	806,214	161,747
(Allowance for loan losses on other receivables)	(Note 10.f)	(4,312)	(50,731)
<b>PERMANENT ASSETS</b>	(Note 12)	<b>201,562</b>	<b>188,840</b>
INVESTMENTS		1,720	1,568
Other investments		7,023	6,871
(Allowance for losses)		(5,303)	(5,303)
PROPERTY AND EQUIPMENT IN USE		198,906	185,569
Real estate in use		152,457	137,759
Real estate revaluation		105,410	105,410
Other property and equipment in use		191,645	166,672
(Accumulated depreciation)		(250,606)	(224,272)
DEFERRED CHARGES		936	1,703
Organization and expansion costs		2,939	4,624
(Accumulated amortization)		(2,003)	(2,921)
<b>TOTAL ASSETS</b>		<b>31,888,888</b>	<b>26,435,588</b>

**BALANCE SHEETS**  
**Years ended December 31, 2012 and 2011**  
General Management and Branches in the Country  
(In thousands of Reais)

**LIABILITIES AND EQUITY**

		<b>12.31.2012</b>	<b>12.31.2011</b>
<b>CURRENT LIABILITIES</b>		<b>10,594,408</b>	<b>9,748,154</b>
DEPOSITS	(Note 13.a)	4,772,938	5,115,979
Demand deposits		118,635	162,445
Savings deposits		1,615,970	1,329,994
Interbank deposits		593,137	588,986
Time deposits		2,445,196	3,034,554
OPEN MARKET FUNDING	(Note 13.b)	738,598	637,812
Own portfolio		581,802	603,883
Third-party portfolio		156,796	33,929
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	75,476	199,732
Funds from real estate bills, mortgage bills, bills of credit and similar notes		66,869	196,364
Payables for securities issued abroad		8,607	3,368
INTERBANK ACCOUNTS		66	4
Unsettled receipts and payments		66	4
INTERDEPARTMENTAL ACCOUNTS		15,586	7,142
Third-party funds in transit		15,578	7,142
Internal transfer of funds		8	-
BORROWINGS	(Note 14.b)	826,189	849,768
Domestic borrowings - Official institutions		17,912	16,511
Foreign borrowings		808,277	833,257
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS	(Note 14.c)	121,769	173,427
National Treasury		253	217
BNDES		101,633	162,562
FINAME		19,883	10,648
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	2,184	7,615
Derivative financial instruments		2,184	7,615
FOREIGN ONLENDINGS	(Note 14.d)	88,354	81,291
Foreign onlendings		88,354	81,291
OTHER LIABILITIES		3,953,248	2,675,384
Collected taxes and other contributions	(Note 16.a)	3,154	4,805
Foreign exchange portfolio	(Note 16.b)	32,008	1,188
Social and statutory	(Note 16.c)	95,061	12,254
Tax and social security	(Note 16.d)	825,052	525,820
Trading account	(Note 16.e)	68	-
Financial and development funds	(Note 16.f)	1,673,702	1,102,922
Hybrid debt/equity instruments	(Note 17)	74,143	70,164
Other	(Note 16.h)	1,250,060	958,231

**BALANCE SHEETS**  
**Years ended December 31, 2012 and 2011**  
General Management and Branches in the Country  
(In thousands of Reais)

**LIABILITIES AND EQUITY**

		<b>12.31.2012</b>	<b>12.31.2011</b>
<b>LONG-TERM LIABILITIES</b>		<b>18,610,729</b>	<b>14,357,919</b>
DEPOSITS	(Note 13.a)	5,048,501	3,848,520
Demand deposits		15,383	21,179
Interbank deposits		78,890	-
Time deposits		4,954,228	3,827,341
OPEN MARKET FUNDING	(Note 13.b)	81,917	66,561
Own portfolio		81,917	66,561
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	1,318,769	563,876
Funds from real estate bills, mortgage bills, bills of credit and similar notes		418	-
Payables for securities issued abroad		1,318,351	563,876
BORROWINGS	(Note 14.b)	17,912	33,021
Domestic borrowings - Official institutions		17,912	33,021
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS	(Note 14.c)	1,464,432	1,113,258
National Treasury		556	775
BNDES		1,333,988	990,332
FINAME		129,888	122,151
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	6,405	13,513
Derivative financial instruments		6,405	13,513
FOREIGN ONLENDINGS	(Note 14.d)	736,841	759,101
Foreign onlendings		736,841	759,101
OTHER LIABILITIES		9,935,952	7,960,069
Financial and development funds	(Note 16.f)	5,005,676	3,617,155
Hybrid debt/equity instruments	(Note 17)	1,128,249	1,067,708
Subordinated debt eligible for capital	(Note 18)	1,332,382	1,216,319
Other	(Note 16.h)	2,469,645	2,058,887
<b>DEFERRED INCOME</b>		<b>-</b>	<b>16</b>
DEFERRED INCOME		-	16
<b>EQUITY</b>	(Note 19)	<b>2,683,751</b>	<b>2,329,499</b>
CAPITAL		2,142,000	2,010,000
Brazilian residents		2,142,000	2,010,000
REVALUATION RESERVE		22,904	25,198
INCOME RESERVES		425,494	244,536
EQUITY VALUATION ADJUSTMENT		93,737	50,149
(TREASURY SHARES)		(384)	(384)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>31,888,888</b>	<b>26,435,588</b>

**INCOME STATEMENTS**  
**Years ended December 31, 2012 and 2011**  
General Management and Branches in Brazil  
(In thousands of Reais)

		2H12	2012	2011
<b>INTEREST INCOME</b>		<b>1,875,427</b>	<b>3,804,675</b>	<b>3,347,864</b>
Lending Operations	(Note 9.a.2)	1,176,320	2,178,178	1,772,643
Marketable securities transactions	(Note 7.b)	632,264	1,326,736	1,365,528
Gain (losses) on derivative financial instruments	(Note 7.d)	(4,286)	109,979	25,660
Gain (losses) on foreign exchange transactions	(Note 11.b)	58,126	165,449	163,871
Gains (losses) on compulsory investments	(Note 8.b)	8,178	19,508	20,162
Sales transactions or transfer of financial assets		4,825	4,825	-
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>		<b>(1,092,029)</b>	<b>(2,603,574)</b>	<b>(2,130,601)</b>
Open market funding	(Note 13.c)	(406,445)	(991,525)	(1,048,740)
Borrowings and onlendings	(Note 14.e)	(311,493)	(997,251)	(846,952)
Sales transactions or transfer of financial assets		(2)	(2)	-
Allowance for loan losses	(Note 9.e)	(374,089)	(614,796)	(234,909)
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>783,398</b>	<b>1,201,101</b>	<b>1,217,263</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	(Note 20)	<b>(558,273)</b>	<b>(951,208)</b>	<b>(548,829)</b>
Income from services provided		681,061	1,391,602	1,327,021
Income from bank fees		15,622	29,057	24,735
Personnel expenses:				
Personnel expenses		(528,166)	(1,006,809)	(927,906)
Post-employment benefit plan		(202,006)	(455,028)	(153,387)
Other administrative expenses		(405,206)	(824,986)	(775,242)
Tax expenses		(118,932)	(215,202)	(188,995)
Other operating income		617,517	1,431,569	1,164,760
Other operating expenses		(618,163)	(1,301,411)	(1,019,815)
<b>OPERATING INCOME</b>		<b>225,125</b>	<b>249,893</b>	<b>668,434</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>		<b>2,191</b>	<b>3,310</b>	<b>7,045</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>		<b>227,316</b>	<b>253,203</b>	<b>675,479</b>
<b>INCOME AND SOCIAL CONTRIBUTIONS TAXES</b>	(Note 21)	<b>83,155</b>	<b>320,779</b>	<b>(323,603)</b>
Provision for income tax		(172,889)	(259,015)	(181,082)
Provision for social contribution tax		(109,065)	(163,252)	(115,798)
Deferred tax assets		365,109	743,046	(26,723)
<b>PROFIT SHARING</b>		<b>(48,114)</b>	<b>(65,619)</b>	<b>(37,077)</b>
<b>NET INCOME</b>		<b>262,357</b>	<b>508,363</b>	<b>314,799</b>
<b>INTEREST ON EQUITY CAPITAL</b>	(Note 19.d)	<b>(64,973)</b>	<b>(132,273)</b>	<b>(73,526)</b>
Number of shares (in thousands)		87,002	87,002	87,002
Earnings per share (R\$)		3,02	5,84	3,62

# STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2012 and 2011

General Management and Branches in Brazil  
(in thousands of Reais)

EVENTS	PAID-IN CAPITAL		REVALUATION RESERVE	INCOME RESERVES			EQUITY VALUATION ADJUSTMENTS	RETAINED EARNINGS (ACCUMULATED LOSSES)	TREASURY SHARES	TOTAL
	CAPITAL	CAPITAL INCREASE	OWN ASSETS	LEGAL	STATUTORY	OTHER				
<b>BALANCES AT DECEMBER 31, 2010</b>	<b>1,850,000</b>	<b>1,000</b>	<b>28,064</b>	<b>88,896</b>	<b>159,632</b>	<b>-</b>	<b>50,130</b>	<b>-</b>	<b>(384)</b>	<b>2,177,338</b>
EQUITY VALUATION ADJUSTMENTS							19			19
CAPITAL INCREASE:										
From reserve:										
Payment of capital	160,000	(1,000)			(159,000)					-
OTHER EVENTS:										
Revaluation of assets:										
Reserve released to retained earnings:										
Gross value			(4,614)					3,994		(620)
Taxes			1,748					(1,597)		151
NET INCOME FOR THE YEAR								314,799		314,799
Allocation:										
Reserves				15,740	132,230			(147,970)		-
Dividends								(95,700)		(95,700)
Additional dividends (IOE)						7,038		(7,038)		-
Interest on equity								(66,488)		(66,488)
<b>BALANCES AT DECEMBER 31, 2011</b>	<b>2,010,000</b>	<b>-</b>	<b>25,198</b>	<b>104,636</b>	<b>132,862</b>	<b>7,038</b>	<b>50,149</b>	<b>-</b>	<b>(384)</b>	<b>2,329,499</b>
<b>CHANGES IN THE YEAR</b>	<b>160,000</b>	<b>(1,000)</b>	<b>(2,866)</b>	<b>15,740</b>	<b>(26,770)</b>	<b>7,038</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>152,161</b>
<b>BALANCES AT DECEMBER 31, 2011</b>	<b>2,010,000</b>	<b>-</b>	<b>25,198</b>	<b>104,636</b>	<b>132,862</b>	<b>7,038</b>	<b>50,149</b>	<b>-</b>	<b>(384)</b>	<b>2,329,499</b>
EQUITY VALUATION ADJUSTMENTS							43,588			43,588
CAPITAL INCREASE:										
From reserve:										
Transfer for capital increase		132,000			(132,000)					-
Capital contribution	132,000	(132,000)								-
OTHER EVENTS:										
Revaluation of assets:										
Realization of reserve:										
Gross value			(3,824)					3,824		-
Taxes			1,530					(1,530)		-
OTHER (Transfer for payment of IOE and Dividends)						(68,559)				(68,559)
NET INCOME FOR THE YEAR								508,363		508,363
Allocation:										
Reserves				25,418	294,578			(319,996)		-
Dividends and IOE								(128,996)		(128,996)
Additional dividends (Dividends and IOE)						61,521		(61,521)		-
OTHER (Provision for income tax and IOE for the year)								(144)		(144)
<b>BALANCES AT DECEMBER 31, 2012</b>	<b>2,142,000</b>	<b>-</b>	<b>22,904</b>	<b>130,054</b>	<b>295,440</b>	<b>-</b>	<b>93,737</b>	<b>-</b>	<b>(384)</b>	<b>2,683,751</b>
<b>CHANGES IN THE YEAR</b>	<b>132,000</b>	<b>-</b>	<b>(2,294)</b>	<b>25,418</b>	<b>162,578</b>	<b>(7,038)</b>	<b>43,588</b>	<b>-</b>	<b>-</b>	<b>354,252</b>
<b>BALANCES AT JUNE 30, 2012</b>	<b>2,142,000</b>	<b>-</b>	<b>24,051</b>	<b>116,936</b>	<b>112,630</b>	<b>61,521</b>	<b>113,671</b>	<b>-</b>	<b>(384)</b>	<b>2,570,425</b>
EQUITY VALUATION ADJUSTMENTS							(19,934)			(19,934)
OTHER EVENTS:										
Restatement of equity instruments										
Revaluation of assets:										
Realization of reserve:										
Gross value			(1,912)					1,912		-
Taxes			765					(765)		-
OTHER (Transfer for payment of IOE and Dividends)						(61,521)				(61,521)
NET INCOME FOR THE SIX-MONTH PERIOD								262,357		262,357
Allocation:										
Reserves				13,118	182,810			(195,928)		-
Dividends and IOE								(67,528)		(67,528)
OTHER (Provision for income tax and IOE for the six-month period)								(48)		(48)
<b>BALANCES AT DECEMBER 31, 2012</b>	<b>2,142,000</b>	<b>-</b>	<b>22,904</b>	<b>130,054</b>	<b>295,440</b>	<b>-</b>	<b>93,737</b>	<b>-</b>	<b>(384)</b>	<b>2,683,751</b>
<b>CHANGES FOR THE SIX-MONTH PERIOD</b>	<b>-</b>	<b>-</b>	<b>(1,147)</b>	<b>13,118</b>	<b>182,810</b>	<b>(61,521)</b>	<b>(19,934)</b>	<b>-</b>	<b>-</b>	<b>113,326</b>

## CASH FLOWS STATEMENTS

Years ended December 31, 2012 and 2011

General Management and Branches in Brazil

(In thousands of Reais)

	2H12	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>	<b>262,357</b>	<b>508,363</b>	<b>314,799</b>
<b>Adjustments to loss:</b>			
Depreciation and amortization expenses	14,711	29,212	27,346
Allowance (reversal) for devaluation of other assets	(2)	(404)	27
Allowance for loan losses	349,103	581,565	265,187
Allowance for other loan losses	24,986	33,231	24,215
Provision for contingent liabilities (FNE Risks)	404,803	699,670	429,782
Provision for contingent liabilities	18,853	108,229	140,052
Provision (Post-employment benefits - CVM Resolution 600)	202,006	455,028	153,386
Expenses with other operating provisions	6,852	8,676	11,923
Reversal of operating provisions	(55,827)	(121,689)	(59,648)
Expenses with subordinated debts eligible for capital	57,811	116,062	114,472
Expenses with hybrid equity/debt instruments	77,283	137,139	135,550
Accrued dividends and interest on equity	(67,576)	(129,140)	(162,188)
Investments in deferred charges	-	-	(358)
Deferred income (loss)	(16)	(16)	-
<b>Adjusted net income</b>	<b>1,295,344</b>	<b>2,425,926</b>	<b>1,394,545</b>
Interbank investments	60,440	(24,915)	17,643
Interbank and interdepartmental accounts	(64,919)	(43,954)	(56,316)
Loans	(521,372)	(515,564)	(720,613)
Other receivables	(540,202)	(771,008)	(433,688)
Other assets	2,172	(7,628)	(3,879)
Deposits	676,711	856,939	454,919
Open market funding	(16,324)	116,142	180,084
Funds from acceptance and issue of securities	(97,159)	630,638	278,120
Borrowings and onlendings	166,448	245,631	86,448
Derivative financial instruments	(27,771)	(161,285)	(81,600)
Other liabilities	829,051	1,912,206	890,101
Revaluation reserve	-	-	(469)
Income and social contribution taxes paid	(202,723)	(274,157)	(29,771)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,559,696</b>	<b>4,388,971</b>	<b>1,975,524</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Available-for-sale securities	(513,880)	(919,041)	(2,380,731)
Addition to Investments	(20)	(157)	(137)
Addition to Investments in property and equipment in use	(19,468)	(42,085)	(27,607)
Addition to Investments in assets not for own use	(83)	(409)	(750)
Disposal of investments	6	6	(2)
Disposal of property and equipment in use	287	303	3,974
Disposal of assets not for own use	724	957	1,183
<b>CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(532,434)</b>	<b>(960,426)</b>	<b>(2,404,070)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends and interest on equity paid	(122,999)	(130,134)	(255,260)
<b>CASH (USED IN) FINANCING ACTIVITIES</b>	<b>(122,999)</b>	<b>(130,134)</b>	<b>(255,260)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>904,263</b>	<b>3,298,411</b>	<b>(683,806)</b>
<b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS</b>			
At beginning of period	5,579,841	3,185,693	3,869,499
At end of period	6,484,104	6,484,104	3,185,693
<b>Increase (decrease) in cash and cash equivalents</b>	<b>904,263</b>	<b>3,298,411</b>	<b>(683,806)</b>

## STATEMENTS OF VALUE ADDED

Years ended December 31, 2012 e de 2011

General Management and Branches in Brazil

(In thousands of Reais)

	2H12	%	12.31.2012	%	12.31.2011	%
<b>REVENUES</b>	<b>2,199,564</b>		<b>4,744,004</b>		<b>4,616,702</b>	
Interest income	1,875,427		3,804,675		3,347,864	
Services provided and bank fees	696,683		1,420,659		1,351,756	
Allowance for loan losses	(374,089)		(614,796)		(234,909)	
Other income/expenses	1,543		133,466		151,991	
<b>INTEREST EXPENSES</b>	<b>(717,938)</b>		<b>(1,988,776)</b>		<b>(1,895,692)</b>	
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(378,718)</b>		<b>(771,208)</b>		<b>(714,868)</b>	
Materials, electric power and other	(105,529)		(220,929)		(230,716)	
Outsourced services	(273,189)		(550,279)		(484,152)	
<b>GROSS VALUE ADDED</b>	<b>1,102,908</b>		<b>1,984,020</b>		<b>2,006,142</b>	
<b>RETENTIONS</b>	<b>(14,711)</b>		<b>(29,212)</b>		<b>(27,346)</b>	
Depreciation, amortization and depletion	(14,711)		(29,212)		(27,346)	
<b>NET VALUE ADDED PRODUCED BY THE ENTITY</b>	<b>1,088,197</b>		<b>1,954,808</b>		<b>1,978,796</b>	
<b>TOTAL UNPAID VALUE ADDED</b>	<b>1,088,197</b>		<b>1,954,808</b>		<b>1,978,796</b>	
<b>PAYMENT OF VALUE ADDED</b>	<b>1,088,197</b>		<b>1,954,808</b>		<b>1,978,796</b>	
<b>PERSONNEL</b>	<b>694,379</b>	<b>63.8</b>	<b>1,367,834</b>	<b>70.0</b>	<b>974,108</b>	<b>49.2</b>
<b>COMPENSATION</b>	<b>400,346</b>	<b>36.8</b>	<b>737,952</b>	<b>37.8</b>	<b>650,739</b>	<b>32.9</b>
Salaries	352,232		672,333		613,662	
Profit sharing	48,114		65,619		37,077	
<b>BENEFITS</b>	<b>266,954</b>	<b>24.5</b>	<b>578,501</b>	<b>29.6</b>	<b>276,586</b>	<b>14.0</b>
Provision (Post-employment benefits - CVM Resolution 600)	202,006		455,028		153,386	
Benefits - Other	64,948		123,473		123,200	
<b>FGTS</b>	<b>27,079</b>	<b>2.5</b>	<b>51,381</b>	<b>2.6</b>	<b>46,783</b>	<b>2.4</b>
<b>TAXES, CHARGES AND CONTRIBUTIONS</b>	<b>119,684</b>	<b>11.0</b>	<b>54,045</b>	<b>2.8</b>	<b>656,861</b>	<b>33.2</b>
Federal	111,522		38,392		641,892	
State	41		53		26	
Municipal	8,121		15,600		14,943	
<b>DEBT REMUNERATION</b>	<b>11,777</b>	<b>1.1</b>	<b>24,566</b>	<b>1.3</b>	<b>33,028</b>	<b>1.7</b>
Rental	11,777		24,566		33,028	
<b>EQUITY REMUNERATION</b>	<b>262,357</b>	<b>24.1</b>	<b>508,363</b>	<b>26.0</b>	<b>314,799</b>	<b>15.9</b>
<b>INTEREST ON EQUITY</b>	<b>64,973</b>	<b>6.0</b>	<b>132,273</b>	<b>6.8</b>	<b>73,526</b>	<b>3.7</b>
Federal	61,156		124,502		69,206	
Other	3,817		7,771		4,320	
<b>DIVIDENDS</b>	<b>2,603</b>	<b>0.2</b>	<b>58,388</b>	<b>3.0</b>	<b>95,700</b>	<b>4.8</b>
Federal	2,450		54,958		90,077	
Other	153		3,430		5,623	
<b>RETAINED EARNINGS FOR THE PERIOD</b>	<b>194,781</b>	<b>17.9</b>	<b>317,702</b>	<b>16.3</b>	<b>145,573</b>	<b>7.4</b>

# NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

In thousands of reais, unless otherwise stated

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Note 16- Other liabilities	
Note 17 - Hybrid equity and debt instruments	

### NOTE 1 - The Bank and its characteristics

Banco do Nordeste do Brasil S.A. is a private legal entity operating regionally as a public financial institution established by Federal Law No. 1649 of 07.19.1952, with head office at Avenida Pedro Ramalho, nº 5700, Passaré, Fortaleza, Ceará state, Brazil. The Bank was structured as a mixed economy, publicly-traded corporation and its mission is to operate, in the capacity of a public financial institution, as a catalytic agent in promoting the sustainable development of the Northeast, integrating it to the domestic economic dynamics. Banco do Nordeste, as a multiple Bank, is authorized to operate all the portfolios permitted for multiple service banks, except the mortgage loan portfolio. As an institution devoted to regional development, the Bank acts as the executive agent of public policies and is responsible for managing the Northeast Constitutional Financing Fund (FNE), - the main source of funds utilized by the Bank for long-term financing - and the operation of the National Family Farming Strengthening Program (PRONAF) in its jurisdiction. It is also the operator of the Northeast Investment Fund (FINOR) and the Northeast Development Fund (FDNE), the latter created in 2001 and altered in 2007 by Supplementary Law No. 125, which recreated the Northeast Development Authority (SUDENE). In 1998, the Bank created its Guided Productive Microcredit Program (Crediamigo), a Productive Microloan Program that facilitates access to credit by thousands of small entrepreneurs who engage in production-related, product sale, and service activities. 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 Inter-American Development Bank (IDB).

### NOTE 2 - Basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with 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 (CMN), the Central Bank of Brazil (BACEN), and the Brazilian Securities and Exchange Commission (CVM), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (COSIF).

The Bank's financial statements are in conformity with the pronouncements issued by the Brazilian FASB (CPC) in the process of convergence between the Brazilian accounting standards and the International Financial Reporting Standards (IFRS), as approved by the National Monetary Council (CMN), and the Brazilian Securities and Exchange Commission (CVM) standards that are in line with CMN rules, as follows:

- CPC 00 – 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 03 - Cash Flow Statement - (CMN Resolution 3604, of 08.29.2008);
- CPC 05 – Related Party Disclosures (CMN Resolution No. 3750, of 06.30.2009);
- CPC 23 – Accounting Policies, Changes in Accounting Estimates and Correction of 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 09 - Statement of Value Added (CVM Resolution No. 557, of 11.12.2008);
- CPC 22 – Segment Information (CVM Resolution No. 582, of 07.31.2009);
- CPC 27 – Property, Plant and Equipment (CVM Resolution No. 583, of 07.31.2009);



- CPC 32 – Income Taxes (CVM Resolution No. 599, of 09.15.2009); and
- CPC 33 – Employee Benefits (CVM Resolution No. 600, of 10.07.2009).

### 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 exchange rate in force on the transaction date, while non-monetary 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 under profit or loss (P&L) for the period.

#### b) Revenue 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 long-term assets and liabilities

Assets and receivables are stated at realizable values, plus income earned and currency adjustments and foreign exchange fluctuation, less unearned income or allowance, if applicable. Liabilities are stated at original amounts plus, if applicable, accrued interest and monetary and exchange variations, less deferred expenses. Available funds from FNE (Northeast Constitutional Financing Fund) are classified in current and long-term liabilities according to the expected outflow of funds.

Receivables and payables are recorded in current and long-term assets and liabilities, respectively, according to maturity dates.

#### d) Cash and cash equivalents

Cash and cash equivalents 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 the fair value.

#### e) Interbank investments

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

#### f) Marketable securities

Marketable securities are recorded at effectively paid amounts, plus brokerage and other fees, and are classified and accounted for as described below:

**Available-for-sale securities:** securities not classified as either trading securities or held-to-maturity securities and reported at fair value, net of taxes, with unrealized gains and losses reported in a separate component of Equity; and

**Held to maturity securities:** securities that the enterprise 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 and long-term assets was determined according to their maturities, which does not mean the 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, when necessary.

Swap transactions are stated in balance sheet and memorandum accounts, according to their nature and in compliance with legal and accounting standards in force. They are measured at market value on occasion of preparation of monthly trial balances and half-yearly balance sheets. Valuations or devaluations are stated in revenue or expense accounts. The rates disclosed by BM&FBovespa are used to calculate the fair 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, 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 marking to market of derivatives designated as hedge instruments, the hedged item is also adjusted to market value.

Changes in the market value of derivatives designated as hedge 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. If the hedge instrument expires or is sold, cancelled or exercised, or when the hedge position does not fall under hedge accounting conditions, the hedge relationship ends.

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

The market values of derivative financial instruments used for hedge purposes and of the hedged item are disclosed in Note 7.c.1.

### **h) Loans, advances on foreign exchange contracts, other receivables with loan features and allowance for loan losses**

Loans, advances on foreign 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, creditors 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 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 sheet.

Renegotiated operations remain at least at the same risk level in which they were classified.

Renegotiated loans that have been written off against the allowance are rated as H, and possible 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 are stated at cost, net of allowance for losses.

Property and equipment in use includes depreciation calculated under 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 estate in use includes the revaluation amount.

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

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

### **k) Income tax, social contribution tax, PASEP and Cofins**

IRPJ (Corporate Income Tax) is calculated at the rate of 15% plus a 10% surtax (on income exceeding R\$ 240), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 15%, after the adjustments, on the Company's net income, defined in tax legislation. Tax credits and deferred liabilities are calculated, basically, on temporary differences between accounting and tax income, on allowances for loan losses and on marketable securities and derivatives fair value adjustments.

In accordance with current regulation, the expected realization of tax credits is based on the projection of future earnings and on technical studies carried out every six months.

PIS/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) based on the monthly accrual basis of accounting.

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

The policy adopted for the recognition of actuarial gains and losses beginning December 2010 is consistent with the provisions of item 93 of the Appendix to CVM Resolution No. 600, of 10.07.2009, that is, actuarial gains and losses are immediately recognized as revenue or expense.

**m) Impairment assessment**

Impairment losses are recognized when the carrying amount of an asset exceeds its recoverable value. Relevant non-financial assets are reviewed for impairment at least at the end of each reporting period, to determine if there is any indication that the asset might be impaired.

**n) Contingent assets, liabilities and legal obligations**

Contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CMN Resolution 3823, of 12.16.2009.

Contingent assets are recognized in the financial statements only when their realization can be reliably measured from evidence, which may be the final and unappealable decision on a lawsuit or the confirmation of their recoverability, either through the receipt or offset against another liability.

Contingent liabilities 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 rated 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 and reviewed on occasion of procedural changes, restated on a monthly basis.

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.

**o) Use of estimates**

The preparation of the financial statements includes estimates and assumptions, such as the measurement of allowances for loan losses, estimates of certain financial instruments fair values, provision for contingencies, impairment losses, other provisions, and the calculation of technical provisions for health care plan and pension plans. Actual results could differ from such estimates and assumptions.

**NOTE 4 - Segment reporting**

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

**a) Own Portfolio** - comprises own portfolio products and services such as lending and market operations, fund management and provision of other banking services and collaterals; and

**b) FNE** - comprises Loans within the scope of FNE.

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

As at 12.31.2012 and 12.31.2011, no revenue from transactions with one single external customer accounted for 10% or more of the Bank's total revenues.

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	2H12			01.01 to 12.31.2012			01.01 to 12.31.2011		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total	Own portfolio	FNE	Total
<b>Revenues</b>	<b>1,742,476</b>	<b>752,659</b>	<b>2,495,135</b>	<b>3,737,207</b>	<b>1,502,347</b>	<b>5,239,554</b>	<b>3,154,365</b>	<b>1,365,304</b>	<b>4,519,669</b>
Income from Loans	1,176,320	-	1,176,320	2,178,178	-	2,178,178	1,772,643	-	1,772,643
Income (losses) from marketable securities transactions	349,508	282,756	632,264	747,409	579,327	1,326,736	823,007	542,521	1,365,528
Income (losses) from derivative financial instruments	(4,286)	-	(4,286)	109,979	-	109,979	25,660	-	25,660
Income (losses) from foreign exchange transactions	58,126	-	58,126	165,449	-	165,449	163,871	-	163,871
Income (losses) from compulsory investments	8,178	-	8,178	19,508	-	19,508	20,162	-	20,162
Transactions involving sales or transfer of financial assets	4,825	-	4,825	4,825	-	4,825	-	-	-
Other	149,805	469,903	619,708	511,859	923,020	1,434,879	349,022	822,783	1,171,805
<b>Expenses</b>	<b>(822,098)</b>	<b>(674,911)</b>	<b>(1,497,009)</b>	<b>(2,076,779)</b>	<b>(1,282,766)</b>	<b>(3,359,545)</b>	<b>(1,627,827)</b>	<b>(1,019,343)</b>	<b>(2,647,170)</b>
Expenses on open market funding	(406,445)	-	(406,445)	(991,525)	-	(991,525)	(1,048,740)	-	(1,048,740)
Expenses on borrowings and onlendings	(41,462)	(270,031)	(311,493)	(443,992)	(553,259)	(997,251)	(328,843)	(518,109)	(846,952)
Transactions involving sales or transfer of financial assets				(2)	-	(2)	-	-	-
Allowance for loan losses	(374,090)	(404,804)	(778,894)	(614,796)	(699,671)	(1,314,467)	(234,909)	(429,782)	(664,691)
Other contingent liabilities (Note 20.g)	(101)	-	(101)	(26,464)	(29,633)	(56,097)	(15,335)	(71,216)	(86,551)
Proagro provision receivable	-	(76)	(76)	-	(203)	(203)	-	(236)	(236)
<b>Financial margin</b>	<b>920,378</b>	<b>77,748</b>	<b>998,126</b>	<b>1,660,428</b>	<b>219,581</b>	<b>1,880,009</b>	<b>1,526,538</b>	<b>345,961</b>	<b>1,872,499</b>
Income from services provided	136,790	544,271	681,061	253,812	1,137,790	1,391,602	251,507	1,075,514	1,327,021
Income from fees, rates and commissions	15,622	-	15,622	29,057	-	29,057	24,735	-	24,735
<b>Pasep e Cofins <sup>(1)</sup></b>	<b>(60,781)</b>	<b>(49,168)</b>	<b>(109,949)</b>	<b>(98,029)</b>	<b>(99,899)</b>	<b>(197,928)</b>	<b>(82,635)</b>	<b>(90,511)</b>	<b>(173,146)</b>
<b>Income (loss) after fees and commissions</b>	<b>1,012,009</b>	<b>572,851</b>	<b>1,584,860</b>	<b>1,845,268</b>	<b>1,257,472</b>	<b>3,102,740</b>	<b>1,720,145</b>	<b>1,330,964</b>	<b>3,051,109</b>
<b>Administrative expenses</b>			<b>(1,135,378)</b>			<b>(2,286,823)</b>			<b>(1,856,535)</b>
Personnel expenses			(730,172)			(1,461,837)			(1,081,293)
Depreciation and amortization			(14,711)			(29,212)			(27,346)
Other administrative expenses			(390,495)			(795,774)			(747,896)
<b>Other expenses</b>			<b>(196,322)</b>			<b>(501,667)</b>			<b>(452,713)</b>
<b>Expenses with provisions, except provision for loan losses</b>			<b>(25,844)</b>			<b>(61,047)</b>			<b>(66,382)</b>
<b>Income before taxes and profit sharing</b>			<b>227,316</b>			<b>253,203</b>			<b>675,479</b>
Income and social contribution taxes			83,155			320,779			(323,603)
Profit sharing			(48,114)			(65,619)			(37,077)
<b>Net income</b>			<b>262,357</b>			<b>508,363</b>			<b>314,799</b>

(1) Expenses referring to Pasep and Cofins on import of services in the amount of R\$ 233 (R\$ 31 at 12.31.2011) are included in Other Expenses

**NOTE 5 - Cash and cash equivalents**

Specification	12.31.2012	12.31.2011
Cash in local currency	118,242	94,777
Cash in foreign currency	3,611	2,309
<b>Total cash</b>	<b>121,853</b>	<b>97,086</b>
Investments in marketable securities	28,017	4,016
Interbank investments	6,334,234	3,084,591
<b>Total cash and cash equivalents (Note 28.c)</b>	<b>6,484,104</b>	<b>3,185,693</b>

**NOTE 6 - Interbank investments****a) Breakdown**

Specification	12.31.2012	12.31.2011
<b>a) Open market investments</b>	<b>6,384,020</b>	<b>3,036,454</b>
Resale agreements pending settlement – Self-funding position	6,227,215	3,002,525
Resale agreements pending settlement – Financed position	156,805	33,929
<b>b) Investments in interbank deposits</b>	<b>130,821</b>	<b>203,829</b>
Investments in foreign currency	23,801	14,987
Investments in Interbank deposits	107,020	188,842
<b>Total</b>	<b>6,514,841</b>	<b>3,240,283</b>
Current	6,514,841	3,240,283

**b) Income from interbank investments**

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<b>a) Income from open market investments (Note 7.b)</b>	<b>213,545</b>	<b>394,521</b>	<b>350,862</b>
Self-funding position	208,148	383,984	340,397
Financed position	5,397	10,537	10,465
<b>b) Income from interbank deposits (Note 7.b)</b>	<b>4,927</b>	<b>18,311</b>	<b>32,476</b>
<b>Total</b>	<b>218,472</b>	<b>412,832</b>	<b>383,338</b>

**NOTE 7 – Marketable securities and derivatives****a) Marketable securities**

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

**a.1) Marketable securities portfolio**

Specification	12.31.2012	12.31.2011
Available-for-sale securities	11,028,442	10,049,334
Held-to-maturity securities	21,081	13,559
Swap differential receivable	193,640	44,894
<b>Total</b>	<b>11,243,163</b>	<b>10,107,787</b>
Current	459,453	233,192
Long-term	10,783,710	9,874,595

**a.2) Available-for-sale securities:**

Specification	12.31.2012				12.31.2011			
	Cost	Market value	Mark-to-market	Maturity	Cost	Market value	Mark-to-market	Maturity
<b>Fixed income securities</b>	<b>10,332,613</b>	<b>10,494,910</b>	<b>162,297</b>	<b>2013 to 2018</b>	<b>9,527,312</b>	<b>9,530,187</b>	<b>2,875</b>	<b>2012 to 2018</b>
Financial Treasury Bills	7,904,113	7,904,764	651	95,0% to 106,0%	7,461,949	7,462,115	166	95,0% to 103,0%
National Treasury Bills	11	11	-	2014	-	-	-	
National Treasury Notes	1,155,266	1,562,643	407,377	2050	1,091,120	1,141,978	50,858	2050
Financial Bills (LF)	477,168	447,406	(29,762)	2014 to 2016	30,302	30,302	-	2016
Debentures	760,074	572,019	(188,055)	2014 to 2018	898,502	876,719	(21,783)	2013 to 2018
Bank Credit Bill - CCB	2,709	2,622	(87)	2013	13,588	13,370	(218)	2013
Federal Government Securities - FCVS	6,755	5,231	(1,524)	2027	7,328	5,518	(1,810)	2027
Federal Government Securities - other	26,237	-	(26,237)	1993	24,270	-	(24,270)	1993
Agrarian Debt Bonds (TDA)	280	214	(66)	2013 a 2022	253	185	(68)	2012 to 2022
<b>Investment fund shares</b>	<b>15,569</b>	<b>14,211</b>	<b>(1,358)</b>		<b>14,750</b>	<b>13,434</b>	<b>(1,316)</b>	
Social Development Funds (FDS)	1,358	-	(1,358)	2014	1,316	-	(1,316)	2014
Receivables Investment Fund (FIDC) shares	13,850	13,850	-	2014	13,079	13,079	-	2014
Investment Guarantee Fund (FGI)	221	221	-	Without maturity	235	235	-	Without maturity
Operation Guarantee Fund (FGO)	140	140	-	Without maturity	120	120	-	Without maturity
<b>Variable income securities</b>	<b>140,298</b>	<b>136,579</b>	<b>(3,719)</b>		<b>144,159</b>	<b>227,146</b>	<b>82,987</b>	
Other tax incentives (FINOR)	350	218	(132)	Without maturity	4,211	428	(3,783)	Without maturity
Publicly-traded company shares	139,948	136,361	(3,587)	Without maturity	139,948	226,718	86,770	Without maturity
<b>Security deposits <sup>(1)</sup></b>	<b>383,734</b>	<b>382,742</b>	<b>(992)</b>		<b>279,532</b>	<b>278,567</b>	<b>(965)</b>	
Financial Treasury Bills	379,297	379,358	61	2013 to 2018	275,236	275,268	32	2013 to 2027
Federal Government Securities - other	664	-	(664)	1993	614	-	(614)	1993
Federal Government Securities - FCVS	108	85	(23)	2027	-	-	-	
Debentures	3,665	3,299	(366)	2018	3,682	3,299	(383)	2018
<b>Total</b>	<b>10,872,214</b>	<b>11,028,442</b>	<b>156,228</b>		<b>9,965,753</b>	<b>10,049,334</b>	<b>83,581</b>	
Tax credit (Note 21.b)	-	-	134,442		-	-	23,453	
Provision for deferred taxes and contributions (Note 21.c)	-	-	(196,933)		-	-	(56,885)	
<b>Total market value adjustment</b>	<b>-</b>	<b>-</b>	<b>93,737</b>		<b>-</b>	<b>-</b>	<b>50,149</b>	

(1) Breakdown: Guarantees on stock exchange transactions R\$ 148,277 (R\$ 136,654 at 12.31.2011); guarantees on Clearing House Associations R\$ 1,678 (R\$ 1,546 at 12.31.2011); guarantees on legal proceedings R\$ 217,510 (R\$ 117,816 at 12.31.2011); and other guarantees R\$ 15,277 (R\$ 22,551 at 12.31.2011).

The caption “Federal Government Securities - Other” records cash investments in government securities named by the National Treasury as NUCL910801 with a maturity on 08/31/1993, not yet redeemed by the National Treasury. These securities recorded a full devaluation due to its maturity, without, however, falling under the concept of permanent loss, as provided by Bacen Circular No. 3068 of 11.08.2001. In view of the classification of assets under “Available-for-sale securities”, the amount of R\$ 156,228 (R\$ 83,581 at 12.31.2011) was recorded in equity under “Equity valuation adjustments” account. Such adjustment, net of taxes, corresponds to R\$ 93,737 (R\$50,149 at 12.31.2011).

### a.3) Held to maturity securities

Specification	12.31.2012			12.31.2011		
	Cost	Book value	Maturity	Cost	Book value	Maturity
<b>Fixed income securities</b>	<b>21,081</b>	<b>21,081</b>		<b>13,559</b>	<b>13,559</b>	
Investment Fund Shares – Ne. Empreendedor	2,020	2,020	2013	1,691	1,691	2013
National Treasury Notes (NTN) - P	247	247	2013 to 2014	453	453	2012 to 2014
Investment Fund Shares - Ciatec	11,974	11,974	2017	8,609	8,609	2017
FIP Brasil Agronegócios (Agribusiness)	6,840	6,840	2018	2,806	2,806	2018
<b>Total</b>	<b>21,081</b>	<b>21,081</b>		<b>13,559</b>	<b>13,559</b>	

a.4) In 2012, there were no reclassifications of marketable securities among the categories above or disposal of held to maturity securities.

a.5) The Company uses the criteria below to measure market value, according to the following order of priority:

- 1st - Market Prices disclosed by the National Association of Financial Market Institutions (ANBIMA) and BM&FBOVESPA;
- 2nd - Goodwill/Negative Goodwill based on the last three-month transactions at CETIP S.A. - Organized Markets;
- 3rd - Calculation of probable realizable value obtained based on its own pricing model.

### b) Income (loss) on marketable securities

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
Interbank investments (Note 6.b)	213,545	394,521	350,862
Interbank deposits (Note 6.b)	4,927	18,311	32,476
Fixed income securities	410,124	907,097	976,902
Variable income securities	3,668	6,807	5,288
<b>Total</b>	<b>632,264</b>	<b>1,326,736</b>	<b>1,365,528</b>

### c) Derivative financial instruments

The Bank adopts conservative investment policy to guide investments in compliance with maturities and rates established by the respective sources of these funds, in order to avoid any mismatching among assets and liabilities in terms of maturities, interest rates and applicable indices.

At December, 31, 2012, the Bank had swap transactions registered with CETIP S.A. (OTC Clearing House) and the notional amount of these transactions is recorded in memorandum accounts and the related book value is recorded under the captions 'Differential Payable' and 'Differential Receivable', as shown below:

Position at 12/31/2012								
Specification	Notional amount	Market value		Curve		Mark-to-market		Net mark-to-market
		Receivable	Payable	Receivable	Payable	Positive	Negative	
<b>Asset position</b>								
Foreign currency (US dollar)	1,087,635	193,611	-	137,066	56,545	56,545	-	56,545
<b>Liability position</b>								
Fixed rate	194,672	29	8,589	-	(5,498)	109	5,607	(5,498)
<b>Total</b>	<b>1,282,307</b>	<b>193,640</b>	<b>8,589</b>	<b>137,066</b>	<b>51,047</b>	<b>56,654</b>	<b>5,607</b>	<b>51,047</b>
Tax credit (Note 21.b)								2,243
Provision for deferred taxes and contributions (Note 21.c)								(22,662)

Position at 12.31.2011								
Specification	Notional amount	Market value		Curve		Mark-to-market		Net mark-to-market
		Receivable	Payable	Receivable	Payable	Positive	Negative	
<b>Asset position</b>								
Foreign currency (US dollar)	509,020	44,769	-	44,338	-	431	-	431
<b>Liability position</b>								
Fixed rate	360,759	125	21,128	125	7,147	-	13,981	(13,981)
<b>Total</b>	<b>869,779</b>	<b>44,894</b>	<b>21,128</b>	<b>44,463</b>	<b>7,147</b>	<b>431</b>	<b>13,981</b>	<b>(13,550)</b>
Tax credit (Note 21.b)								-
Provision for deferred taxes and contributions (Note 21.c)								-

Specification	12.31.2012		12.31.2011	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Up to 3 months	-	402	9	580
3 to 12 months	-	1,782	25	7,035
1 to 3 years	121,537	5,198	56	10,639
3 to 5 years	29	1,207	44,804	2,874
5 to 15 years	72,074	-		
<b>Total</b>	<b>193,640</b>	<b>8,589</b>	<b>44,894</b>	<b>21,128</b>

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

Specification	12.31.2012				
Hedge instruments	Curve value		Market value		Mark-to-market adjustment
	Asset - dollar	Liability - CDI	Asset - dollar	Liability - CDI	
Swap – Foreign currency – Long position	1,236,368	1,099,301	1,325,291	1.131.679	56.545
<b>Hedge item</b>	<b>Curve value<sup>(1)</sup></b>		<b>Market value<sup>(1)</sup></b>		<b>Mark-to-market adjustment</b>
Eurobonds – Senior Unsecured Notes	1.233.631		1.325.882		92.251

<sup>(1)</sup> Net of tax effects in the amount of R\$ 1,076 on operation's interest.

Specification	12.31.2011				
Hedge instruments	Curve value		Market value		Mark-to-market adjustment
	Asset - dollar	Liability - CDI	Asset - dollar	Liability - CDI	
Swap - Foreign currency (US dollar)	561,870	517,532	562,301	517,532	431
<b>Hedge item</b>	<b>Curve value<sup>(1)</sup></b>		<b>Market value<sup>(1)</sup></b>		<b>Mark-to-market adjustment</b>
Eurobonds – Senior Unsecured Notes	565,687		566,823		1,136

(1) Net of tax effects in the amount of R\$ 421 on operation's interest.

The transaction was assessed as effective pursuant to BACEN Circular No. 3082, of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes, and of hedge instruments (swap agreements).

Considering the currency risk exposure as well as conditions of funding market 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 payable, is stated at market value, and any changes are recorded as part of the book value, recognized in P&L for the period.

Considering that the financial flow (principal and interest) of hedge item (Eurobonds-Senior Unsecured Notes) and financial instruments flows (swaps) designated are identical, the expected effectiveness upon hedge instruments' designation and in the course of transaction is in accordance with that established by Bacen.

### c.2) Other derivative financial instruments

Specification	12.31.2012				
Hedge instruments	Curve value		Market value		Mark-to-market adjustment
	Asset - CDI	Liability – fixed rate	Asset - CDI	Liability – fixed rate	
Fixed rate – Liability position	213,189	216,250	218,139	226,698	(5,498)

Specification	12.31.2011				
Hedge instruments	Curve value		Market value		Mark-to-market adjustment
	Asset - CDI	Liability – fixed rate	Asset - CDI	Liability – fixed rate	
Fixed rate – Liability position	432,263	439,285	432,263	453,266	(13,981)



### c.3) Breakdown of the margin given in guarantee of transactions with derivative financial instruments

Specification	12.31.2012	12.31.2011
Eurobonds – Senior Unsecured Notes	-	8,472
<b>Total</b>	<b>-</b>	<b>8,472</b>

### d) Gains (losses) on derivative financial instruments

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<i>Swap</i>	(4,286)	109,979	25,660
<b>Total</b>	<b>(4,286)</b>	<b>109,979</b>	<b>25,660</b>

## NOTE 8 – Interbank accounts – Restricted deposits

### a) Restricted deposits

Specification	12.31.2012			12.31.2011		
	Gross	Allowance	Net	Gross	Allowance	Net
Mandatory payments – Savings accounts	262,606	-	262,606	223,654	-	223,654
Compulsory reserves – Cash funds	43,768	-	43,768	36,909	-	36,909
National Housing System (SFH)	60,045	(22,889)	37,156	56,892	(24,523)	32,369
National Treasury – Rural credit	7,370	(1,176)	6,194	6,632	(1,226)	5,406
<b>Total</b>	<b>373,789</b>	<b>(24,065)</b>	<b>349,724</b>	<b>324,087</b>	<b>(25,749)</b>	<b>298,338</b>
Current balance	313,741	(1,176)	312,565	266,773	(1,226)	265,547
Long-term balance	60,048	(22,889)	37,159	57,314	(24,523)	32,791

### b) Gains (losses) on compulsory investments

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
Income from restricted deposits – Central Bank of Brazil	7,047	14,559	15,189
Income from restricted deposits – SFH	1,530	3,153	3,467
Income from restricted deposits – Rural Credit	35	63	106
Devaluation of restricted deposits	(434)	1,733	1,400
<b>Total</b>	<b>8,178</b>	<b>19,508</b>	<b>20,162</b>

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

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

Specification	12.31.2012		12.31.2011	
	Gross	Provision	Gross	Provision
<b>Loans</b>	<b>11,323,086</b>	<b>(798,757)</b>	<b>11,212,168</b>	<b>(621,838)</b>
Current	5,199,136	(423,675)	5,251,775	(301,060)
Long-term	6,123,950	(375,082)	5,960,393	(320,778)
<b>Other accounts with loan features (Note 10.f)</b>	<b>699,792</b>	<b>(34,225)</b>	<b>586,892</b>	<b>(8,222)</b>
Current	607,699	(29,913)	147,451	(3,555)
Long-term	92,093	(4,312)	439,441	(4,667)
<b>Total</b>	<b>12,022,878</b>	<b>(832,982)</b>	<b>11,799,060</b>	<b>(630,060)</b>

### a.1) Breakdown of loan portfolio

Specification	12.31.2012	12.31.2011
Advances to depositors	273	90
Loans	5,038,759	5,002,849
Discounted notes	95,074	175,036
Financing	2,019,435	1,968,974
Financing in foreign currency	334,816	275,591
Refinancing of transactions with Federal Government (Note 29.a.1)	443,895	473,643
Rural and agroindustrial financing	1,575,278	1,466,409
Real estate financing <sup>(1)</sup> (Note 28.b)	243	243
Financing of infrastructure and development	1,815,313	1,849,333
<b>Loan subtotal</b>	<b>11,323,086</b>	<b>11,212,168</b>
Guarantees and sureties honored	16	-
Income receivable from advances granted	13,335	12,866
Debtors due to purchase of assets	1,545	1,517
Notes and credits receivable	33,314	3,348
Advances on foreign exchange contract <sup>(2)</sup> (Note 11.a)	540,285	569,161
Loans linked to transactions acquired on assignment	111,297	-
<b>Subtotal of other accounts with loan features</b>	<b>699,792</b>	<b>586,892</b>
<b>Total</b>	<b>12,022,878</b>	<b>11,799,060</b>

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

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

### a.2) Income from loan

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
Loans and discounted bills	425,032	914,713	888,272
Financing	256,609	651,418	614,342
Rural and agroindustrial financing <sup>(1)</sup>	424,660	499,965	149,610
Recovery of loans written-off as loss	69,967	111,356	120,472
Guarantees and sureties honored	-	-	2
Other assets	52	726	(55)
<b>Total</b>	<b>1,176,320</b>	<b>2,178,178</b>	<b>1,772,643</b>

<sup>(1)</sup> In 2012, the amount of R\$ 347,345 (not restated in 2011) was recorded in Income from Rural and Agroindustrial Financing, related to restatement of IGP-M on debit balance of renegotiated operations based on CMN Resolution No. 2471 of 02.26.1998.

## b) Breakdown by maturity

### b.1) Loan – normal course <sup>(1)</sup>

Type of Client/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2012	Total at 12.31.2011
Rural	8,346	11,427	6,643	36,329	45,248	1,429,271	1,537,264	1,417,533
Industry	69,901	86,116	49,037	224,658	278,685	1,433,401	2,141,798	3,086,085
Government	6,325	6,600	19,404	18,984	51,316	1,262,791	1,365,420	1,331,046
Other services	602,834	401,777	335,077	1,132,974	472,447	1,421,349	4,366,458	2,981,119
Trading	122,813	110,264	67,984	454,700	425,831	308,603	1,490,195	2,201,748
Financial intermediation	4,964	4,604	4,799	13,924	28,380	160,775	217,446	261,179
Housing	1,196	773	633	1,033	171	19	3,825	243
Individuals	4,428	3,804	2,853	11,968	9,019	20,999	53,071	45,541
<b>Total</b>	<b>820,807</b>	<b>625,365</b>	<b>486,430</b>	<b>1,894,570</b>	<b>1,311,097</b>	<b>6,037,208</b>	<b>11,175,477</b>	<b>11,324,494</b>

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

### b.2) Loans - overdue

Falling due								
Type of Client/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2012	Total at 12.31.2011
Rural	546	53	47	1,703	4,744	10,425	17,518	18,542
Industry	5,316	5,633	4,201	17,741	24,796	42,035	99,722	63,854
Other services	10,129	10,461	7,224	23,208	29,508	85,450	165,980	74,589
Trading	7,833	6,903	6,561	18,656	24,264	39,089	103,306	106,537
Financial intermediation	117	128	162	459	806	620	2,292	3,840
Housing	13	12	9	10	-	-	44	-
Individuals	359	419	233	922	1,056	1,218	4,207	4,057
<b>Total</b>	<b>24,313</b>	<b>23,609</b>	<b>18,437</b>	<b>62,699</b>	<b>85,174</b>	<b>178,837</b>	<b>393,069</b>	<b>271,419</b>

Past due									
Type of Client/Activity	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2012	Total at 12.31.2011
Rural	21	3,036	4,959	2,090	6,950	2,561	15,752	35,369	38,534
Industry	2,019	54,936	51,440	5,858	26,836	18,384	136	159,609	39,175
Other services	3,328	7,307	12,310	19,432	66,165	40,594	4,565	153,701	60,627
Trading	1,980	7,840	14,099	8,461	29,190	32,323	2,004	95,897	60,131
Financial intermediation	-	119	113	115	2,478	675	1,094	4,594	944
Housing	-	12	5	4	-	1	-	22	-
Individuals	44	392	1,004	343	1,322	1,915	120	5,140	3,736
<b>Total</b>	<b>7,392</b>	<b>73,642</b>	<b>83,930</b>	<b>36,303</b>	<b>132,941</b>	<b>96,453</b>	<b>23,671</b>	<b>454,332</b>	<b>203,147</b>

## c) Breakdown by risk level

Risk level	12.31.2012				12.31.2011			
	Loan - Normal <sup>(1)</sup>	Loan - overdue	Total portfolio	Allowance	Loan - Normal <sup>(1)</sup>	Loan - overdue	Total portfolio	Allowance
AA	3,227,863	-	3,227,863	-	3,315,259	-	3,315,259	-
A	4,606,780	-	4,606,780	23,034	5,094,425	-	5,094,425	25,472
B	2,195,279	30,772	2,226,051	22,260	2,218,403	34,180	2,252,583	22,526
C	539,012	162,347	701,359	21,041	261,866	41,691	303,557	9,106
D	140,787	61,917	202,704	20,270	139,191	50,527	189,718	18,972
E	127,966	148,345	276,311	82,893	32,618	43,662	76,280	22,884
F	133,261	64,891	198,152	99,076	16,203	24,800	41,003	20,502
G	13,973	50,194	64,167	44,917	28,007	24,117	52,124	36,487
H	190,556	328,935	519,491	519,491	218,522	255,589	474,111	474,111
<b>Total</b>	<b>11,175,477</b>	<b>847,401</b>	<b>12,022,878</b>	<b>832,982</b>	<b>11,324,494</b>	<b>474,566</b>	<b>11,799,060</b>	<b>630,060</b>

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

## d) Changes in allowance for the year

Specification	12.31.2012	12.31.2011
Opening balance	630,060	652,918
(+) Net allowance recognized in the year	614,291	215,557
(-) Receivables written off as loss in the year	(411,369)	(238,415)
<b>(=) Allowance for loan losses</b>	<b>832,982</b>	<b>630,060</b>
Opening balance	46,064	31,706
(+) Net allowance recognized in the year	599	19,933
(-) Receivables written off as loss in the year	(94)	(5,575)
<b>(=) Allowance for losses on other receivables without loan features (Note 10.f)</b>	<b>46,569</b>	<b>46,064</b>
<b>(=) Allowance for loan losses</b>	<b>879,551</b>	<b>676,124</b>

**e) Breakdown of allowance expense balance**

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
(+) Expenses on allowance for loan losses	349,103	581,565	265,187
(+) Expenses on allowance for losses on other receivables	24,799	32,726	4,861
(-) Reversals of operating allowances	-	-	(54,491)
<b>(=) Balance of expenses on allowance with loan features</b>	<b>373,902</b>	<b>614,291</b>	<b>215,557</b>
(+) Expenses on allowance for losses on other receivables without loan features	187	505	19,352
(-) Reversals of allowances for losses on other receivables without loan features	-	-	-
<b>(=) Balance of expenses on allowance for loan losses</b>	<b>374,089</b>	<b>614,796</b>	<b>234,909</b>

**f)** In the year, receivables that had been written off as loss were recovered in the amount of R\$111,356 (R\$120,472 at 12.31.2011) and renegotiations amounted to R\$731,498 (R\$750,172 at 12.31.2011).

**g) Recovery of receivables with legal grounds**

In conformity with Law No. 11322, of 07.13.2006, Law No. 11775, of 09.17.2008, Law No. 12249, of 06.11.2010, and Law No.12.716, of 09.21.2012, concerning rescheduling of debts arising from rural credit transactions, that provides for rebates in the debit 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 12.31.2012, was recognized in the amount of R\$ 81,192 (R\$209,488 at 12.31.2011), shown below. Pursuant to the abovementioned legal instruments, part of these transactions was acquired by the Northeast Constitutional Financing Fund (FNE).

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
Income earned	18,744	32,052	72,772
Recovery of transactions written off from assets	15,732	28,828	53,186
Expenses on discounts	(3,866)	(7,138)	(24,117)
Net effect of allowances	18,505	27,450	107,647
<b>Total</b>	<b>49,115</b>	<b>81,192</b>	<b>209,488</b>

**NOTE 10 - Other receivables**

Specification	12.31.2012	12.31.2011
<b>a) Receivables for guarantees and sureties honored</b>	<b>15</b>	<b>-</b>
<b>b) Foreign exchange portfolio (Note 11.a)</b>	<b>592,978</b>	<b>641,071</b>
<b>c) Income receivable</b>	<b>25,434</b>	<b>22,902</b>
<b>d) Securities trading</b>	<b>4</b>	<b>-</b>
<b>e) Sundry</b>	<b>2,364,301</b>	<b>1,280,317</b>
Tax credits – Allowances (Note 21.b)	954,532	250,629
Tax credits – marketable securities and derivative financial instruments and hedge item (Notes 7.a.2, 7c and 21.b)	173,585	23,453
Debtors from guarantee deposits	683,936	644,977
<b>Taxes and contributions recoverable</b>	<b>208,888</b>	<b>207,830</b>
From prepayments – Brazilian IRS Revenue Procedure ( IN SRF)No. 90/92	200,754	200,124
Other assets	8,134	7,706
Tax incentive options	26,748	26,748
Notes and credits receivable	33,314	3,348
Prepaid salaries and advances	1,650	2,095
Payments to be refunded	9,905	8,246
Recalculation, discounts, waivers and bonuses in BNDES transactions	3,687	4,843
Recalculation, discounts, waivers and bonuses in FAT transactions	7,793	26,648
Other	260,263	81,500
<b>f) Allowance for losses on other receivables</b>	<b>(80,794)</b>	<b>(54,286)</b>
Receivables with loan features (Note 9.a)	(34,225)	(8,222)
Receivables without loan features (Note 9.d)	(46,569)	(46,064)
<b>Total</b>	<b>2,901,938</b>	<b>1,890,004</b>
Current balance	2,100,029	1,778,988
Long-term balance	801,909	111,016

**NOTE 11 - Foreign exchange portfolio****a) Breakdown**

<b>Specification</b>	<b>12.31.2012</b>	<b>12.31.2011</b>
<b>Assets – Other receivables</b>		
Foreign exchange purchases pending settlement	561,941	627,494
Receivables for foreign exchange sold	21,677	762
Advances received in local currency	(3,975)	(51)
Income receivable from advances	13,335	12,866
<b>Current assets (Note 10.b)</b>	<b>592,978</b>	<b>641,071</b>
<b>Liabilities - Other payables</b>		
Liabilities for foreign exchange purchases	550,656	569,584
Foreign exchange sold pending settlement	21,637	765
(Advances on foreign exchange contracts (Note 9.a.1))	(540,285)	(569,161)
<b>Current liabilities (Note 16.b)</b>	<b>32,008</b>	<b>1,188</b>

**b) Gains (losses) from foreign exchange portfolio**

<b>Specification</b>	<b>2H12</b>	<b>01.01 to 12.31.2012</b>	<b>01.01 to 12.31.2011</b>
Exchange gains	58,469	166,102	164,406
Exchange losses	(343)	(653)	(535)
<b>Total</b>	<b>58,126</b>	<b>165,449</b>	<b>163,871</b>

## NOTE 12 – Permanent

### a) Investments

Specification	12.31.2011	01.01.2012 to 12.31.2012			12.31.2012		
	Book balance	Changes		Book balance	Cost	Provision for impairment	Book balance
		Additions	Exclusions				
Tax incentive investments	-	-	-	-	-	-	-
Shares and units of interest	652	-	-	652	652	-	652
Artworks and valuable items	916	158	(6)	1,068	1,068	-	1,068
<b>Total</b>	<b>1,568</b>	<b>158</b>	<b>(6)</b>	<b>1,720</b>	<b>1,720</b>	<b>-</b>	<b>1,720</b>

### b) Property and equipment

Specification	12.31.2011	01.01.2012 to 12.31.2012			12.31.2012			
	Book balance	Changes <sup>(2)</sup>			Book balance	Cost	Accumulated depreciation	Book balance
		Additions	Exclusions	Depreciation				
Buildings	100,517	15,620	(921)	(9,403)	105,813	240,843	(135,030)	105,813
Data processing system	23,151	17,828	(2,078)	(8,068)	30,833	84,238	(53,405)	30,833
Furniture and equipment in use	22,087	5,920	(1,212)	(3,696)	23,099	55,030	(31,931)	23,099
Land	17,025	-	-	-	17,025	17,025	-	17,025
Facilities	7,259	932	(56)	(1,454)	6,681	17,043	(10,362)	6,681
Communication systems	139	6	(25)	(6)	114	405	(291)	114
Construction in progress <sup>(1)</sup>	4,206	1,128	(125)	-	5,209	5,209	-	5,209
Security system	4,867	2,916	(262)	(883)	6,638	13,598	(6,960)	6,638
Transportation system	6,318	-	-	(2,824)	3,494	16,121	(12,627)	3,494
<b>Total</b>	<b>185,569</b>	<b>44,350</b>	<b>(4,679)</b>	<b>(26,334)</b>	<b>198,906</b>	<b>449,512</b>	<b>(250,606)</b>	<b>198,906</b>

(1) Refers to transfer to Buildings, considering the conclusion of the construction.

(2) Provision for impairment of property and equipment was not recorded.

### c) Deferred charges

Specification	12.31.2011	01.01.2012 to 12.31.2012			12.31.2012			
	Book balance	Changes <sup>(1)</sup>			Book balance	Cost	Accumulated amortization	Book balance
		Additions	Exclusions	Amortization				
Leasehold improvements	1,695	-	(1,651)	892	936	2,932	(1,996)	936
Software development expenses	8	-	(33)	26	-	7	(7)	-
<b>Total</b>	<b>1,703</b>	<b>-</b>	<b>(1,684)</b>	<b>918</b>	<b>936</b>	<b>2,939</b>	<b>(2,003)</b>	<b>936</b>

(1) There is no record of provision for impairment on deferred charges.

**NOTE 13 – Deposits and open market funding****a) Deposits**

Specification	12.31.2012	12.31.2011
<b>Demand deposits</b>	<b>134,018</b>	<b>183,624</b>
Foreign currency deposits in Brazil	23,182	28,344
Government deposits	14,256	32,763
Restricted deposits	61,875	44,610
Legal entities	21,824	63,739
Individuals	11,548	11,978
Other	1,333	2,190
<b>Savings deposits</b>	<b>1,615,970</b>	<b>1,329,994</b>
Free savings deposits - Individuals	987,872	839,805
Free savings deposits – Legal entities	627,331	489,013
From related parties and Financial System Institutions	767	1,176
<b>Interbank deposits</b>	<b>672,027</b>	<b>588,986</b>
<b>Time deposits</b>	<b>7,399,424</b>	<b>6,861,895</b>
Time deposits	5,411,838	5,000,379
Interest-bearing judicial deposits	741,822	567,361
<b>Interest-bearing special deposits/FAT – available funds (Note 27)</b>	<b>101,634</b>	<b>50,795</b>
Proger Urbano	4,416	13,293
Pronaf	-	262
Protrabalho	2,049	3,320
Infrastructure	37,398	20,404
Drought	161	84
National Program for Guided Productive Microcredit (PNMPO)	57,610	13,432
<b>Interest-bearing special deposits/FAT – invested funds (Note 27)</b>	<b>559,375</b>	<b>571,594</b>
Proger Urbano	63,028	62,810
Pronaf	-	561
Protrabalho	133,046	159,624
Infrastructure	214,391	249,455
Drought	7,126	9,838
National Program for Guided Productive Microcredit (PNMPO)	141,784	89,306
FINOR/cash and cash equivalents and reinvestments – Law No. 8167	584,007	670,169
Other	748	1,597
<b>Total</b>	<b>9,821,439</b>	<b>8,964,499</b>
Current balance	4,772,938	5,115,979
Long-term balance	5,048,501	3,848,520

**b) Open market funding**

Specification	12.31.2012	12.31.2011
<b>Own portfolio</b>	<b>663,719</b>	<b>670,444</b>
Financial Treasury Bills	663,719	670,444
<b>Third-party portfolio</b>	<b>156,796</b>	<b>33,929</b>
Financial Treasury Bills	156,796	33,929
<b>Total</b>	<b>820,515</b>	<b>704,373</b>
Current balance	738,598	637,812
Long-term balance	81,917	66,561

**c) Expenses on money market funding**

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<b>Deposit funding costs</b>	<b>(374,754)</b>	<b>(923,523)</b>	<b>(973,088)</b>
Time deposits	(184,237)	(402,318)	(550,126)
Savings deposits	(31,930)	(64,939)	(66,127)
Judicial deposits	(23,511)	(47,144)	(35,698)
Interbank deposits	(8,651)	(16,074)	(19,658)
Special deposits - FAT	(39,806)	(87,712)	(111,196)
Expenses with funds from acceptance and issue of securities	(81,618)	(295,639)	(180,822)
Other deposits	(5,001)	(9,697)	(9,461)
<b>Expenses on open market funding</b>	<b>(31,691)</b>	<b>(68,002)</b>	<b>(75,652)</b>
Third-party portfolio	(5,371)	(10,525)	(10,473)
Own portfolio	(26,320)	(57,477)	(65,179)
<b>Total</b>	<b>(406,445)</b>	<b>(991,525)</b>	<b>(1,048,740)</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 12.31.2012	Total at 12.31.2011
Domestic borrowings	-	17,912	17,912	-	-	-	35,824	49,532
Foreign borrowings	159,432	648,845					808,277	833,257
Domestic onlending	33,273	88,496	273,947	364,564	569,905	256,016	1,586,201	1,286,685
Foreign onlending	14,918	73,436	180,196	184,170	356,605	15,870	825,195	840,392
<b>Total</b>	<b>207,623</b>	<b>828,689</b>	<b>472,055</b>	<b>548,734</b>	<b>926,510</b>	<b>271,886</b>	<b>3,255,497</b>	<b>3,009,866</b>
Current balance							1,036,312	1,104,486
Long-term balance							2,219,185	1,905,380

### b) Borrowings

Specification	% annual restatement rate	12.31.2012	12.31.2011
Domestic borrowings – Official institutions/Refinancing	TJLP+ 3.0 or 7.75	35,824	49,532
Foreign borrowings – in foreign currency	USD	808,277	833,257
<b>Total</b>		<b>844,101</b>	<b>882,789</b>
Current balance		826,189	849,768
Long-term balance		17,912	33,021

### c) Domestic onlending – Official institutions

Specification	% annual restatement rate	12.31.2012	12.31.2011
<b>National Treasury</b>	IGP-DI + 2.0 or 6.75	<b>809</b>	<b>992</b>
<b>BNDES</b>		<b>1,435,621</b>	<b>1,152,894</b>
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	TJLP/IGPM/IPCA+1.5	1,060,969	919,432
Credit Facility for investment in agriculture	TJLP/IGPM/IPCA+1.5	374,652	233,462
<b>Finame</b>		<b>149,771</b>	<b>132,799</b>
Automatic Program	TJLP/IGPM/IPCA+1.5	132,471	116,710
Agricultural Program	TJLP/IGPM/IPCA+1.5	17,300	16,089
<b>Total</b>		<b>1,586,201</b>	<b>1,286,685</b>
Current balance		121,769	173,427
Long-term balance		1,464,432	1,113,258

### d) Foreign onlending

Specification	% annual restatement rate	12.31.2012	12.31.2011
BID-Prodetur (Tourism Development Program with funds provided by the BID)	USD + 0.99 or 2.05	818,298	833,307
BID-Other programs	USD + 0.99	6,690	6,703
Other programs	USD + 6.0	207	382
<b>Total</b>		<b>825,195</b>	<b>840,392</b>
Current balance		88,354	81,291
Long-term balance		736,841	759,101

### e) Expenses with borrowings and onlending

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<b>Borrowings</b>	<b>(1,569)</b>	<b>(3,594)</b>	<b>(4,604)</b>
Domestic borrowings	(1,569)	(3,594)	(4,604)
<b>Onlending</b>	<b>(80,150)</b>	<b>(400,995)</b>	<b>(250,727)</b>
<b>Domestic onlending – Official institutions</b>	<b>(63,563)</b>	<b>(242,529)</b>	<b>(93,619)</b>
National Treasury	(21)	(27)	(74)
BNDES	(60,055)	(236,223)	(84,911)
Finame	(3,487)	(6,279)	(3,618)
Other institutions	-	-	(5,016)
<b>Foreign onlending</b>	<b>(16,587)</b>	<b>(158,466)</b>	<b>(157,108)</b>
<b>Onlending with foreign banks</b>	<b>(13,454)</b>	<b>(141,260)</b>	<b>(137,402)</b>
<b>Financial and development funds</b>	<b>(216,320)</b>	<b>(451,402)</b>	<b>(454,219)</b>
<b>Total</b>	<b>(311,493)</b>	<b>(997,251)</b>	<b>(846,952)</b>



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

### a) Foreign securities payable

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 12.31.2012 <sup>(2)</sup>	Market value at 12.31.2012 <sup>(2)</sup>	Market value at 12.31.2011 <sup>(2)</sup>
Eurobonds – Senior Unsecured Notes <sup>(1)</sup>	09.11.2010	09.11.2015	3,625	300,000	616,719	647,714	567,244
Eurobonds – Senior Unsecured Notes <sup>(1)</sup>	03.05.2012	03.05.2019	4,375	300,000	617,988	679,244	-
<b>Total</b>				<b>600,000</b>	<b>1,234,707</b>	<b>1,326,958</b>	<b>567,244</b>
Current balance						8,607	3,368
Long-term balance						1,318,351	563,876

<sup>(1)</sup> The notes are not subject to interim payments 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 hedge transactions and, as such, the liabilities balances are adjusted to market value.

### b) Agribusiness Credit Bills - issued

Specification	Annual interest (%)	Nominal value	12.31.2012	12.31.2011
Agribusiness Credit Bills <sup>(1)</sup>	91.03 CDI	198,692	67,287	196,364
Current balance			66,869	196,364
Long-term balance			418	-

<sup>(1)</sup> Security with average maturity term of 226 days.

## NOTE 16 - Other liabilities

Specification	12.31.2012	12.31.2011
<b>a) Collection and transfer of taxes and levies</b>	<b>3,154</b>	<b>4,805</b>
Funds from Proagro	118	114
Tax on Financial Transactions (IOF) payable	2,927	4,601
Other taxes and levies	109	90
<b>b) Foreign exchange portfolio (Note 11)</b>	<b>32,008</b>	<b>1,188</b>
<b>c) Social and statutory</b>	<b>95,061</b>	<b>12,254</b>
Dividends and bonuses payable	65,066	342
Profit sharing	29,663	11,912
Other taxes and levies	332	-
<b>d) Tax and social security</b>	<b>825,052</b>	<b>525,820</b>
<b>Provision for tax contingencies (Note 22.d)</b>	<b>118,345</b>	<b>112,578</b>
Taxes and contribution taxes	82,258	82,269
Tax suits	36,087	30,309
<b>Provision for deferred taxes and contribution taxes (Note 21.c)</b>	<b>227,740</b>	<b>66,561</b>
Marketable securities and derivative financial instruments	219,595	56,885
Revaluation of buildings and land	8,145	9,676
<b>Provision for income and social contribution taxes (Note 21.a)</b>	<b>401,577</b>	<b>298,477</b>
Income tax <sup>(1)</sup>	246,087	182,080
Social contribution tax <sup>(2)</sup>	155,490	116,397
<b>Taxes payable</b>	<b>77,390</b>	<b>48,204</b>
<b>e) Securities trading and brokerage</b>	<b>68</b>	<b>-</b>
<b>f) Financial and development funds</b>	<b>6,679,378</b>	<b>4,720,077</b>
Northeast Constitutional Financing Fund (FNE)(Note 29.a.1)	6,534,337	4,578,226
Other	145,041	141,851
<b>g) Hybrid equity and debt instruments (Note 17 and Note 29.a.1)</b>	<b>1,202,392</b>	<b>1,137,872</b>
<b>h) Subordinated debts eligible for capital (Note 18 and Note 29.a.1)</b>	<b>1,332,382</b>	<b>1,216,319</b>
<b>i) Other</b>	<b>3,719,705</b>	<b>3,017,118</b>
<b>Provision for contingent liabilities</b>	<b>2,145,730</b>	<b>1,767,867</b>
Labor lawsuits (Note 22.e.iv)	179,319	182,824
Civil lawsuits (Note 22.e.v)	106,080	106,653
Other lawsuits (Note 22.e.vi)	258	140
<b>FNE (Note 22.e.vii)</b>	<b>1,820,070</b>	<b>1,386,807</b>
Onlending	1,308	1,149
Full risk	99,149	91,376

Shared risk	1,719,613	1,294,282
FDNE (Note 22.e.viii)	420	1,593
Proagro (Note 22.e.ix)	3,388	3,299
Other contingent liabilities (Note 22.e.x)	36,195	86,551
<b>Accrued Liabilities Allowances</b>	<b>1,493,127</b>	<b>1,131,570</b>
<b>Employee Benefits - CVM Resolution No. 600 (Note 25.f)</b>	<b>1,327,310</b>	<b>985,408</b>
Pension plan(Note 29.a.2)	576,635	457,916
Retirement and Pension plan CV (Note 29.a.2)	99	-
Health care plan (Note 29.a.2)	750,576	527,492
Personnel expenses	131,998	114,564
Other	33,819	31,598
<b>Other</b>	<b>80,848</b>	<b>117,681</b>
<b>Total</b>	<b>13,889,200</b>	<b>10,635,453</b>
Current balance	3,953,248	2,675,384
Long-term balance	9,935,952	7,960,069

<sup>(1)</sup> Supplementary amount of R\$ 281 related to annual adjusted for 2011 is included at 12.31.2012.

<sup>(2)</sup> Supplementary amount of R\$ 162 related to annual adjusted for 2011 is included at 12.31.2012.

#### NOTE 17 - Hybrid equity and debt instruments

Specification	Amount issued	Interest	Funding date	12.31.2012	12.31.2011
Hybrid equity and debt instruments (Note 16.g and Note 28g.ii)	1,000,000	IPCA+6,5715% p.a,	22,12,2010	1,202,392	1,137,872
Current balance				74,143	70,164
Long-term balance				1,128,249	1,067,708

#### NOTE 18 - Subordinated debts

Specification	12.31.2012	12.31.2011
Northeast Constitutional Financing Fund (FNE)	1,332,382	1,216,319
Funds available <sup>(1)</sup>	433,857	328,126
Funds invested <sup>(2)</sup>	898,525	888,193
<b>Total (Note 28.g.ii)</b>	<b>1,332,382</b>	<b>1,216,319</b>

- Yielding based on extra-market rates disclosed by the Central Bank of Brazil, pursuant to item A, article 9 of Law No. 7827 dated 09.27.1989.

- Yielding rates as agreed upon with borrowers, less del credere commission of the institution, pursuant to item A, article 9 of Law No. 7827 dated 09.27.1989.

#### NOTE 19 - Equity

##### a) Capital

The Extraordinary Shareholders' Meeting held on 03.30.2012 approved a capital increase of R\$ 132,000, resulting from addition of statutory reserves, with no new shares issued. Capital increased from R\$ 2,010,000 to R\$ 2,142,000 represented by 87,001,901 registered, paid-in shares with no par value, approved by BACEN.

Position at 12.31.2012					
Shareholders	Common shares	Preferred shares	Total shares	% Voting Capital	% Total Capital
Federal Government	46,595,279	35,373,190	81,968,469	96.10	94.21
National Development Fund (FND)	1,473,704	2,373,264	3,846,968	3.04	4.42
BNB Employees' Pension Fund (CAPEF)	269,723	110,515	380,238	0.56	0.44
Other	146,069	660,157	806,226	0.30	0.93
<b>Total</b>	<b>48,484,775</b>	<b>38,517,126</b>	<b>87,001,901</b>	<b>100.00</b>	<b>100.00</b>

Position at 12.31.2011					
Shareholders	Common shares	Preferred shares	Total shares	% Voting Capital	% Total Capital
Federal Government	46,595,279	35,373,190	81,968,469	96.10	94.21
National Development Fund (FND)	1,473,704	2,373,264	3,846,968	3.04	4.42
BNDESPAR	13,800	386,795	400,595	0.03	0.47
Other	401,992	383,877	785,869	0.83	0.90
<b>Total</b>	<b>48,484,775</b>	<b>38,517,126</b>	<b>87,001,901</b>	<b>100.00</b>	<b>100.00</b>

**b) Revaluation reserve**

The amount of R\$ 22,904 (R\$ 25,198 at 12.31.2011) refers to the revaluation of property and equipment in use, recognized on 02.26.1993. Said 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. The realization in the year totaled R\$ 2,294 (R\$ 2,866 at 12.31.2011) and was used as the basis for profit distribution.

**c) Treasury shares – in R\$ 1.00**

The Bank holds 10,232 own shares, of which 8,088 are registered common shares (ON) and 2,144 are registered preferred shares (PN), bought back on 02.17.2009. These shares, whose market value on 12.31.2012 represent, respectively, R\$ 19.00 R\$ 20.28 per share, are held in treasury to be later disposed of or cancelled.

**d) Dividends and interest on equity**

Under the Bank's bylaws, shareholders are entitled to minimum dividends of 25% of net income in the year, adjusted as defined by regulation.

The Board of Directors proposed to the General Shareholders' Meeting payment of dividends and interest on equity capital attributable to dividends equivalent to 35.02% of adjusted net income for the year. As a result of said proposition and considering the prepayment of dividends and interest on equity of the first half, the amount of R\$ 126,199 was recorded in a provision account, referring to the mandatory minimum dividends established in the bylaws and R\$61,521 was recorded in Income Reserve – Additional proposed dividend, pursuant to BACEN Circular No. 3516, of 07.21.2011.

Specification	12.31.2012	12.31.2011
<b>1. Net income for the year</b>	<b>508,363</b>	<b>314,799</b>
2. Revaluation reserves transferred to retained earnings	2,294	2,397
3. Adjusted net income	510,657	317,196
4. Recorded legal reserve	(25,418)	(15,740)
5. Employee profit sharing (Note 24)	59,184	36,635
<b>6. Calculation base of dividends/interest on equity capital</b>	<b>544,423</b>	<b>338,091</b>
7. Interest on equity capital in the year	132,273	73,526
8. Withholding income tax on interest on equity capital	(144)	(99)
9. Interest on equity capital attributed to dividends (item 7+ item 8)	132,129	73,427
10. Prepaid IOE restated by interest be reference to SELIC rate	(68,827)	(66,478)
11. Supplementary IOE (item 7 + item 10)	63,446	7,048
12. Dividends proposed for the year	58,388	95,700
13. Prepaid dividends restated by interest be reference to SELIC rate	(57,051)	(95,700)
14. Complementary dividends (item 12 + item 13)	1,337	-
<b>15. Total intended to shareholders (item 7 + item 12) – 35.0207%</b>	<b>190,661</b>	<b>169,226</b>
- IOE R\$ 1.456058876920 per common share (at 12.31.2011: R\$ 0.80937744879 per common share)	70,585	39,236
- IOE of R\$ 1.601664764377 per preferred share (at 12.31.2011: R\$ 0.890315193449 per preferred share)	61,688	34,290
- Dividends of R\$ 0.64273471246 per common share (at 12.31.2011: R\$ 1.05345972612 per common share)	31,158	51,069
- Dividends of R\$ 0.707008183724 per preferred share (at 12.31.2011: R\$ 1.15880569878 per preferred share)	27,230	44,631

The Bank calculated for preferred shares dividends and interest on equity capital 10% higher than dividends/interest on equity capital attributed to common shares, pursuant to article 17, "I", of Law No. 6404, of 12.15.1976, as reworded by Law No. 10303, of 10.31.2001 and the provision of article 6, paragraph 2, of the Bank's bylaws.

Interest on equity capital was accounted for in expenses, but, for purposes of disclosure of financial statements, it has been reclassified to "Retained earnings (accumulated losses)". Total interest on equity capital for the year generated a reduction in tax expenses of R\$ 52,115 (R\$ 27,972 at 12.31.2011).

Employee profit sharing was added to the calculation base of dividends and interest on equity capital, as established by article 2 of Resolution No. 10, of 05.30.1995, of the Council for Coordination and Control of State-Owned Companies (CCE).

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

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<b>a) Income from services provided</b>	<b>681,061</b>	<b>1,391,602</b>	<b>1,327,021</b>
Investment fund management	9,070	17,239	14,298
Fund and program management	556,484	1,160,600	1,106,150
Services provided	115,507	213,763	206,573
<b>b) Income from bank fees</b>	<b>15,622</b>	<b>29,057</b>	<b>24,735</b>
<b>c) Personnel expenses</b>	<b>(730,172)</b>	<b>(1,461,837)</b>	<b>(1,081,293)</b>
Salaries	(347,344)	(663,334)	(606,229)
Payroll charges	(129,101)	(245,330)	(235,373)
Pension plan(Note 25.g)	(107,363)	(201,979)	(44,147)
Health care plan (Note 25.g)	(94,643)	(253,049)	(109,239)
Benefits, training, fees and compensation of interns	(51,721)	(98,145)	(86,305)
<b>d) Other administrative expenses</b>	<b>(405,206)</b>	<b>(824,986)</b>	<b>(775,242)</b>
Data processing	(69,052)	(143,152)	(124,484)
Advertising and promotion	(7,604)	(22,036)	(29,309)
Third-party services	(154,856)	(299,651)	(259,067)
Rentals, material and public utilities	(20,662)	(41,747)	(44,698)
Travel	(7,467)	(15,475)	(14,623)
Communication	(17,238)	(32,907)	(30,519)
Depreciation and amortization	(14,711)	(29,212)	(27,346)
Asset maintenance and upkeep	(17,784)	(33,470)	(31,612)
Surveillance, security and transportation	(21,362)	(40,274)	(32,770)
Promotions, public relations and publications	(13,094)	(21,874)	(19,874)
Finance system services	(9,819)	(18,327)	(19,417)
Specialized technical services	(15,109)	(37,139)	(34,580)
Insurance	(2,235)	(4,395)	(4,150)
Court, notary and attorney fees	(14,955)	(38,088)	(50,248)
Trade Association Contribution and membership charges	(624)	(1,327)	(894)
Condominium fees, catering, kitchen and meals	(2,020)	(3,955)	(3,586)
FUNDECI (Science and Technology Development Fund)	(5,200)	(19,200)	(19,200)
Other	(11,414)	(22,757)	(28,865)
<b>e) Tax expenses</b>	<b>(118,932)</b>	<b>(215,202)</b>	<b>(188,995)</b>
Cofins and PIS/PASEP	(109,965)	(198,161)	(173,177)
ISS and IPTU/Improvement tax	(7,889)	(15,027)	(14,423)
Other	(1,078)	(2,014)	(1,395)
<b>f) Other operating income</b>	<b>617,517</b>	<b>1,431,569</b>	<b>1,164,760</b>
<i>Del credere</i> commission on fund management	471,902	926,764	825,511
Negative exchange variation on loans obtained	8	205,221	105,615
Reversal of operating provisions on FNE transaction	-	-	11
Recovery of charges and expenses	5,462	8,644	10,871
Reversal of operating provisions	55,820	119,515	2,310
Interest and commissions	338	814	899
Monetary restatement	8,378	9,041	6,650
Mark-to-market adjustments	9,368	9,368	39,074
Monetary restatement of taxes	-	-	218
FNE – Recover of amounts settled by the Bank	41,563	64,621	87,628
Other	24,678	87,581	85,973
<b>g) Other operating expenses</b>	<b>(618,163)</b>	<b>(1,301,411)</b>	<b>(1,019,815)</b>
Exchange variation from exchange area	(463)	(4,750)	(5,188)
Negative exchange variation on loans granted	(31,513)	(187,509)	(82,425)
Negative adjustment of loans	(80)	(83)	(1,052)
Discounts granted in renegotiations	(3,472)	(6,229)	(48,509)
Interest on loans	(8,229)	(12,449)	(12,513)
Tax contingencies	(7,092)	(8,916)	(12,881)
Risks on FNE transactions	(404,803)	(699,670)	(429,782)
Risks on FDNE transactions	-	(322)	(1,316)
Labor lawsuits	(6,900)	(26,188)	(32,821)
Civil lawsuits	(11,697)	(25,786)	(20,584)
Other lawsuits	(155)	(158)	(96)
Other contingent liabilities	(101)	(56,097)	(86,551)
Hybrid equity and debt instruments	(77,283)	(137,139)	(135,550)
FNE remuneration – available funds – item A, article 9 of Law No. 7827	(13,323)	(27,980)	(34,892)
FNE remuneration – invested funds – item A, article 9, Law No. 7827	(44,489)	(88,083)	(79,579)
Other	(8,563)	(20,052)	(36,076)
<b>Total</b>	<b>(558,273)</b>	<b>(951,208)</b>	<b>(548,829)</b>

## NOTE 21 - Taxes and social contributions

### a) Income and social contribution taxes

The Bank is subject to taxation whereby taxable profit is based on accounting records, and income and social contribution taxes are paid monthly on an estimated basis. Income and social contribution tax expenses in 2012 totaled R\$ 244,850 (R\$ 181,082 at 12.31.2011) and R\$ 154,755 at ( R\$115,798 at 12.31.2011), respectively.

a.1) Specification of the provision for income and social contribution tax expense	Income tax		Social contribution	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Income before income taxes on profit and profit sharing	253,203	675,479	253,203	675,479
Statutory profit sharing	(65,619)	(37,077)	(65,619)	(37,077)
Interest on equity (IOE)	(132,273)	(73,526)	(132,273)	(73,526)
Income before income taxes, less statutory profit sharing and interest on equity	55,311	564,876	55,311	564,876
Permanent additions/exclusions	(37,152)	(51,043)	(37,382)	(51,252)
Temporary additions/exclusions	1,017,589	262,354	1,017,589	262,354
Taxable profit before use of tax loss carryforwards	1,035,748	776,187	1,035,518	775,978
Offset of income and social contribution tax losses	-	-	-	-
Taxable profit after use of tax loss carryforwards	1,035,748	776,187	1,035,518	775,978
Expenses with provision for IRPJ (25%) <sup>(1)</sup> and CSLL (15%) – before tax incentives and revaluation reserve	(258,913)	(194,022)	(155,328)	(116,397)
Deductions (tax incentives)	13,106	11,942	-	-
Provision for IRPJ/CSLL on revaluation reserve released to retained earnings	957	998	573	599
Current IRPJ/CSLL expenses – after tax incentives and revaluation reserve	(244,850)	(181,082)	(154,755)	(115,798)
Provision for deferred taxes and contribution taxes - IFD	(14,165)	-	(8,497)	-
IRPJ/CSLL tax credits - Provision	439,940	(16,702)	263,963	(10,021)
IRPJ/CSLL tax credits – IFD and hedge item	24,465	-	14,678	-
Total IRPJ/CSLL expenses	205,390	(197,784)	115,389	(125,819)
% of total tax expenses in relation to income before tax on profit and profit sharing	(81.12%)	29.28%	(45.57%)	18.63%
a.2) Specification of the provision for income and social contribution taxes	Income tax		Social contribution	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Expense with provision for income and social contribution taxes	244,850	181,082	154,755	115,798
Provision for taxes on revaluation reserve realization	956	998	573	599
Provision for Income and social contribution taxes	245,806	182,080	155,328	116,397
Taxes offsettable due to tax prepayments, including withholding taxes	(138,400)	(138,032)	(64,323)	(63,743)
Adjustment for the year	107,406	44,048	91,005	52,654

<sup>(1)</sup> The rate of 15% is applied to the taxable base referring to income tax payable + 10% surtax on the amount exceeding the annual limit of R\$ 240.

### b) Tax credits on temporary differences

Income and social contribution tax credits on temporary differences of allowances for loan losses are recorded in conformity with the following major standards: CMN Resolution No. 3059, of 12.20.2002 (amended by CMN Resolution No. 3355, of 03.31.2006) and BACEN Circular No. 3171, of 12.30.2002; and are based on technical studies performed every six months determining the probable realization of tax credits for a period of five years.

In 2012, the Bank recorded IRPJ and CSLL tax credits on temporary differences of allowances for loan losses in transactions carried out with FNE funds, of allowances regarding actuarial liability with post-employment benefits of Supplementary Pension and health care plan and of adjustments at market value of derivative financial instruments. The adjustments in noncompliance with realization criteria established by Bacen were excluded from the basis of temporary differences.

In accordance with BACEN Circular Letter No. 3068, of 08.11.2011 and No 3082 of 01.30.2002, the Bank recognized tax credits on adjustments to market value of marketable securities classified under 'available-for-sale securities' and on derivative financial instruments (IFD).

Specification	12.31.2012								
	Income tax			Social contribution			Total		
	Provisions	Marketable securities <sup>(1)</sup>	IFD and hedge item	Provisions	Marketable securities	IFD and hedge item <sup>(1)</sup>	Provisions	Marketable securities	IFD and hedge item <sup>(1)</sup>
Closing balance at 12.31.2011	156,634	14,658	-	93,995	8,795	-	250,629	23,453	
(+)Recognition/ (-) Real. of Credits	439,940	69,368	24,465	263,963	41,621	14,678	703,903	110,989	39,143
Closing balance at 12.31.2012	596,574	84,026	24,465	357,958	50,416	14,678	954,532	134,442	39,143

<sup>(1)</sup> IFD and hedge item closing balance at 12.31.2012 totals R\$2,243 and R\$36,900, respectively.

Specification	12.31.2011								
	Income tax			Social contribution			Total		
	Provisions	Marketable securities	IFD and Hedge item	Provisions	Marketable securities	IFD and Hedge item	Provisions	Marketable securities	IFD and Hedge item
Closing balance at 12.31.2010	173,336	8,671	-	104,016	5,202	-	277,352	13,873	-
(+)Recognition/ (-) Real. of Credits	(16,702)	5,987	-	(10,021)	3,593	-	(26,723)	9,580	-
Closing balance at 12.31.2011	156,634	14,658	-	93,995	8,795	-	250,629	23,453	-

Income and social contribution tax credits recognized and not recognized in assets, recorded under "OTHER RECEIVABLES - Other" break down as follows:

Specification	Income tax		Social contribution	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Total temporary differences	4,687,741	3,321,341	4,687,741	3,321,341
2. Tax credits on temporary differences	1,171,935	830,336	703,161	498,201
3. Tax credits recognized in assets on Provisions	596,574	156,634	357,958	93,995
4. Tax credits recognized in assets due to mark-to-market of marketable securities and hedge item	108,491	14,658	65,094	8,795
5. Total tax credits recognized in assets (item 3 + item 4)	705,065	171,292	423,052	102,790
6. Tax credits not recognized in assets (item 2+ item 5)	466,870	659,044	280,109	395,411

<sup>(1)</sup> Not recorded in assets since they do not meet the realization requirements provided for in CMN Resolution No. 3355 of 03.31.2006.

Estimated realization amounts of tax credits on temporary differences at 12.31.2012 are as under:

Period	Goal for Over-Selic rate - Average <sup>(1)</sup>	Realization of income tax credit		Realization of CSLL tax credit		Total	
		Book value	Present Value	Book value	Present Value	Book value	Present Value
2013	7.33	171,681	161,215	103,008	96,728	274,689	257,943
2014	8.23	94,350	83,922	56,610	50,353	150,960	134,275
2015	8.58	46,518	41,097	27,911	24,658	74,429	65,755
2016	8.27	88,418	70,470	53,051	42,282	141,469	112,752
2017	7.99	195,607	139,876	117,378	83,936	312,985	223,812
<b>TOTAL</b>		<b>596,574</b>	<b>496,580</b>	<b>357,958</b>	<b>297,957</b>	<b>954,532</b>	<b>794,537</b>

<sup>(1)</sup> For present value calculation purposes, we considered the goal for average Over-Selic rates projected by BACEN on 01.11.2013.

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

Period	Realization of income tax credit	Realization of CSLL tax credit	TOTAL
2013	28,295	16,977	45,272
2014	3,033	1,820	4,853
2015	13,547	8,127	21,674
2016	47,180	28,309	75,489
2017	2	1	3
2018 to 2020	16,044	9,626	25,670
2021 to 2023	4	2	6
2027 to 2029	386	232	618
<b>TOTAL</b>	<b>108,491</b>	<b>65,094</b>	<b>173,585</b>

**c) Provision for deferred taxes**

Specification	12.31.2012								
	Income tax			Social contribution			TOTAL		
	Marketa ble securities	IFD	Revaluat ion reserve	Marke table securiti es	IFD	Revaluat ion reserve	Marketa ble securities	IFD	Revaluat ion reserve
Closing balance at 12.31.2011	35,553	-	6,048	21,332	-	3,628	56,885	-	9,676
(+)Recognition/ (-) Realization of Credits	87,529	14,165	(958)	52,519	8,497	(573)	140,048	22,662	(1,531)
Closing balance at 12.31.2012	123,082	14,165	5,090	73,851	8,497	3,055	196,933	22,662	8,145

Specification	12.31.2011								
	Income tax			Social contribution			TOTAL		
	Marketa ble securities	IFD	Revaluat ion reserve	Marke table securiti es	IFD	Revaluat ion reserve	Marketa ble securities	IFD	Revaluat ion reserve
Closing balance at 12.31.2010	29,558	-	7,139	17,735	-	4,284	47,293	-	11,423
(+)Recognition/ (-) Realization of Credits	5,995	-	(1,091)	3,597	-	(656)	9,592	-	(1,747)
Closing balance at 12.31.2011	35,553	-	6,048	21,332	-	3,628	56,885	-	9,676

The provisions on adjustments to market value of marketable securities and derivative financial instruments determined at present value, will be written off according to maturities thereof and to revaluation reserve, upon realization thereof.

Year	Income tax	Social contribution	TOTAL
2013	21,340	12,805	34,145
2014	962	577	1,539
2015	5,467	3,280	8,747
2016	977	587	1,564
2017	1146	687	1,833
2018 to 2020	10,601	6,361	16,962
2050 to 2052	101,845	61,105	162,950
<b>TOTAL</b>	<b>142,338</b>	<b>85,402</b>	<b>227,740</b>

**d) Tax expenses**

Specification	2H12	12.31.2012	12.31.2011
Cofins and PIS/PASEP	(109,965)	(198,161)	(173,177)
ISS and IPTU/Improvement tax	(7,889)	(15,027)	(14,423)
Other	(1,078)	(2,014)	(1,395)
<b>TOTAL</b>	<b>(118,932)</b>	<b>(215,202)</b>	<b>(188,995)</b>

**NOTE 22 – Provisions, contingent assets and liabilities and legal obligations – Tax and social security**

- a) Banco do Nordeste is party to several administrative and legal proceedings involving civil, tax, labor and other matters. To recognize provision and contingent liabilities, contingencies are classified in accordance with 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 lawsuits 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, writ of attachment etc); and vi) existence of procedural errors in the administrative and judicial proceedings.
- c) Contingencies classified as probable losses are accounted for and represented by Civil Lawsuits (claiming compensation for pain and suffering and property damage, such as protest of notes, return of checks, and provision of information to credit reporting agencies, among others), Labor Lawsuits (claiming labor rights, in light of specific professional category legislation, such as overtime, salary equalization, job reinstatement, premium for transfer, severance pay, retirement supplementation including infringement notices issued by Regional Labor Offices and others), Tax and Social Security Lawsuits (represented by judicial and administrative proceedings involving federal and municipal taxes) and Other Lawsuits

(such as infringement notices issued by Regional Councils that regulate the exercise of professions). Taking into consideration that the procedures adopted by Banco do Nordeste are in compliance with legal and regulatory provisions, management understands that the provisions recorded are sufficient to cover losses arising from the respective judicial and administrative proceedings.

- d) The Bank recognized a provision for the total estimated loss on lawsuits classified as probable losses, as well as for those classified as Legal Obligations, pursuant to the terms of BACEN Circular Letter No. 3429, of 02.11.2010, regardless of the legal counsel's assessment of loss, and provisions are not applicable to lawsuits classified as possible and remote losses.

Specification	12.31.2012		12.31.2011	
	Base value	Provision	Base value	Provision
<b>a) PROVISION FOR TAX CONTINGENCIES (Note 16.d)</b>				
<b>a.1) Taxes – legal obligation</b>	<b>82,258</b>	<b>82,258</b>	<b>82,269</b>	<b>82,269</b>
<b>a.2) Tax suits</b>	<b>989,961</b>	<b>36,087</b>	<b>850,647</b>	<b>30,309</b>
i) Legal obligation	655	655	1,063	1,063
ii) Other obligations – other	989,306	35,432	849,584	29,246
Probable	35,432	35,432	29,246	29,246
Possible	730,784	-	617,180	-
Remote	223,090	-	203,158	-
<b>b) PROVISION FOR CONTINGENT LIABILITIES (Note 16.i)</b>				
<b>b.1) Labor lawsuits</b>	<b>287,462</b>	<b>179,319</b>	<b>263,035</b>	<b>182,824</b>
Probable	179,319	179,319	182,824	182,824
Possible	35,504	-	31,463	-
Remote	72,639	-	48,748	-
<b>b.2) Civil lawsuits</b>	<b>2,970,422</b>	<b>106,080</b>	<b>2,519,657</b>	<b>106,653</b>
Probable	106,080	106,080	106,653	106,653
Possible	504,709	-	467,538	-
Remote <sup>(1)</sup>	2,359,633	-	1,945,466	-
<b>b.3) Other lawsuits</b>	<b>1,382</b>	<b>258</b>	<b>697</b>	<b>140</b>
Probable	258	258	140	140
Possible	1,091	-	556	-
Remote	33	-	1	-

<sup>(1)</sup> Contingent liabilities relating to civil lawsuits rated as remote loss and the respective estimated financial loss are concentrated on the following cases: a) payment of additional contribution referring to supplementary pension plan (CAPEF) - R\$ 696,964 (R\$ 584,089 at 12.31.2011); b) refund of unduly paid amount - R\$ 264,477 (R\$ 221,644 at 12.31.2011); c) compensation for pain and suffering and property damage - R\$ 186,155 (R\$ 156,007 at 12.31.2011); and d) payment of fine and compensation for pain and suffering - R\$ 150,530 (R\$ 126,151 at 12.31.2011). In the aggregate, contingent liabilities arising from these suits amount to R\$ 1,298,126 (R\$ 1,087,891 at 12.31.2011)

## e) Changes in provisions

Specification	12.31.2012	12.31.2011
<b>i) Taxes (legal obligation)</b>		
Opening balance	82,269	74,847
Recognition	1,742	8,933
Reversal/use/write-off	(1,753)	(1,511)
Closing balance	82,258	82,269
<b>ii) Tax lawsuits (legal obligation)</b>		
Opening balance	1,063	551
Recognition	157	512
Reversal/use/write-off	(565)	-
Closing balance	655	1,063
<b>iii) Tax lawsuits (other obligations - other)</b>		
Opening balance	29,246	26,127
Recognition	6,269	4,916
Reversal/use/write-off	(84)	(1,797)
Closing balance	35,431	29,246
<b>iv) Labor lawsuits (other obligations - other)</b>		
Opening balance	182,824	161,863
Recognition	33,983	34,203
Reversal/use/write-off	(37,488)	(13,242)
Closing balance (Note 16.i)	179,319	182,824
<b>v) Civil lawsuits (other obligations - other)</b>		
Opening balance	106,653	92,970



Recognition	52,148	23,836
Reversal/use/write-off	(52,721)	(10,153)
Closing balance (Note 16.i)	106,080	106,653
<b>v) Other suits (other obligations - other)</b>		
Opening balance	140	65
Recognition	207	159
Reversal/use/write-off	(89)	(84)
Closing balance (Note 16.i)	258	140
<b>vii) FNE</b>		
Opening balance	1,386,807	1,177,757
Recognition	699,670	429,782
Reversal/use/write-off	(266,407)	(220,732)
Closing balance (Note 16.i)	1,820,070	1,386,807
<b>viii) FDNE</b>		
Opening balance	1,593	277
Recognition	340	1,316
Reversal/use/write-off	(1,513)	-
Closing balance (Note 16.i)	420	1,593
<b>ix) Proagro</b>		
Opening balance	3,299	3,299
Recognition	155	-
Reversal/use/write-off	(66)	-
Closing balance (Note 16.i)	3,388	3,299
<b>x) Other contingent liabilities</b>		
Opening balance	86,551	-
Recognition	61,615	86,551
Reversal/use/write-off	(111,971)	-
Closing balance (Note 16.i)	36,195	86,551

**f)** The Bank has lawsuits handled by outside attorneys, most of which relate to loan collection actions, whose assessment of the contingent liabilities is performed by the Legal Department, pursuant to item “b” above.

**g)** Tax lawsuits classified as Legal Obligation pursuant to the terms of BACEN Circular Letter No. 3429 of 02.11.2010, whose amounts were presented in item “d”, subitems a.1 and a.2.1 discuss, respectively, as matter of discussion of IRPJ taxes for 1999 and ISSQN.

**h)** Below, a brief description of the lawsuits involving the most relevant contingent liabilities in which the Bank is a party, classified as possible risk of loss:

Tax lawsuit filed to annul the tax assessment notice relating to ISSQN levied on income from services provided. Estimates of financial losses from possible risks totaled R\$ 328,645 at 12.31.2012. At 12.31.2011, estimated loss was of R\$ 276,218 with risk level rated as possible. Two tax lawsuits aiming at cancelling tax assessment notices referring to ISSQN levied on service provision income. Estimated possible financial losses risks, at 12.31.2012, totaled R\$191,019, R\$ 129,544, respectively. At 12.31.2011, estimated loss totaled R\$ 160,547 and R\$ 108,879, respectively, with risks thereof rated as possible.

Civil lawsuit filed to claim loss of profits and payment of administration fees under the allegation of losses incurred due to the interruption of financial onlending contracted for the construction of commercial facilities. Estimated possible financial losses totaled R\$ 99,423 at 12.31.2012. At 12.31.2011, estimated loss totaled R\$ 83,321 with risk level also rated as possible.

Civil lawsuit filed to claim refund of overpayment under the allegation of undue collection and withholding. Estimate of possible financial losses totaled R\$ 38,732 at 12.31.2012. Estimated financial losses totaled R\$ 32,459 at 12.31.2012 with risk level thereof rated as possible.

Civil lawsuit claiming compensation for property damage and pain and suffering, under the allegation of amounts unduly transferred from the savings deposits. Estimated possible financial losses totaled R\$ 27,905 at 12.31.2012. At 12.31.2011, estimated loss totaled R\$ 2,060 at 12.31.2011 with risk level also rated as possible.

**i)** Escrow and appeal deposits made to guarantee legal and administrative proceedings, recognized for contingent liabilities assessed as probable, possible and/or remote losses.

Specification	12.31.2012	12.31.2011
Labor lawsuits	207,801	414,916
Tax lawsuits	434,226	197,267
Civil lawsuits	31,145	23,825
<b>Total</b>	<b>673,172</b>	<b>636,008</b>

j) The amount R\$ 21,464 (R\$86,551 at 12.31.2011) recorded as “Other contingent liabilities” refers to provision to cover the Bank risk on loans granted with evidence of irregularities, which are subject to inquiry proceedings carried out by the internal audit area. This account also includes the amount of R\$ 14,731 regarding loan risk on securitized transactions under Law No. 9138 of 11.29.1995, currently recorded in memorandum accounts. At 12.31.2011, there were no other amounts provisioned in other contingent liabilities arising from risk credit on securitized transactions.

## **NOTE 23 – Employee and officer compensation (in R\$ 1,00)**

### **a) Monthly employee compensation**

<b>Gross compensation<sup>(1)</sup></b>	<b>12.31.2012</b>	<b>12.31.2011</b>
Maximum	28,467.55	26,481.45
Minimum	1,040.44	948.65
Average	7,617.03	6,983.98

<sup>(1)</sup> Includes overtime (including night shift premium), when effectively incurred.

### **b) Compensation paid to the Executive Board, Board of Directors and Supervisory Board in the year**

<b>Specification</b>	<b>12.31.2012</b>	<b>12.31.2011</b>	<b>12.31.2012</b>	<b>12.31.2011</b>	<b>12.31.2012</b>	<b>12.31.2011</b>
<b>Gross compensation<sup>(1)</sup></b>	<b>Executive Board</b>		<b>Board of Directors</b>		<b>Supervisory Board</b>	
Highest individual compensation	443,222.77	471,963.15	34,504.30	32,591.00	34,504.30	32,591.00
Lowest individual compensation	388,561.82	441,962.10	34,504.30	32,591.00	34,504.30	32,591.00
Average individual compensation	401,151.81	452,923.95	33,451.94	32,838.88	33,906.58	32,475.56
Number of members <sup>(2)</sup>	7	7	6	6	6	5

<sup>(1)</sup> Amounts approved at the 59<sup>th</sup> Ordinary General Shareholders' Meeting and the 91<sup>st</sup> Extraordinary General Shareholders' Meeting of Banco do Nordeste, both held on 03.30.2012.

<sup>(2)</sup> The number of members corresponds to the annual average number of members of each body calculated on a monthly basis

At 12.31.2012, the Bank had 6,169 employees (6,077 at 12.31.2011), an increase of 1.51% in headcount.

## **NOTE 24 – Profit sharing**

The proposed profit-sharing of employee for the year amounts to R\$59,184 (R\$36,635 at 12.31.2011), equivalent to 8.64% of net income for the year (11.64% at 12.31.2011) and 23.04% (21.65% at 12.31.2011) of dividends and interest on equity and to 3% on net income for the year, according to the fulfillment of the Bank's social goals.

In June 2012, the Bank paid R\$6,296 for purposes of employees' additional profit sharing for 2011, which was approved at the 92<sup>nd</sup> Extraordinary General Shareholders' Meeting held on 05.25.2012.

Profit sharing expenses amount to R\$65,619, being R\$65,480 to employees and R\$139 to Bank's officers.

## **NOTE 25 – Post-employment benefits**

Pursuant to CVM Resolution No. 600, of 10.07.2009, which approved Technical Pronouncement CPC 33 - Employee Benefits, the employee benefit policy and the accounting procedures adopted by Banco do Nordeste for recognizing its obligations are as follows:

### **a) Accounting policy for recognition of actuarial gains and losses**

The policy adopted for recognition of actuarial gains and losses beginning December 2010 is consistent with the provisions of item 93 of the Appendix to CVM Resolution No. 600, i.e., actuarial gains and losses are immediately recognized as revenue or expense.

### **b) General description of the benefit plan characteristics**

#### **b.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 of supplementary pension plan benefits to participants and beneficiaries.

The Defined Benefit (BD) plan is not open to new participants since 11.26.1999. The Variable Contribution (CV I) plan, authorized to operate through Administrative Rule MPS/PREVIC/DETEC 189, of 03.25.2010, started operations on 05.19.2010, when it received the first contributions. These plans offer retirement benefits based on the contribution period, age and disability to the plan participants and savings plans to their dependents.

**b.1.1) Actuarial method within CAPEF**

Classified as defined benefit, the BD plan adopts the fully funded financial system in the actuarial calculation of reserves related to all benefits offered to its participants and beneficiaries. CV-I plan combines the characteristics of the defined contribution plan and the defined benefit plan, and is classified, pursuant to CVM Resolution 600, as a defined benefit plan. This plan adopts the fully funded financial system in the actuarial calculation of reserves related to planned benefits and the shared risk coverage regime for the other benefits offered to its participants and beneficiaries.

**b.1.2) Past due obligations and contributions due**

As at December 31, 2012, the Bank has no past due obligations or contribution debts referring to plans BD and CV I, neither informal practices that originate constructive obligations included in the measurement of the plans' defined benefit obligation.

**b.1.3) Contribution Ratio (Participants/Sponsor)**

The ratio of participant contributions to Bank contributions meets the parity set by Constitutional Amendment 20, of 12.15.1998, with a contribution ratio of 1:1 as at 12.31.2012 (1:1 at 12.31.2011).

**b.2) Health care plan**

The Bank is the sponsor of the health care plan managed by *Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil - CAMED*, whose primary purpose is to provide health care to its associates and dependents participating in the Natural Plan, through granting of subsidies to cover or reimburse health promotion, protection and recovery expenses.

**b.2.1) Past due obligations and contributions due**

As at December 31, 2012, the Bank has no past due obligations or contribution debts referring to this plan, neither informal practices that originate constructive obligations included in the measurement of the plans' defined benefit obligation.

**b.2.2) Contributions**

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

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

The reconciliation of the opening and closing balances of the obligation's present value is shown below, according to actuarial valuations conducted by Probus Suporte Empresarial S/S Ltda., based on information provided by CAPEF, CAMED and the Bank, in compliance with the provisions of CVM Resolution No. 600:

Specification	CAPEF				CAMED	
	BD Plan		CV I Plan		Natural Plan	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Present value of actuarial obligation at the beginning of the period	3,219,990	3,109,048	60,531	16,494	601,318	492,916
2. Cost of current services	16,026	16,743	51,688	45,267	11,057	9,709
3. Interest cost	346,120	331,595	6,507	1,673	64,636	52,573
4. Cost of past services	-	-	-	-	-	-
5. Benefits paid by the Plan <sup>(1)</sup>	(270,247)	(256,183)	(178)	(52)	(38,787)	(33,770)
6. Contributions from members, retirees and pensioners	58,127	51,900	-	-	12,116	11,792
7. Administrative expenses paid by the Plan	(8,250)	(7,765)	(1,952)	(1,689)	(5,805)	(5,366)
8. Actuarial (gains) losses on actuarial obligation <sup>(2)</sup>	573,103	(25,348)	2,536	(1,162)	162,950	73,464
9. Present value of actuarial obligation at the end of the period	3,934,869	3,219,990	119,132	60,531	807,485	601,318

<sup>(1)</sup> CAMED: Natural Plan – Net of co-contributions paid by associates;

<sup>(2)</sup> Equilibrium number.

**d) Analysis of actuarial obligation**

Pursuant to CVM Resolution No. 600, at 12.31.2012, the present value of the actuarial obligation of the plans managed by CAPEF and CAMED, recorded as liabilities in the Bank, is as follows:

**a) Private Pension Plan**

- i. BD Plan: the actuarial obligation's present value, amounting to R\$ 3,934,869 is partially funded by plan assets in the amount of R\$ 3,358,234, resulting in a present value of unfunded actuarial obligations of R\$ 576,635;
- ii. CV I Plan: the actuarial obligation's present value, amounting to R\$ 119,132 is partially funded by plan assets in the amount of R\$ 119,033, resulting in a present value of unfunded actuarial obligations of R\$ 99;
- b) Health care plan: the actuarial obligation's present value, amounting to R\$ 807,485 is partially funded by plan assets in the amount of R\$ 56,909, resulting in a present value of unfunded actuarial obligations of R\$ 750.576;

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

Specification	CAPEF				CAMED	
	BD Plan		CV I Plan		Natural Plan	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Fair value of plan assets at beginning of the period	2,762,074	2,618,418	60,531	16,494	73,826	58,172
2. Expected return on plan assets	368,461	375,219	8,723	2,336	8,269	5,747
3. Contributions received from active participants	2,523	2,846	26,005	22,707	12,872	11,124
4. Contributions received from the employer <sup>(1)</sup>	57,872	54,662	25,683	22,559	29,965	27,614
5. Benefits paid by the Plan <sup>(2)</sup>	(270,247)	(256,183)	(178)	(52)	(38,787)	(33,770)
6. Contributions received from pension participants	58,127	51,900	-	-	12,116	11,792
7. Administrative expenses paid by the Plan	(8,250)	(7,765)	(1,952)	(1,689)	(5,805)	(5,366)
8. Actuarial gains (losses) on plan assets <sup>(3)</sup>	387,674	(77,023)	221	(1,824)	(35,547)	(1,487)
9. Fair value of plan assets at end of the period	3,358,234	2,762,074	119,033	60,531	56,909	73,826

<sup>(1)</sup> CAPEF – BD Plan: contributions related to active participants and pension participants; CAMED – Natural Plan: contributions related to members and co-contributions paid by the employer;

<sup>(2)</sup> CAMED – Natural Plan: net of co-contributions paid by associates;

<sup>(3)</sup> Equilibrium number.

**f) Reconciliation of the obligation's present value and plans assets' value to assets and liabilities recognized in the balance sheet**

Specification	CAPEF				CAMED	
	BD Plan		CV I Plan		Natural Plan	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Present value of actuarial obligation	3,934,869	3,219,990	119,132	60,531	807,485	601,318
2. Fair value of plan assets	(3,358,234)	(2,762,074)	(119,033)	(60,531)	(56,909)	(73,826)
3. Present value of unfunded actuarial obligation (item 1 – item 2)	576,635	457,916	99	-	750,576	527,492
4. Liability recognized in the balance sheet	576,635	457,916	99	-	750,576	527,492

**g) Expense recognized in the income statement**

Specification	CAPEF				CAMED	
	BD Plan		CV I Plan		Natural Plan	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Cost of current services	16,026	16,743	51,688	45,267	11,057	9,709
2. Employee contributions <sup>(1)</sup>	(2,523)	(2,846)	(26,005)	(22,707)	(12,872)	(11,124)
3. Interest cost	346,120	331,595	6,507	1,673	64,636	52,573
4. Expected return on plan assets	(368,461)	(375,219)	(8,723)	(2,336)	(8,269)	(5,747)
5. Net actuarial loss (gain) recognized for the period	185,429	51,675	2,315	662	198,497	74,951
6. Cost of past services recognized in the period	-	-	-	-	-	-
7. Expenses recognized in P&L	176,591	21,948	25,782	22,559	253,049	120,362
8. Employer contribution referring to employees assigned subject to repayment	(287)	(360)	(107)	-	-	-
9. Expense recognized in P&L considering expenses with employees assigned subject to repayment	176,304	21,588	25,675	22,559	253,049	120,362

<sup>(1)</sup>Contributions received from active participants

**h) Percentage of each main category of plan assets in relation to the fair value of the total plan assets**

Specification	CAPEF				CAMED	
	BD Plan (%)		CV I Plan (%)		Natural Plan (%)	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Fixed income	87.94	85.44	67.59	85.04	5.60	8.19
Variable income	4.12	4.81	27.44	14.96	93.54	91.13
Real estate investments	5.17	6.33	4.19	-	0.87	0.68
Loans and financing	2.75	3.41	0.78	-	-	-
Other	0.02	0.01	-	-	-	-
<b>Amounts included in the fair value of plan assets</b>						
Financial instruments of the Bank	0.22	1.36	-	-	0.01	8.19
Properties/other assets used by the Bank	0.70	0.67	-	-	-	0.68

**i) Actual return on plan assets**

Specification	CAPEF				CAMED	
	BD Plan		CV I Plan		Natural Plan	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
1. Expected return on plan assets	368,461	375,219	8,723	2,336	8,269	5,747
2. Actuarial gains (losses) on plan assets	387,674	(77,023)	221	(1,824)	(35,547)	(1,487)
3. Actual return on plan assets (item 1 + item 2)	756,135	298,196	8,944	512	(27,278)	4,260

**j) Actuarial values for the current year and the last three years**

Specification	CAPEF						
	BD Plan				CV I Plan		
	12.31.2012	12.31.2011	12.31.2010	12.31.2009	12.31.2012	12.31.2011	12.31.2010
1. Defined benefit obligation	(3,934,869)	(3,219,990)	(3,109,048)	(2,738,730)	(119,132)	(60,531)	(16,494)
2. Plan assets	3,358,234	2,762,074	2,618,418	2,255,509	119,033	60,531	16,494
3. Surplus (deficit)	(576,635)	(457,916)	(490,630)	(483,221)	(99)	-	-
4. Experience adjustments on plan liabilities							
a. Amount	(573,103)	25,348	(238,465)	(392,699)	2,536	1,162	742
b. Percentage (p.a.)	14.56%	(0.79%)	7.67%	14.34%	2.13%	(1.92%)	(4.50%)
5. Experience adjustments on plan assets							
a. Amount	387,674	(77,023)	202,189	107,755	221	(1,824)	(742)
b. Percentage (p.a.)	11.54%	(2.79%)	7.72%	4.78%	0.19%	(3.01%)	(4.50%)

Specification	CAMED			
	Natural Plan			
	12.31.2012	12.31.2011	12.31.2010	12.31.2009
1. Defined benefit obligation	(807,485)	(601,318)	(492,916)	(469,032)
2. Plan assets	56,909	73,826	58,171	11,789
3. Surplus (deficit)	(750,576)	(527,492)	(434,745)	(457,243)
4. Experience adjustments on plan liabilities				
a. Amount	(162,950)	(73,464)	12,168	(72,418)
b. Percentage (p.a.)	20.18%	12.22%	(2.47%)	15.44%
5. Experience adjustments on plan assets				
a. Amount	(35,547)	(1,487)	(58,205)	(6,670)
b. Percentage (p.a.)	(62.46%)	(2.01%)	(100.06%)	(56.58%)

**k) Estimated contributions for 2013**

**k.1) Opening data**

Specification	CAPEF		CAMED
	BD Plan	CV I Plan	Natural Plan
1. Nominal discount rate at beginning of year	8.46%	8.62%	8.46%
2. Nominal rate of expected return on plan assets at beginning of year	13.85%	12.92%	3.77%
3. Projected contribution payment <sup>(1)</sup>	40,734	285,908	-
4. Cost of current service	19,487	43,645	17,680
5. Contributions expected from active participants <sup>(1)</sup>	2,655	23,174	15,767
6. Fair value of plan assets at beginning of year	3,358,234	119,033	56,909
7. Present value of actuarial obligation at beginning of year	3,934,869	119,132	807,485

<sup>(1)</sup> Amounts extracted from the actuarial cash flow

**k.2) Estimated expected expenses for 2013**

Specification	CAPEF		CAMED
	BD Plan	CV I Plan	Natural Plan
1. Cost of current service	19,487	43,645	17,680
2. Employee contributions <sup>(1)</sup>	(2,655)	(23,174)	(15,767)
3. Interest cost	332,879	10,270	68,311
4. Expected return on plan assets	(465,115)	(15,379)	(2,143)
5. Net actuarial loss (gain) recognized for the period	197,849	2,455	133,468
6. Estimated expenses to be recognized in P&L for the period	82,445	17,817	201,549

<sup>(1)</sup> Employee contributions related to active participants expected for the year.

**l) Assumptions used**

**l.1) Biometric assumptions**

Specification	BD Plans (CAPEF) and Natural Plan (CAMED)	CV I Plan (CAPEF)
General mortality table for valid employees	AT2000 - Men	AT2000 - Men
Disability mortality table	IAPC experience - Weak <sup>(1)</sup>	IAPC experience - Weak <sup>(1)</sup>
Disability table	CAPEF experience - Weak <sup>(2)</sup>	-
Turnover table	None	-

<sup>(1)</sup> The disability mortality table used results from the application of factor 0.5 on mortality rates of the original IAPC table;

<sup>(2)</sup> The disability table used results from the application of factor 0.5 on disability rates of the original CAPEF experience table.

## 1.2) Economic assumptions

Specification	CAPEF (% p.a.)		CAMED (% p.a.)
	BD Plan	CV I Plan	Natural Plan
Effective discount rate for actuarial obligation	3.79	3.94	3.79
Future inflation rate	4.50	4.50	4.50
Future medical fees inflation rate	-	-	0.23
Expected nominal return rate on plan assets	13.85	12.92	3.77
Estimated effective salary increase rate	1.00	-	1.00
Effective growth rate of the plan benefits	-	-	-
Effective growth rate of INSS benefits	-	-	-
Effective growth rate of social security expenses	-	-	-
Evolution rate of medical costs	-	-	3.28

**1.3)** Future inflation rate is used in the calculation of the Present Value of Actuarial Obligation to measure fluctuations in inflation rates due to the freezing, by annual cycles, of future contributions and benefits, this calculation also assumes the occurrence of the same inflation level for all salary, benefit, pension and economic variables of the plan.

**1.4)** The actuarial evaluation method used is the Projected Unit Credit Method to determine the present value of the obligation, cost of current service and, when necessary, for the calculation of past service cost.

### m) Effect of the one percentage point increase and the one percentage point decrease in the assumed medical cost trend rates

Specification	One percentage point increase	One percentage point decrease
Effect on the aggregate service and interest costs	16,787	(18,451)
Effect on defined benefit obligation	127,326	(144,540)

### n) Additional comments

- n.1)** Current expenses - obligations for the period, derived from the increase in the employees' employment period;
- n.2)** Net actuarial (gains)/losses - obligations for the period derived from changes in actuarial assumptions adopted or discrepancy between assumptions used and actual results. These obligations are recognized according to the rules for recognition of actuarial gains and losses - item "a" of this note;
- n.3)** Cost of past service - obligations derived from the increase in post-employment benefits related to services provided by employees in past periods. The recognition of expenses related to cost of past service is based on items 96 to 101 of the Appendix to CVM Resolution No. 600; and
- n.4)** The Bank's best estimates for contributions expected to be paid for 2013 and contributions paid in 2012 are as follows:

Specification	CAPEF		CAMED
	BD Plan	CV I Plan	Natural Plan
Contributions expected for 2013	63,974	30,340	34,062
Contributions paid in 2012	57,872	25,683	29,965

### NOTE 26 - Northeast Constitutional Financing Fund (FNE)

- a)** The total assets of FNE, amounting to R\$ 42,848,130 (R\$ 37,747,461 at 31.12.2011) are recorded in the Bank's memorandum accounts (Net assets of managed public funds).
- b)** The Fund's cash and cash equivalents, totaling R\$ 6,532,248 (R\$ 4,576,207 at 12.31.2011), recorded in 'Other liabilities/Financial and development funds' bear interest at extra-market rate. The expense of interest on cash and cash equivalents totaled R\$ 437,196 (R\$ 445,076 at 12.31.2011).
- c)** The provision to cover the risk on FNE transactions is recognized pursuant to the following criteria:
  - c.1)** Transactions contracted until 11.30.1998 are risk-free;
  - c.2)** For operations contracted beginning 12.01.1998, excluding Land Program financing lines and transactions under PRONAF (groups A, B, A/C, Forest, Semi-arid Region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012-Cost), the Bank's risk is 50 percent 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 the Fund's 'Interbank accounts', as prescribed by Ministry of Integration Administrative Rule No. 616, of 05.26.2003. Loans funded by FNE, under Law No. 12716, of 09.21.2012, for the purpose of settling BNB transactions with other funds, will maintain the same risk position of the transaction to be settled. The balances of financing and allowances accounted for in the Bank's Contingent liabilities are as follows:

Risk level	Balances	Provision at 12.31.2012	Provision at 12.31.2011
AA	2,669,728	-	-
A	12,355,956	30,863	28,549
B	9,080,487	45,937	44,875
C	1,121,967	16,678	13,453
D	677,719	33,787	30,004
E	451,940	67,542	42,434
F	563,128	144,175	66,089
G	244,356	96,118	86,689
H	2,744,436	1,384,970	1,074,714
<b>Total</b>	<b>29,909,717</b>	<b>1,820,070</b>	<b>1,386,807</b>

d) The Bank's financial commission on transactions entered agreement by 11.30.1998 is zero. The Bank's financial commission on transactions entered as agreement after this date 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- A of Law No. 7827, of 09.27.1989. In operations reclassified for FNE based on No. Law 11775, of 09.17.2008, financial commission is 3% p.a. or 6% p.a., as regulated by Interministerial Rule No. 245, of 10.14.2008, of the Ministry of Finance and Ministry of National Integration. Income from financial commission totaled R\$ R\$ 923,019 (R\$ 822,771 at 12.31.2011).

e) The management fee of 3% p.a. is calculated on the Fund's equity, less the amounts linked to 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-Cost), and is limited to 20% of the transfers made by the National Treasury each fiscal year. The management fee totaled R\$ 1,037,396 (R\$ 993,540 at 12.31.2011).

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

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

Specification	Tade	Amount
Special Program to Fight Drought Effects	016/2006	1,073
Proger-Urbano – Investment	017/2006	22,817
FAT – Infrastructure	018/2006	268,446
Pronaf – Investment	019/2006	139
Proger-Rural – Cost	020/2006	1,757
Pronaf – Cost	001/2007	207
Proger-Rural – Investment	002/2007	26,944
Protrabalho – Investment	004/2007	161,139
PNMPO-National Program for Guided Productive Microcredit	001/2010	155,249
<b>Total</b>		<b>637,771</b>

Funds derived from the Fund for Workers' Assistance (FAT), recorded under 'Interest-bearing special deposits', totaling R\$ 661,009 (R\$ 622,389 at 12.31.2011), are subject to SELIC while they are not used in loans, and to TJLP rate after they are released to final borrowers. Available funds bearing interest at SELIC totaled R\$ 101,634 (R\$ 50,795 at 12.31.2011).

Pursuant to CODEFAT (Board of the Worker's Assistance Fund) 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 TADE (FAT Special Deposit Allocation Statement), plus cash that meets 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.
- After 3 months, with respect to the new deposits made by FAT and not released to final borrowers.

Specification	Tade	Return of FAT resources			12.31.2012		
		Form <sup>(1)</sup>	R.A.	SELIC remuneration	Available TMS <sup>(2)</sup>	TJLP used <sup>(3)</sup>	Total
Special Program to Fight Drought Effects	16/2006	RA	3,133	45	161	7,126	7,287
Proger Urbano - Investment	17/2006	RA	19,878	684	4,416	63,028	67,444
FAT - Infrastructure	18/2006	RA	33,185	1,785	37,399	214,390	251,789
Pronaf - Investment	19/2006	RA	699	15	-	-	-
Pronaf - Cost	01/2007	RA	150	3	-	-	-
Protrabalho - Investment	04/2007	RA	36,207	248	2,049	133,046	135,095
PNMPO-National Program for Guided Productive Microcredit	01/2010	RA	30,546	1,167	57,609	141,785	199,394
<b>Total (Note 13.a)</b>			<b>123,798</b>	<b>3,947</b>	<b>101,634</b>	<b>559,375</b>	<b>661,009</b>

Specification	Tade	Return of FAT resources			12.31.2011		
		Form <sup>(1)</sup>	R.A.	SELIC remuneration	Available TMS <sup>(2)</sup>	TJLP used <sup>(3)</sup>	Total
Special Program to Fight Drought Effects	16/2006	RA	2,635	10	85	9,838	9,923
Proger Urbano - Investment	17/2006	RA	26,066	996	13,293	62,810	76,103
FAT - Infrastructure <sup>(4)</sup>	18/2006	RA	120,350	11,266	20,404	249,454	269,858
Pronaf - Investment	19/2006	RA	344	11	192	484	676
Pronaf - Cost	01/2007	RA	118	4	69	77	146
Protrabalho - Investment	04/2007	RA	43,277	264	3,320	159,625	162,945
PNMPO-National Program for Guided Productive Microcredit	01/2010	RA	8,332	1,102	13,432	89,306	102,738
<b>Total (Note 13.a)</b>			<b>201,122</b>	<b>13,653</b>	<b>50,795</b>	<b>571,594</b>	<b>622,389</b>

(1) RA - Automatic Return (Monthly, 2% on balance) and AV - Available Balance less deposits made in the last 3 months and reimbursements in the last 2 months;

(2) Funds yielding SELIC rate;

(3) Funds yielding Long-term Interest Rate (TJLP); and

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

## NOTE 28 – Risk management and Basel ratio

### 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 and Basel II requirements, 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 identified risks.

#### Risk management structure

The corporate risk management policy sets forth guidelines and standards that integrate the Bank's activities, for management of credit, liquidity, market and operational risks. The Corporate Risk Management Committee analyzes and approves the risk management policies. The Executive Board is responsible for approving risk policies and subsequent reporting to the Board of Directors. The Control and Risk Executive Board coordinates the implementation of risk policies and the Bank's performance. A specific area coordinates the credit, liquidity, market and operational risks at the corporate level, with definition of management methodologies and models and promotion and dissemination of the risk management culture throughout the Bank.

Information related to risk management, focusing matters related to regulatory capital (PR) and required regulatory capital (PRE), pursuant to Circular Letter No. 3477, of 12.28.2009, issued by the Central Bank of Brazil, can be found in the Investor Relations in the website [www.bnb.gov.br](http://www.bnb.gov.br).

#### Capital Management Structure

The Collegiate Board is in charge of approving the capital management structure, including the Capital Planning for the 2013-2015 period, which was also approved by the Board of Directors on December 14, 2012. The Risk Control Board is in charge of the Capital Management and, for that purpose, a specific administrative unit was structured, as required by Brazil's National Monetary Board (CMN) through Resolution No. 3988, of June 30, 2011. Information on the Capital Management Structure can be found in the Investor Relations in the website [www.bnb.gov.br](http://www.bnb.gov.br).



## b) Credit risk

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

Exposure by Industry	Exposure	
	12.31.2012	12.31.2011
<b>Loans and co-obligations</b>	<b>29,435,172</b>	<b>27,944,962</b>
<b>Public sector</b>	<b>1,482,348</b>	<b>1,527,360</b>
<b>Private Sector</b>	<b>27,952,824</b>	<b>26,417,602</b>
Trade	2,947,052	2,854,921
Foreign trade	905,124	895,872
Housing	242	242
Manufacturing	7,593,036	6,550,030
Infrastructure	4,128,723	4,414,467
Financial intermediation	214,950	262,718
Urban micro-financing	1,637,913	1,165,074
Individuals	210,694	196,285
Rural	6,441,335	5,983,626
Other services	3,873,755	4,094,367
<b>Market transactions</b>	<b>19,862,617</b>	<b>14,879,825</b>
<b>Federal government bonds</b>	<b>17,062,177</b>	<b>12,631,707</b>
Repurchase agreements	7,871,834	4,415,402
Other	9,190,343	8,216,305
<b>Interbank deposits</b>	<b>107,020</b>	<b>188,842</b>
<b>Other marketable securities</b>	<b>1,158,626</b>	<b>1,147,537</b>
<b>Other transactions</b>	<b>1,534,794</b>	<b>911,739</b>
<b>Other assets</b>	<b>2,945,858</b>	<b>1,827,680</b>
<b>Total</b>	<b>52,243,647</b>	<b>44,652,467</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. For such, the Bank uses instruments, such as: credit policies, management reports, risk rating system and performance indicators by macro sectors.

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 analyzed and defined by the branches' credit assessment committees or the Operational Supporting Centers' risk limit approval committees, or also be decided by the customer risk limit approval committee of the General Executive Board, Executive Board or Board of Directors.

All loans are subject to risk rating, based on the customer's risk rating and loan grade, in accordance with its characteristics, value, term, collaterals and condition.

### **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 credit risk above R\$ 5,000 amount to R\$ 5,366,682 (R\$ 5,313,571 at 12.31.2011). They are backed by collaterals totaling R\$ 3,286,241 (R\$ 2,603,051 at 12.31.2011), which are assessed at least once every two years, or within a shorter period, as long as there are material events involving the client or the transaction. In addition to collaterals (leased chattels, mortgage and guarantees), and other personal guarantees (surety bonds, endorsement), these transactions are also backed by unsecured collateral, guarantee of notes, guarantee funds, risk fund (FGPC), collateralization of shares (FPM/FPE) and bank guarantees, among others.

### c) Liquidity risk

Liquidity risk is the possibility of occurring mismatches between tradable assets and payable liabilities that could affect the Bank's payment ability.

The Bank adopts projection models for variables that impact cash, for liquidity management purposes, and information referring to this risk is communicated to management through daily reports, consolidated annually.

The daily market and liquidity risk management report includes 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 basis include banking reserves, interbank deposits, repurchase agreements and own securities portfolio.

Specification		12.31.2012 (%)	12.31.2011 (%)
Liquidity ratio	At the base date	349.87	245.45
	Average for the last 12 months	274.75	227.39
	Maximum for the last 12 months	382.42	321.96
	Minimum for the last 12 months	195.93	175.15

The maturities of funding, considering the projected future payment flows, including the related contractual rates, are as follows. Total balance of subordinated debts was included in the "Over 5 years" column, since subordinated debts do not incur interest and their maturity dates are undetermined. The Hybrid Debt/Equity Instruments (IHCD) amounts under 5 years reflect payments of annual interest, while amounts over 5 years include principal (undetermined maturity date) and interest computed up to 2050, solely for calculation purposes:

Specification	12.31.2012				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank deposits	67,206	90,545	439,746	98,457	-
Time deposits	39,302	229,897	788,330	3,995,990	2,720,447
Repurchase agreements	738,999	-	-	119,223	-
Agribusiness Credit Note (LCA)	33,318	11,267	23,042	455	-
Subordinated debts eligible for capital	-	-	-	-	1,332,382
Hybrid debt/equity instruments	-	-	148,433	222,650	3,652,738
<b>Total</b>	<b>878,825</b>	<b>331,709</b>	<b>1,399,551</b>	<b>4,436,775</b>	<b>7,705,567</b>
<b>Available funds (Note 5)</b>	<b>6,484,104</b>				

Specification	12.31.2011				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Time deposits	67,803	225,712	1,524,753	2,884,486	3,574,573
Interbank deposits	10,968	202,145	379,955	-	-
Repurchase agreements	638,093	-	-	72,531	30,165
Agribusiness Credit Note (LCA)	47,951	70,784	81,907	-	-
Subordinated debts eligible for capital	-	-	-	-	1,216,319
Hybrid Debt/Equity Instruments (IHCD)	-	-	70,122	280,490	3,521,357
<b>Total</b>	<b>764,815</b>	<b>498,641</b>	<b>2,056,737</b>	<b>3,237,507</b>	<b>8,342,414</b>
<b>Available funds (Note 5)</b>	<b>3,185,693</b>				

#### 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 the trading and non-trading portfolios, by risk factor;
- capital requirement map, for coverage of market and liquidity risks;
- exchange exposure risk;
- sensitivity analysis;
- stress testing;
- backtesting; and
- reports on monitoring of limits established for portions exposed to market risk.

The preparation of daily, monthly, quarterly and annual managerial reports for management and supervisory bodies is critical to market risk management. Such reports include, among others, detailed information on and analysis of exposure levels of trading and non-trading portfolios, exchange exposure levels, liquidity levels and indices, and monitoring of limits of operations carried out with other financial institutions.

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 the portfolio's value</li><li>Non-trading portfolio: 5% of the portfolio's value</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 Instruction No. 475, of 12.17.2008, the sensitivity analysis was conducted in order to identify the main types of risks capable of generating losses to the Bank, considering alternative scenarios for the behavior of several risk factors of the operations comprising trading and non-trading portfolios, whose results are as follows:

Portfolio/risk factor	Risk type	Scenario 1 (Probable)	Scenario 2 (change of 25%)		Scenario 3 (change of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest	Increase in interest rate	5,645,799	5,643,091	(2,708)	5,640,427	(5,371)
Non-trading portfolio						
Dollar coupon	Increase in the dollar coupon	52,824	48,557	(4,267)	44,602	(8,221)
Euro coupon	Increase in the euro coupon	(757)	(758)	(1)	(758)	(1)
IGP coupon	Increase in the IGP coupon	1,047,488	1,001,841	(45,647)	959,485	(88,003)
IPCA coupon	Decrease in the IPCA coupon	(310,348)	(342,256)	(31,908)	(377,691)	(67,343)
TJLP coupon	Increase in the TJLP coupon	495,881	455,625	(40,256)	419,167	(76,714)
TR coupon	Decrease in the TR coupon	(1,778,057)	(1,785,586)	(7,529)	(1,791,999)	(13,942)
Fixed interest	Increase in interest rate	3,456,145	3,418,361	(37,784)	3,381,464	(74,681)

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, on risk factors, and new net balances were estimated for the portfolios. Losses correspond to the differences between the balances of Scenario 1 and balances of Scenarios 2 and 3.

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

Nature of transaction	Risk type	Financial instrument	Scenario 1 (Probable)	Scenario 2 (change of 25%)	Scenario 3 (change of 50%)
<i>Other derivatives</i>	Increase in the reference rate BM&FBovespa DI x Pre	Swap DI x Pre	(226,732)	(219,762)	(213,223)
		Fixed assets	238,798	221,695	206,132
		Net exposure	<b>12,066</b>	<b>1,933</b>	<b>(7,090)</b>
<i>Hedge derivatives</i>	Increase in the reference rate BM&FBovespa DI x Dollar	Swap Dollar x DI	1,326,291	1,287,716	1,250,808
		Liabilities in FM	(1,316,725)	(1,294,825)	(1,273,731)
		Net exposure	<b>9,566</b>	<b>(7,109)</b>	<b>(22,923)</b>

As at 12.31.2012, market value losses were considered in the net exposure of scenarios 2 and 3 and, as regards scenario 1, arising from increase in opportunity costs, in the fixed operations, and those arising from exchange coupon increase, in the operations in foreign currency.

#### **Swap DI x Pre**

The method used to prepare the sensitivity analysis of swap DI x Pre transactions was to determine the balances of fixed rate asset transactions and hedge (swap) transactions exposed to this type of risk (scenario 1), and determine the net exposure. The 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 swap rate x fixed rate is applied.

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

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

#### **Swap Dollar x DI**

The method used to prepare the sensitivity analysis of swap dollar x DI transactions was to determine the balances of fixed rate liability transactions indexed to the dollar and hedge (swap) transactions exposed to this type of risk (scenario 1), and determine the net exposure. The 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 swap rate x fixed rate is applied.

Scenario 2 - Under this scenario, 125% of the DI swap rate x dollar is applied.

Scenario 3 - Under this scenario, 150% of the DI swap rate x dollar is applied.

#### **e) Operational risk**

The operational risk results in potential, actual or recovered loss arising from human failures or errors in processes, systems or arising from external factors, including those related to legal issues.

The operational risk management requires continuous commitment and involvement of all managers, employees and related parties, whose main purpose is to maintain at acceptable levels the probabilities and/or impacts from losses.

The corporate operational risk management system aims at ensuring compliance with the corporate policy and strategic planning of the Bank in accordance with governance principles and the policies set by the National Monetary Council (CMN), based on the timetable defined by the banking supervisory.

Management is made through processes and subprocesses carried out on a dynamic and ongoing basis which ensure, through mitigating measures, acceptable risk exposure levels.

The corporate operational risk management is strengthened through a specific organizational structure designed to support assessment and compliance activities related to the adoption of controls for all processes and operations carried out, mainly based on the provisions set forth in the institutional regulatory system. The qualitative approach comprises methodologies, control tools, mitigating measures and managerial reports that describe the control over processes carried out in all institutional areas. This analysis describes management by process and architecture design - macroprocesses, processes and subprocesses - identification of risk, control, mitigation and corrective plan. Another methodology used is the RCSA (Risk and Control Self Assessment) that allows knowing risks inherent to activities and procedures, as well as defining their impact. RCSA further allows building Risk Matrix and defining indices, for the purpose of expanding vision of processes and improving management. The quantitative approach adopts measurement models, showing considerable improvements in the operational risk measurement stochastic model applied to the Bank, for purposes of allocation of capital to support expected and unexpected losses.

#### f) Foreign exchange exposure

Transactions under agreements that provide for exchange adjustment clause presented net balance of foreign currency sold, in the amount of R\$ 8,539 (R\$ 562 at 12.31.2011 – short position), as follows:

Specification	12.31.2012	12.31.2011	Specification	12.31.2012	12.31.2011
Cash and cash equivalents	3,611	2,309	Deposits	23,182	28,344
Interbank investments	23,802	14,988	Interdepartmental accounts	15,578	7,142
Loans	820,813	817,214	Borrowings and onlending - Domestic	104,096	35,721
Other receivables	942,868	928,816	Borrowings and onlending - Foreign	2,152,154	1,407,635
			Other liabilities	829,914	846,224
<b>Total assets in foreign currency, exclusive derivatives</b>	<b>1,791,094</b>	<b>1,763,327</b>	<b>Total liabilities in foreign currency</b>	<b>3,124,924</b>	<b>2,325,066</b>
Swap transactions	1,325,291	562,301	Swap transactions	-	-
<b>Total long position in foreign currency</b>	<b>3,116,385</b>	<b>2,325,628</b>	<b>Total liability exposure in foreign currency</b>	<b>3,124,924</b>	<b>2,325,066</b>

Foreign exchange exposure is maintained below the limits established in the Corporate Risk Management, Internal Control and Safety Policy (5% of the Regulatory Capital).

#### g) Operational limits - Basel Accord

As set forth in CMN Resolutions No. 3444 and 3490, of 02.28.2007 and 08.29.2007, respectively, and supplementary regulations, CMN set additional requirements for capital allocation, including new risk-exposed components: Credit Commitment Unconditionally or Unilaterally Non-Cancelable by the Bank; exposure to stock risk (PACS); exposure to risk of assets indexed to commodities prices (PCOM); exposure to risk of assets in foreign currency (PCAM); exposure to operational risk (POPR) and market risk of operations not classified in the trading portfolio (RBAN). The prevailing guidelines maintained the minimum capital allocation ratio by 11%, which is the ratio between a financial institution's regulatory capital (PR) and the total risks assumed in loans, including collaterals offered and co-obligations, and market and operational risks as at December 31, 2012.

At 12.31.2012, the capital adequacy ratio (Extended Basel Ratio) of Banco do Nordeste was 16.24% (16.32% at 12.31.2011), while PR was R\$ 5,184,271 (R\$ 4,604,614 at 12.31.2011). The Required Regulatory Capital (PRE), which represents the consolidation of all risk exposures, with a capital allocation ratio of 11%, was R\$ 3,366,123 as at 12.31.2012 (R\$ 3,054,085 at 12.31.2011).

#### i. Matching of PR with PRE

Specification	12.31.2012	12.31.2011
a) Regulatory Capital (PR)	5,184,271	4,604,614
. Tier I	2,611,406	2,302,307
. Tier II	2,572,865	2,302,307
b) Required Regulatory Capital (PRE)	3,366,123	3,054,085
. PEPR <sup>(1)</sup>	2,872,393	2,619,648
. PJUR	3,707	642
. PCOM	350	345
. POPR	489,673	433,450
c) RBAN amount	146,338	48,603
Margin (a-b-c)	1,671,810	1,501,926
Basel ratio (BACEN Circular No. 3477, of 12.28.2009)	16.94%	16.58%
Extended Basel ratio (including RBAN amount)	16.24%	16.32%

(1) 11% of Weighted Risk Factor Exposures, pursuant to articles 11 to 16 of BACEN Circular No. 3360, of 09.12.2007.

## ii. Description of PR

Specification	12.31.2012	12.31.2011
Regulatory Capital (PR)	5,184,271	4,604,614
· Tier I	2,611,406	2,302,307
(+) Equity	2,683,751	2,329,499
(-) Revaluation reserve	22,904	25,198
(-) Tax credits excluded	6,633	291
(-) Deferred permanent assets	942	1,703
(-) Mark-to-Market – Marketable securities and derivative financial instruments	41,866	-
· Tier II	2,572,865	2,302,307
(+) Revaluation reserve	22,904	25,198
(+) Hybrid debt/equity and debt instruments classified as Tier II of PR <sup>(1)</sup>	1,202,392	1,137,872
(+) Subordinated debt instruments <sup>(2)</sup>	1,332,382	1,216,319
(+) Mark-to-Market – Marketable securities and derivative financial instruments	41,866	-
(+) Excess of subordinated debt instruments	26,679	65,165
(-) Excess of Capital Tier II in relation to Tier I	-	11,917

(1) The hybrid debt/equity instrument was entered into with the National Treasury Department with indefinite term.

(2) The subordinated debt instruments were entered into with the Northeast Constitutional Financing Fund (FNE) with indefinite term.

## iii. Investment index

CMN Resolution No. 2669/1999 set forth a limit of 50% of adjusted PR, as from December 2002, for the investment index. The Bank's status is as follows:

Specification	12.31.2012	12.31.2011
Regulatory capital for investment limit	5,184,271	4,604,614
Investment limit	2,592,135	2,302,307
(-) Current status	200,619	187,137
Margin	2,391,516	2,115,170
Investment index	3.87%	4.06%

## NOTE 29 - Related Parties

### a) Transactions with related parties

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

Specification	12.31.2012	12.31.2011
<b>Assets</b>		
Lending operations - Refinancing with Federal Government (Note 9.a.1)	443,895	473,643
<b>Total</b>	<b>443,895</b>	<b>473,643</b>

Specification	12.31.2012	12.31.2011
<b>Liabilities</b>		
<b>Time deposits - FAT (Note 13.a. and Note 27)</b>	<b>661,009</b>	<b>622,389</b>
<b>Domestic onlending – Official institutions (Note 14.c.)</b>	<b>1,586,201</b>	<b>1,286,685</b>
National Treasury	809	992
BNDDES	1,435,621	1,152,894
FINAME	149,771	132,799
<b>Other liabilities</b>	<b>9,069,111</b>	<b>6,932,417</b>
Northeast Constitutional Financing Fund (FNE) - (Note 16.f)	6,534,337	4,578,226
Hybrid equity and debt instruments (Nota 16.g)	1,202,392	1,137,872
Subordinated debts eligible for capital (Note 16.h)	1,332,382	1,216,319
<b>Total</b>	<b>11,316,321</b>	<b>8,841,491</b>

a.2) The main transactions with entities related to the Bank's employees, *Caixa de Previdência* (CAPEF) and *Caixa de Assistência Médica* (CAMED) are composed as follows:

Specification	12.31.2012	12.31.2011
<b>Liabilities</b>		
CAPEF (Note 16.i)	576,635	457,916
CAPEF CV I (Note 16.i)	99	-
CAMED (Note 16.i)	750,576	527,492
<b>Total</b>	<b>1,327,210</b>	<b>985,408</b>

**a) Management compensation**

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

Specification	2H12	01.01 to 12.31.2012	01.01 to 12.31.2011
<b>Short-term benefits</b>	<b>1,732</b>	<b>3,218</b>	<b>3,344</b>
<b>Fees</b>	<b>1,549</b>	<b>2,801</b>	<b>2,612</b>
Executive Board	1,320	2,392	2,239
Board of Directors	112	206	194
Supervisory Board	117	203	179
<b>Other</b>	<b>71</b>	<b>174</b>	<b>336</b>
<b>Profit sharing</b>	<b>-</b>	<b>10</b>	<b>396</b>
<b>Total short-term benefits</b>	<b>1,620</b>	<b>2,985</b>	<b>3,344</b>
<b>Post-employment benefits</b>	<b>112</b>	<b>233</b>	<b>200</b>
<b>Total</b>	<b>1,732</b>	<b>3,218</b>	<b>3,544</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, members of the Bank's Pension and Health Care Plan.

The Bank does not grant loans to its Executive Officers, members of the Board of Directors and the Supervisory Board, since this practice is forbidden to financial institutions regulated by the Central Bank of Brazil.

**NOTE 30 - Statement of Comprehensive Income**

Specification	2H12	01.01. to 12.31.2012	01.01. to 12.31.2011
<b>Net income</b>	<b>262,357</b>	<b>508,363</b>	<b>314,799</b>
<b>Other comprehensive income</b>	<b>(18,787)</b>	<b>45,883</b>	<b>2,885</b>
Equity valuation adjustment of available-for-sale securities	(33,224)	72,647	31
Taxes on equity valuation adjustment of available-for-sale securities	13,290	(29,059)	(12)
Revaluation reserve released to retained earnings	1,912	3,824	4,614
Taxes on revaluation reserve released to retained earnings	(765)	(1,530)	(1,748)
<b>Comprehensive income</b>	<b>243,570</b>	<b>554,245</b>	<b>317,684</b>



## **NOTE 31 – Other Information**

### **a) Guarantees provided**

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

<b>Specification</b>	<b>12.31.2012</b>	<b>12.31.2011</b>
Import financing	23,804	131,958
Guarantee beneficiaries		
- Individuals or non-financial legal entities	82,669	92,219
- FNE	15,153,541	13,926,213
- Other entities	64,584	54,180
Credit assignment co-obligations	24,786	26,815

### **b) Approval of financial statements**

The financial statements were approved by the Board of Directors at the meeting held on February 15, 2013.

Fortaleza, February 15, 2013

**Executive Board**

**Note: The explanatory notes are an integral part of the financial statements.**

**A free translation from Portuguese into English of independent auditor's report on financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil**

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

To  
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 December 31, 2012 and the related income statement, statement of changes in equity and cash flow statement for year then ended, and a summary of significant accounting practices and other explanatory information.

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

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

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit, conducted 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 misstatement.

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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant for 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 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 have 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 December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

## **Other matters**

### *Statement of value added*

We have also reviewed the statement of value added (SVA) for the year ended December 31, 2012, whose presentation is required by the Brazilian Corporation Law for publicly-held entities. This statement has been subject to the same auditing procedures previously described and, in our opinion, is presented fairly, in all material respects, in relation to the overall financial statements.

### *Audit of prior year figures*

The financial statements for the year ended December 31, 2011, presented for comparison purposes, were audited by other independent auditors, who issued an unmodified report, dated February 7, 2012.

São Paulo, February 15, 2013

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC-2SP015199/O-6 – F - CE

Eduardo Braga Perdigão  
Accountant CRC-1CE013803/O-8

## **SUPERVISORY BOARD REPORT**

In the opinion of the Supervisory Board of Banco do Nordeste do Brasil S.A., in exercise of its legal and statutory responsibilities, based on examination of the Management Report, Balance Sheet, Income Statement and Statements of Changes in Equity, Cash Flows and Value Added of Banco do Nordeste do Brasil S.A. for the year ended December 31, 2012, and also on the Independent Auditor's Report issued by **ERNST & YOUNG TERCO AUDITORES INDEPENDENTES S.S.**, on February 15, 2013, the Management Report and the Financial Statements adequately reflect the activities carried out, the financial position and the results of operations of Banco do Nordeste do Brasil S.A. in the year 2012.

Fortaleza (CE), February 15, 2013.

**SUPERVISORY BOARD**

## **SUMMARY OF THE AUDIT COMMITTEE REPORT**

### **Second half of 2012**

The Audit Committee of Banco do Nordeste do Brasil S.A. is an advisory body created as set forth in National Monetary Council (CMN) Resolution No. 3198/2004, whose duties and responsibilities are set out in the Bank's bylaws.

**Committee's activities** - Consistent with its institutional mission, the Audit Committee's actions focused on providing advice to the Board of Directors and evaluating the activities performed by the Internal Audit function, the Independent Auditors, the Bank's Internal Controls, Security, and Risk Management as well as on reviewing the financial statements, the performance of the Bank's Ombudsman function and monitoring the compliance with regulatory and oversight agencies' requirements.

The Audit Committee's main accomplishments include the following:

**Advice to the Board of Directors** - The Committee monitored the implementation of the risk and capital management structures, the compliance with Board of Directors' requirements and recommendations to the Executive Board and the implementation of recommendations provided by the Internal Audit Department, Independent Auditors and external regulatory agencies.

**Evaluation of Internal Control Systems** - The Bank has established guidelines to enhance internal controls and controls over security and risk management and developed actions to implement models for capital requirement, so as to comply with the recommendations contained in the Basel Accords II and III and the time frame set by the Central Bank of Brazil (BACEN).

**Evaluation of the Internal Audit function's effectiveness** - The Internal Audit function performed its responsibilities with a satisfactory level of effectiveness and in conformity with the Annual Internal Audit Activities Plan, prepared under the instructions of federal regulatory agencies and approved by the Bank's Board of Directors and by the Office of the Comptroller General.

**Evaluation of the Independent Auditor's effectiveness** - No material events occurred that might have affected the effectiveness of ERNST & YOUNG TERCO AUDITORES INDEPENDENTES.

**Financial Statements Review** - After examining the practices used to prepare the financial statements, it was established that these are consistent with applicable corporation laws, and regulations of the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission.

Fortaleza (CE), February 6, 2013.

**Audit Committee**



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

**Financial Statements**

**F N E**

**In thousands of R\$**

**As at 12/31/2012**

**FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE**

(Law No. 7827, of 09.27.1989)

**BALANCE SHEETS**

Years ended December 31, 2012 and 2011

(Amounts in thousands of R\$)

<b>ASSETS</b>				<b>LIABILITIES</b>			
		<b>12.31. 2012</b>	<b>12.31. 2011</b>			<b>12.31. 2012</b>	<b>12.31. 2011</b>
<b>CURRENT ASSETS</b>		<b>13,988,633</b>	<b>11,084,544</b>	<b>CURRENT LIABILITIES</b>		4	-
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	990,358	1,593,026	Sundry payables		4	-
FUNDS COMMITTED FOR LOANS		5,541,890	2,983,181	Accrued liabilities allowances		4	-
RESTRICTED CREDITS		81,206	84,382				
Rural Loan - Proagro Receivable		4,551	4,340	<b>EQUITY</b>	(Note 4.c)	<b>42,848,126</b>	<b>37,747,461</b>
Interbank Onlending –Other Institutions		76,655	80,042	TRANSFERS FROM FEDERAL GOVERNMENT:			
LOANS	(Note 4.b.2 and Note 6)	7,372,860	6,421,632	In the year		5,186,981	5,030,560
Financing		2,457,606	2,022,785	In prior years		37,969,173	32,938,613
Export financing		98,427	128,904	INCOME FROM PRIOR YEARS		(234,707)	386,771
Infrastructure and Development Financing		537,684	543,862	LOSS FOR THE YEAR		(73,321)	(608,483)
Agribusiness Financing		231,616	225,982				
Rural Financing		4,939,554	4,390,984				
(Allowance for loan losses)		(892,027)	(890,885)				
OTHER RECEIVABLES	(Note 4.b.7)	2,090	2,018				
Assets received as payment		2,090	2,018				
OTHER ASSETS	(Note 4.b.8)	229	305				
Proagro-backed securities		4	4				
Agricultural debt securities (TDA)		275	357				
(Allowance for devaluation)		(50)	(56)				
<b>LONG-TERM ASSETS</b>		<b>28,859,497</b>	<b>26,662,917</b>				
RESTRICTED CREDITS		1,477,642	1,349,996				
Rural Loan - Proagro Receivable		2,662	529				
Interbank Onlending -Banco do Nordeste-Law No. 7827-Article 9-A	(Note 8)	1,332,382	1,216,319				
Interbank Onlending –Other Institutions		142,598	133,148				
LOANS	(Note 4.b.2 and Note 6)	27,380,714	25,311,906				
Financing		10,848,481	9,368,708				
Export Financing		28,465	7,014				
Infrastructure and Development Financing		5,172,319	5,282,878				
Agribusiness Financing		935,334	956,119				
Rural Financing		10,396,115	9,697,187				
OTHER ASSETS	(Note 4.b.7)	1,141	1,015				
Agricultural debt securities		1,652	1,504				
(Allowance for devaluation)		(511)	(489)				
<b>TOTAL ASSETS</b>		<b>42,848,130</b>	<b>37,747,461</b>	<b>TOTAL LIABILITIES</b>		<b>42,848,130</b>	<b>37,747,461</b>

See accompanying notes

# FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE – FNE

(Law No. 7827, of 09.27.1989)

## STATEMENTS OF INCOME

Years ended December 31, 2012 and 2011

(Amounts in thousands of R\$)

		2H12	12.31.2012	12.31.2011
<b>INCOME</b>				
From loans	(Note 6.j)	641,951	1,286,403	380,204
From cash and cash equivalents	(Note 4.b.1)	212,219	437,196	445,076
From reversal of operating provisions		16	86	164
<b>EXPENSES</b>	(Note 4.a.8)			
Management fee		(490,699)	(1,037,396)	(993,540)
PRONAF-Payment of financial charges to BNB /Performance Bonus		(53,572)	(100,393)	(81,974)
Allowance for loan losses and devaluation		(279,021)	(659,116)	(358,340)
Audit expenses		(58)	(101)	(73)
<b>NET INCOME /(LOSS) FOR THE SIX-MONTH PERIOD/YEAR</b>		<b>30,836</b>	<b>(73,321)</b>	<b>(608,483)</b>

See accompanying notes



# FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE – FNE

(Law No. 7827, of 09.27.1989)

## STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2012 and 2011

(Amounts in thousands of R\$)

EVENTS		TRANSFERS FROM FEDERAL GOVERNMENT	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
<b>BALANCES AT DECEMBER 31, 2010</b>		<b>32,938,613</b>	<b>388,018</b>	<b>33,326,631</b>
Transfers from Federal Government in the year		5,030,560	-	5,030,560
Prior year adjustments		-	(1,247)	(1,247)
Loss for the year		-	(608,483)	(608,483)
<b>BALANCES AT DECEMBER 31, 2011</b>		<b>37,969,173</b>	<b>(221,712)</b>	<b>37,747,461</b>
<b>CHANGES FOR THE YEAR</b>		<b>5,030,560</b>	<b>(609,730)</b>	<b>4,420,830</b>
<b>BALANCES AT DECEMBER 31, 2011</b>		<b>37,969,173</b>	<b>(221,712)</b>	<b>37,747,461</b>
Transfers from Federal Government in the year		5,186,981	-	5,186,981
Prior year adjustments	(Note 7)	-	(12,995)	(12,995)
Loss for the year		-	(73,321)	(73,321)
<b>BALANCES AT DECEMBER 31, 2012</b>		<b>43,156,154</b>	<b>(308,028)</b>	<b>42,848,126</b>
<b>CHANGES FOR THE YEAR</b>		<b>5,186,981</b>	<b>(86,316)</b>	<b>5,100,665</b>
<b>BALANCES AT JUNE 30, 2012</b>		<b>40,793,039</b>	<b>(338,481)</b>	<b>40,454,558</b>
Transfers from Federal Government in the six-month period		2,363,115	-	2,363,115
Prior year adjustments		-	(383)	(383)
Net income for the six-month period		-	30,836	30,836
<b>BALANCES AT DECEMBER 31, 2012</b>		<b>43,156,154</b>	<b>(308,028)</b>	<b>42,848,126</b>
<b>CHANGES IN THE SIX-MONTH PERIOD</b>		<b>2,363,115</b>	<b>30,453</b>	<b>2,393,568</b>

See accompanying notes

# FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE – FNE

(Law No. 7827, of 09.27.1989)

## CASH FLOWS STATEMENTS

Years ended December 31, 2012 and 2011

(Amounts in thousands of R\$)

	2H12	12.31.2012	12.31.2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net income /(loss) for the six-month period/year</b>	<b>30,836</b>	<b>(73,321)</b>	<b>(608,483)</b>
<b>Items not affecting cash and cash equivalents:</b>			
Allowance for loan losses and devaluation	279,021	659,116	358,340
Reversal of operating provisions	(16)	(86)	(164)
Accrued liabilities allowances	4	4	-
<b>Adjusted profit/(loss)</b>	<b>309,845</b>	<b>585,713</b>	<b>(250,307)</b>
Restricted credits	(60,262)	(124,470)	(102,935)
Loans	(1,962,484)	(3,679,066)	(3,754,313)
Other receivables	(252)	(72)	1,111
Other assets	(39)	(50)	204
Prior year adjustments	(383)	(12,995)	(1,247)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,713,575)</b>	<b>(3,230,940)</b>	<b>(4,107,487)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transfers from Federal Government	2,363,115	5,186,981	5,030,560
<b>CASH GENERATED BY FINANCING ACTIVITIES</b>	<b>2,363,115</b>	<b>5,186,981</b>	<b>5,030,560</b>
<b>Increase in cash and cash equivalents</b>	<b>649,540</b>	<b>1,956,041</b>	<b>923,073</b>
<b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS:</b>			
At the beginning of the period	5,882,708	4,576,207	3,653,134
At the end of the period	6,532,248	6,532,248	4,576,207
<b>Increase in Cash and Cash Equivalents</b>	<b>649,540</b>	<b>1,956,041</b>	<b>923,073</b>

See accompanying notes

# NOTES TO FINANCIAL STATEMENTS

## Years ended December 31, 2012 and 2011

(Amounts in thousands of reais, unless otherwise stated)

### Contents of Notes to Financial Statements

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Note 4 – Summary of Significant Accounting Practices	Note 9 – Registration with the Federal Government Integrated Financial Management System (SIAFI)
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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 09.27.1989, amended by Supplementary Law No. 125, of 01.03.2007, Laws No. 9126, of 11.10.1995, No. 9808, of 07.20.1999, and No. 10177, of 01.12.2001, Provisional Executive Order No. 2196-1, of 06.28.2001, and its amendments, and Article 13 of Provisional Executive Order No. 2199-14, of 08.24.2001. The purpose of 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 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 onlendings to other institutions authorized to operate by the Central Bank of Brazil, observing the guidelines established by the Ministry of National Integration, reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including renegotiating and settling debts, pursuant to Articles 15-B, 15-C, and 15-D of Law No. 7827, of 09.27.1989.

#### NOTE 4 – Summary of 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 determination of the results of operations, FNE’s fiscal year coincides with the calendar year.

Significant accounting practices are as follows:

##### a) Income and expense recognition

- a.1) Income and expenses are recorded on the accrual basis. FNE’s income consists of financial charges on loans and the interest paid by Banco do Nordeste on FNE’s cash and cash equivalents.
- a.2) Beginning January 1, 2008, financial charges on financing granted with funds from FNE range between 5% and 10% per annum, according to the activity and size of the borrowers, including BNB’s financial commission, pursuant to legislation. The agreements signed with borrowers establish that the financial charges will be reviewed annually and whenever the accumulated variation of the TJLP (long-term interest rate), up or down, exceeds 30 percent.

Article 9 of Provisional Executive Order No. 581, of 09.20.2012, amended Article 1 of Law No. 10177, dated 01.12.2001, attributing to the National Monetary Council, through a proposal from the National Integration Ministry, the responsibility for defining financial charges and bonus for timely payment in FNE operations. Based on this legal provision, the National Monetary Council, through Resolution No. 4149, dated 10.25.2012, defined financial charges on financing using FNE funds at 2.94% p.a. as well as bonus for timely payment of 15% calculated on such charges, for operations contracted from October 1, 2012 to December 31, 2012, excepting for beneficiaries of financing based on Article 8-A of Law No. 10177, dated 01.12.2001 and Article 15 of Law No. 12716 dated 09.21.2012, and family farmers fitting into the National Family Farming Strengthening Program – PRONAF.

The financial charges in the to the state normally, at rates established by law are recorded in the Fund's proper statement of operations accounts. Past-due and unpaid amounts are subject to default charges contractually agreed, 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 bonus for timely payment of 25 percent will be granted for borrowers that develop their activities in the northeast semiarid region, and 15 percent for borrowers from other regions, provided that the debt is paid by the due date. Recognition of the bonus expenses is carried out concurrently with the payment of charges by the borrower.

Financing transactions under the National Family Farming Strengthening Program (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.

- a.3)** Provisional Executive Order No. 2196-1, of 06.28.2001, and its amendments, which created the Strengthening Program for Federal Financial Institutions, sets out the following as regards the BNB's financial commission on financing with funds from FNE:
  - For transactions contracted until 11.30.1998, BNB's financial commission was reduced to zero, and the charges agreed to with borrowers remained unchanged;
  - For transactions contracted with a risk of 50 percent for Banco do Nordeste, BNB's financial commission will be 3 percent per annum;
  - For transactions resulting from onlendings to Banco do Nordeste for in its name and at its own risk, to grant loans, the financial commission will be 6 percent per annum.
- a.4)** Decree 5818, of 06.26.2006, combined with National Monetary Council (CMN) Resolution 3293, of 06.28.2005, established that, for PROFROTA transactions with large companies, with shared risk, BNB's financial commission is 2.5 percent per annum.
- a.5)** Administrative Rule No. 616, of 05.16.2003, of the Ministry of National Integration, establishes that, for onlendings to institutions authorized to operate by the Central Bank of Brazil, BNB is entitled to the financial commission agreed to with the institutions, observing the limit established by legislation.
- a.6)** For financing under PRONAF (Groups A, B, A/C, Semiarid, Forest, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought/98, PRONAF-Semiarid-Drought-2012 and PRONAF-Drought-2012-Costing), BNB 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 09.17.2008, Administrative Rule No. 245 of 10.14.2008 sets BNB's financial commission at 3 percent per annum in the cases defined in Article 1, items I to IV, and sets a financial commission of 6 percent per annum in the cases defined in Article 1, Sole Paragraph.
- a.8)** FNE's expenses refer to management fee payable to Banco do Nordeste as the Fund manager, to financial charges payable to BNB on financing under PRONAF (Groups A, B, A/C, Forest, Semiarid, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought/98, PRONAF-Semiarid-Drought-2012 – Group B, PRONAF-Drought-2012 – Other Groups, PRONAF-Drought-2012–Costing – Group B and PRONAF- Drought-2012-Costing – Other Groups, to performance Premium on Pronaf Groups A, B and A/C and Semiarid, Forest, Semiarid-Drought-2012 – Other Groups and

Drought -2012-Costing – Other Groups programs reimbursements, to allowance for loan losses recognized pursuant to Administrative Rule No. 11, of 12.28.2005, of the Ministry of Finance and Ministry of National Integration, and to independent audit services, in addition to bonuses and discounts established by legislation.

The 3% annual management fee paid by FNE to the Bank is monthly allocated at a 0.25% rate applied to the Fund's equity, less amounts transferred to the Bank, amounts transferred to other institutions according to the Brazilian Integration Ministry Ruling No. 616 of 05.26.2003 and balances of investments in PRONAF Groups B, A/C, Forest, Semiarid, Emergency, Floods, Drought/98, Semiarid Drought-2012 – Other Groups, Drought-2012 – Funding – Group B and Drought-2012-Costing – Other Groups, yearly limited to 20% of the amount of transfers made by the Brazilian Treasury Office, according to Decree No. 5641, of 12.26.2005.

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

**b) Current and long-term assets**

These are stated at realizable value, plus income and monetary adjustments 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.

Specification	12.31.2012	12.31.2011
Cash	990,358	1,593,026
Funds committed for loans	5,541,890	2,983,181
<b>Total cash and cash equivalents</b>	<b>6,532,248</b>	<b>4,576,207</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 Superintendency for the Development of the Northeast (SUDENE), and grants decrease on debit balance, bonuses for timely payment, decreased interest rates and extension of payment periods.
- b.4)** Law No. 11775, of 09.17.2008, provides for the settlement, regularization, renegotiation or reclassification of debts arising from loans classified, among others, under Laws No. 9138 of 11.29.1995, No. 10437 of 04.25.2002 and No. 11322 of 07.13.2006, Provisional Executive Order No. 2196-3 of 08.24.2001, CMN Resolution No. 2471 of 02.26.1998, of the National Family Farming Strengthening Program (PRONAF), in the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (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 06.11.2010, provides for, in Articles 69 and 70, the remission of agricultural debts renegotiated based on Article 2 of Law No. 11322, of 07.13.2006, or classified under said Article, as well as the granting of discounts 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 remission of debts relating to agricultural activities with producers classified under Group B of PRONAF, as well as the granting of discounts for not remitted debts, backed by FNE funds.
- b.6)** Law No. 12716, dated 09.21.2012, authorized the Executive Branch to introduce special credit lines using FNE funds, to rural, industrial, commercial and service sectors of municipalities under emergency conditions or going through public calamities acknowledged by the Federal Executive Branch. Article 5 of said law authorized the introduction of rural credit line with FNE funds for settlement, until December 31, 2013, of rural loans for costs and investments, with shared risks or risks fully borne by the National Treasury Department, FNE or official federal financial institutions.

Said credit line was regulated by the National Monetary Council, through Resolution No. 4147, dated 10.25.2012.

**b.7)** The account “Other receivables” includes FNE’s rights on chattels and properties received by BNB as payment of debts. After assets are sold, the sale proceeds are apportioned between the Fund and BNB, proportionally to the risk assumed, pursuant to Article 7 of Administrative Rule No. 11, of 12.28.2005.

**b.8)** Securities recorded under line 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 in the proportion of 1.8 percent of the collection of Income Tax (IR) and Federal VAT (IPI) on a 10-day period basis;
- 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 09.27.1989, and subsequent amendments.

**NOTE 5 – Supervisory**

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 balance sheets of FNE, duly audited, are published semiannually and submitted to the National Congress for inspection and control.

**NOTE 6 – Financing Operations and Onlending and Allowance for Loan Losses**

**a) Breakdown of Credit Portfolio**

**a.1) Total Portfolio**

Financing	12/31/2012			12/31/2011		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	13,018,155	287,932	13,306,087	11,219,862	171,631	11,391,493
Export financing	125,084	1,808	126,892	120,695	15,223	135,918
Infrastructure and development financing	5,710,003	-	5,710,003	5,826,740	-	5,826,740
Agribusiness	1,132,967	33,983	1,166,950	1,155,044	27,057	1,182,101
Rural	14,378,327	957,342	15,335,669	13,193,253	894,918	14,088,171
<b>Subtotal</b>	<b>34,364,536</b>	<b>1,281,065</b>	<b>35,645,601</b>	<b>31,515,594</b>	<b>1,108,829</b>	<b>32,624,423</b>
Onlendings to BNB	1,332,382	-	1,332,382	1,216,319	-	1,216,319
Onlendings to Other Institutions	219,253	-	219,253	213,190	-	213,190
<b>Total Portfolio</b>	<b>35,916,171</b>	<b>1,281,065</b>	<b>37,197,236</b>	<b>32,945,103</b>	<b>1,108,829</b>	<b>34,053,932</b>
Allowance for loan losses	(595,642)	(296,385)	(892,027)	(628,000)	(262,885)	(890,885)
<b>Total Net <sup>(1)</sup></b>	<b>35,320,529</b>	<b>984,680</b>	<b>36,305,209</b>	<b>32,317,103</b>	<b>845,944</b>	<b>33,163,047</b>

### a.2) Full Risk Portfolio of BNB

Financing	12/31/2012			12/31/2011		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	-	-	-	-	-	-
Export financing	-	-	-	-	-	-
Infrastructure and Development Financing	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-
Rural	225,748	10,000	235,748	218,559	7,499	226,058
<b>Subtotal</b>	<b>225,748</b>	<b>10,000</b>	<b>235,748</b>	<b>218,559</b>	<b>7,499</b>	<b>226,058</b>
Onlendings to BNB	1,332,382	-	1,332,382	1,216,319	-	1,216,319
Onlendings to Other Institutions	161,903	-	161,903	148,735	-	148,735
<b>Total Portfolio</b>	<b>1,720,033</b>	<b>10,000</b>	<b>1,730,033</b>	<b>1,583,613</b>	<b>7,499</b>	<b>1,591,112</b>
Allowance for loan losses	-	-	-	-	-	-
<b>Total Net <sup>(1)</sup></b>	<b>1,720,033</b>	<b>10,000</b>	<b>1,730,033</b>	<b>1,583,613</b>	<b>7,499</b>	<b>1,591,112</b>

### a.3) Shared Risk Portfolio

Financing	12/31/2012			12/31/2011		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	12,943,996	270,460	13,214,456	11,123,347	150,937	11,274,284
Export financing	125,084	1,808	126,892	120,695	15,223	135,918
Infrastructure and Development Financing	5,710,003	-	5,710,003	5,826,740	-	5,826,740
Agribusiness	1,094,017	27,485	1,121,502	1,103,164	19,674	1,122,838
Rural	8,857,872	481,057	9,338,929	8,361,193	381,864	8,743,057
<b>Subtotal</b>	<b>28,730,972</b>	<b>780,810</b>	<b>29,511,782</b>	<b>26,535,139</b>	<b>567,698</b>	<b>27,102,837</b>
Onlendings to BNB	-	-	-	-	-	-
Onlendings to Other Institutions	-	-	-	-	-	-
<b>Total Portfolio</b>	<b>28,730,972</b>	<b>780,810</b>	<b>29,511,782</b>	<b>26,535,139</b>	<b>567,698</b>	<b>27,102,837</b>
Allowance for loan losses	(127,985)	(159,502)	(287,487)	(89,844)	(112,497)	(202,341)
<b>Total Net <sup>(1)</sup></b>	<b>28,602,987</b>	<b>621,308</b>	<b>29,224,295</b>	<b>26,445,295</b>	<b>455,201</b>	<b>26,900,496</b>

#### a.4) Full Risk Portfolio of FNE

Financing	12/31/2012			12/31/2011		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	74,159	17,472	91,631	96,515	20,694	117,209
Export financing	-	-	-	-	-	-
Infrastructure and Development Financing	-	-	-	-	-	-
Agribusiness	38,950	6,498	45,448	51,880	7,383	59,263
Rural	5,189,272	367,651	5,556,923	4,499,955	415,957	4,915,912
<b>Subtotal</b>	<b>5,302,381</b>	<b>391,621</b>	<b>5,694,002</b>	<b>4,648,350</b>	<b>444,034</b>	<b>5,092,384</b>
Onlendings to BNB	-	-	-	-	-	-
Onlendings to Other Institutions	57,350	-	57,350	64,455	-	64,455
<b>Total Portfolio</b>	<b>5,359,731</b>	<b>391,621</b>	<b>5,751,352</b>	<b>4,712,805</b>	<b>444,034</b>	<b>5,156,839</b>
Allowance for loan losses	(467,657)	(136,883)	(604,540)	(538,156)	(150,388)	(688,544)
<b>Total Net <sup>(1)</sup></b>	<b>4,892,074</b>	<b>254,738</b>	<b>5,146,812</b>	<b>4,174,649</b>	<b>293,646</b>	<b>4,468,295</b>

#### a.5) Full Risk Portfolio of PROCERA

Financing	12/31/2012			12/31/2011		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	-	-	-	-	-	-
Export financing	-	-	-	-	-	-
Infrastructure and Development Financing	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-
Rural	105,435	98,634	204,069	113,546	89,598	203,144
<b>Subtotal</b>	<b>105,435</b>	<b>98,634</b>	<b>204,069</b>	<b>113,546</b>	<b>89,598</b>	<b>203,144</b>
Onlendings to BNB	-	-	-	-	-	-
Onlendings to Other Institutions	-	-	-	-	-	-
<b>Total Portfolio</b>	<b>105,435</b>	<b>98,634</b>	<b>204,069</b>	<b>113,546</b>	<b>89,598</b>	<b>203,144</b>
Allowance for loan losses	-	-	-	-	-	-
<b>Total Net <sup>(1)</sup></b>	<b>105,435</b>	<b>98,634</b>	<b>204,069</b>	<b>113,546</b>	<b>89,598</b>	<b>203,144</b>

<sup>(1)</sup> The "Normal" status took into account provisions arising from renegotiations/acquisitions and extraordinary provisions set up due to irregularities identified in operations by Internal Audit. The "Past due" status took into account provision set up exclusively due to delay.

b) Pursuant to the legislation that regulates Constitutional Financing Funds, National Family Farming Strengthening Program (PRONAF) and Special Credit Program for Agrarian Reform (PROCERA/Programa da Terra), the risk of transactions with FNE's funds is as follows:

b.1) Transactions contracted until 11.30.1998:

- In transactions related to *Programa da Terra*, the risk lies totally with PROCERA.
- In other transactions, the risk is assumed by FNE.

b.2) Transactions contracted beginning 12.01.1998:

- In financing under *Programa da Terra*, the risk lies with PROCERA;
- In transactions under PRONAF, Groups A, B, A/C, Forest, Semiarid, Emergency, Flood, Drought/98, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- In onlendings to Banco do Nordeste whose funds are used in BNB's own lending operations, the risk is fully assumed by Banco do Nordeste;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted until 11.30.1998, 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 lender;



- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted after Administrative Rule No. 616 of 05.26.2003 becomes effective, the risk lies totally with BNB. Under referred Administrative Rule and under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the lender.
- In the transactions addressed by Article 31 of Law No. 11775 of 09.17.2008, the risk lies 100% with Banco do Nordeste, if the risk of the original transaction is fully attributed to the Bank, or shared, when the renegotiated transaction involves this type of risk;
- In other transactions, the risk is 50 percent for FNE and 50 percent for BNB.

- c) Pursuant to sole paragraph of Article 3 of Administrative Rule 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 in the year are as follows:

Specification	12.31.2012	12.31.2011
<b>Allowance for loan losses at the beginning of the year</b>	<b>890,885</b>	<b>1,218,591</b>
. Full FNE risk	688,544	953,269
. Shared risk	202,341	265,322
<b>(+) Net allowance recognized in the year</b>	<b>659,144</b>	<b>359,514</b>
<b>Net provision for discounts–Acquired Transactions under Law No. 11322</b>	<b>130</b>	<b>1,200</b>
. Full FNE risk	130	1,200
<b>Allowance for loan losses</b>	<b>659,014</b>	<b>358,314</b>
. Full FNE risk	314,491	205,835
. Provision for past due payment /Renegotiations	320,217	244,486
. Allowance Adjustments due to Negative Goodwill	(5,726)	(38,651)
. Shared Risk	344,523	152,479
. Provision for past due payment /Renegotiations	281,698	152,479
. Adjustment of provision for operations indicating irregularities	62,825	-
<b>(-) Receivables written off as loss in the year</b>	<b>658,002</b>	<b>687,220</b>
. Full FNE risk	398,625	471,760
. Shared risk	259,377	215,460
<b>(=) Allowance for loan losses at the end of the year</b>	<b>892,027</b>	<b>890,885</b>
. Full FNE risk	604,540	688,544
. Shared risk	287,487	202,341

- d) Considering that PROCERA is responsible for the risk of financing transactions under “*Programa da Terra*” with FNE’s funds, no allowance for loan losses is recognized.
- e) Under Administrative Rule No. 46, of 03.07.2007, an allowance for loan losses is recorded for transactions renegotiated under Law No. 11322, of 07.13.2006, as described below:
- for transactions with other sources of funds acquired by FNE: in an amount equal to the negative goodwill determined on acquisition by the Fund, recorded as a contra entry to loan transactions. The amounts for the year are described in subaccount “Net provision for Negative Goodwill - Acquired Transactions Law No. 11322” in the table in item “c” of this Note; and
  - for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts eventually written off of assets as a loss, recorded as a contra entry to “Expenses on allowance for loan losses”. In the year, the allowance decreased by R\$39,191, R\$29,478 of which referred to full FNE risk transactions and R\$9,713 referred to shared risk transactions. These decreases include R\$9,501 arising from discounts and remissions of transactions classified under Law No. 12249, of 06.11.2010, of which R\$8,189 refers to transactions whose full risk lies with the Fund and R\$1,312 refers to shared-risk transactions. In 2011, the allowance was reduced by R\$161,960, of which R\$120,019 referring to transactions whose full risk lies with the Fund and R\$41,941 referring to shared-risk transactions. These amounts are included in subtitle “Allowance for loan losses” in the table in item “c” of this note.

- f) Administrative Rule 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:
- f.1) for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts written off of assets as a loss, recorded as a contra entry to “Expenses on operating provisions”; and
  - f.2) for renegotiated FNE transactions, the allowance was reduced by R\$50,396, of which R\$35,425 refers to transactions whose full risk lies with the Fund and R\$14,971 refers to shared-risk transactions. These amounts include a decrease of R\$3,911 arising from discounts and remissions of transactions classified under Law No. 12249, of 06.11.2010, of which R\$1,835 referred to transactions whose full risk lies with the Fund and R\$2,076 refers to shared-risk transactions. In 2011, the allowance was reduced by R\$110,110, of which R\$76,931 referring to transactions whose full risk lies with the Fund and R\$33,179 referring to shared-risk transactions. These amounts are included in subtitle “Allowance for loan losses” in the table in item “c” of this Note.
- g) At 12.31.2012, the amount of R\$62,825 is recorded as Allowance for Loan Losses, related to a 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 Administrative Rule No 11, of 12.28.2005.
- h) The renegotiations, documented in the year based on Law No. 11775, of 09.17.2008, Law No. 9138, of 11.29.1995, Law No. 10437, of 04.25.2002 and Law No. 11322, of 07.13.2006, Provisional Executive Order No. 2196-3, of 08.24.2001 and the remissions and discounts granted in conformity with Law No. 12249, of 06.11.2010, increased the Fund’s income by R\$ 25,443 (decrease of R\$ 541,268 at 12.31.2011). 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	12.31.2012	12.31.2011
Recovery of operations written off of assets	58,752	101,821
Expenses - bonuses and waivers	(149,495)	(986,730)
Net effect on allowances	116,186	343,641
<b>Total net effect</b>	<b>25,443</b>	<b>(541,268)</b>

- i) In the Statement of Income, “Income from loans” is recorded at the net amount as follows:

Specification	12.31. 2012	12.31. 2011
Income from loans	2,929,492	2,688,419
Expenses on BNB’s financial commission	(923,020)	(822,771)
Expenses on financial commission of other institutions	(3,761)	(3,781)
Expenses on negative monetary adjustment	(6,721)	(9,262)
Expenses on discounts granted in renegotiations (1)	(114,708)	(915,468)
Expenses on rebates/bonuses for timely payment - Transactions contracted by Banco do Nordeste	(552,504)	(494,797)
Expenses on Rebates/bonuses for timely payment - Onlendings Law No. 7827 - Article 9 A	(14,244)	(12,889)
Expenses on rebates/ bonuses for timely payment - Onlendings to other institutions	(86)	(122)
Expenses on principal rebates - Receivables from FAT - BNDES - Law No. 10193, of 02.14.2001	(13)	(13)
Expenses on transactions - Other sources - Acquisitions Law No. 11322, of 07.13.2006	(39)	(85)
Expenses on other transactions BNB - Remission Law No. 12249, of 06.11.2010	(3,001)	(5,491)
Expenses on other transactions BNB - Rebate Law No. 12249, of 06.11.2010	(8,522)	(9,998)
FNE’s expenses honored by the Bank - Remission No. Law No. 12249, of 06.11.2010	(696)	(11,768)
FNE’s expenses honored by the Bank - Rebate Law 12249, of 06.11.2010	(15,740)	(21,742)
Adjustments related disposal of assets	(29)	(28)
Write down of excess book value – receipt of assets	(5)	-
<b>TOTAL</b>	<b>1,286,403</b>	<b>380,204</b>

(1) The amount as at December 31, 2011 is a result of the quantity of renegotiations , as provided for by Law No. 12249, of 06.11.2010, enacted in 2011.

**j) Recognition of Losses and Return of BNB's Share of Risk**

- j.1)** Regardless of the provisions set forth in sole paragraph of Article 3, Administrative Rule 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.
- j.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 Rule No. 11, of 12.28.2005.
- j.3)** In the year, BNB returned to FNE the amount of R\$266,408 (R\$220,721 as at 12.31.2011) related to BNB's share of risk in transactions that were written off as loss.

**k) Renegotiation and Reclassification of Loans**

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

- k.1)** renegotiation of financing contracted with FNE's funds;
- k.2)** contracting of new transactions with FNE's funds to settle debts related to the Program for the Recovery of Cocoa Farming in Bahia, entered into with risks partially or fully assumed by the National Treasury, the State of Bahia and FNE;
- k.3)** contracting of new transactions with FNE's funds to settle debts related to the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (PRODECER) - Stage III;
- k.4)** reclassification to FNE of transactions entered into under the PRONAF with the risk of the Federal Government;
- k.5)** reclassification for the Fund of transactions carried out with funds from FAT;
- k.6)** reclassification to the FNE of transactions entered into with mixed funds from other sources.

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

In the year, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for the Fund, totaling R\$3,229 (R\$ 68,334 at 12.31.2011) under referred to law, as follows:

Specification	12.31.2012	12.31.2011
Article 7 (Cocoa Farming Operations in Bahia)	15	66,160
Article 19 (Operations whose Risk lies with the Federal Government – FAT's Funds)	1,753	607
Article 31 (PRODECER's transactions - Stage III/Res 2471 transactions)	1,461	1,567
<b>TOTAL</b>	<b>3,229</b>	<b>68,334</b>

Still under Law No. 11775, of 09.17.2008, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for Banco do Nordeste, in the amount of R\$52,558 (R\$36,075 at 12.31.2011), as follows:

Specification	12.31.2012	12.31.2011
Article 31 (Mixed Funds from Other Sources/FNE's transactions)	6,131	17,527
Article 31 (PRODECER's transactions - Stage III)	42,078	13,577
Article 31 (FAT's transactions)	4,349	4,971
<b>TOTAL</b>	<b>52,558</b>	<b>36,075</b>

**NOTE 7 – Prior year adjustments**

The net negative adjustment of R\$12,995 as at 12.31.2012, (R\$1,247 as at 12.31.2011) refers to recalculations of charges on lending transactions.

**NOTE 8 – Onlendings to BNB under Article 9-A of Law No. 7827, of 09.27.1989**

The outstanding balance of onlendings made to Banco do Nordeste is as under:

<b>Specification</b>	<b>12.31.2012</b>	<b>12.31.2011</b>
Available funds	433,857	328,126
Invested Funds	898,525	888,193
<b>TOTAL</b>	<b>1,332,382</b>	<b>1,216,319</b>

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

The Invested Funds corresponds to the amounts released by Banco do Nordeste to the borrowers of the financing agreements, adjusted based on contractual indices, as set forth by legislation and the Subordinated Debt Instruments entered into.

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

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

Fortaleza, February 15, 2013

**Executive Board**

**See accompanying notes.**

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

The Shareholders, Board of Directors and Officers

**Fundo Constitucional de Financiamento do Nordeste – FNE**

(Managed 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 December 31, 2012 and the related income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting practices and other explanatory information.

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

Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the 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, conducted 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 misstatement.

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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 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 have 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 December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with the 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 to the financial statements, which describe the basis of preparation thereof. The financial statements were prepared by the Fund's management to meet the requirements of regulations applicable to constitutional funds. Consequently, these financial statements may not be adequate for other purposes.

## **Other information**

### *Audit of prior year figures*

The financial statements for the year ended December 31, 2011, presented for comparison purposes, were audited by other independent auditors, who issued an unmodified opinion, dated February 7, 2012, with an emphasis paragraph on the adoption of the option provided for by Sole Paragraph of article 3 of Administrative Rule No. 11, dated December 28, 2005.

São Paulo, February 15, 2013

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC-2SP015199/O-6 – F - CE

Eduardo Braga Perdigão  
Accountant CRC-1CE013803/O-8

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**MANAGEMENT COUNCIL:** Dyogo Henrique de Oliveira (President) – Ary Joel de Abreu Lanzarin – Augusto Akira Chiba – Demetrius Ferreira e Cruz – Martim Ramos Cavalcanti.

**BOARD OF DIRECTOR:** Ary Joel de Abreu Lanzarin (President) – Fernando Passos (Director of Finance and Market of Capitals) – Manoel Lucena dos Santos (Director of Control and Risk) – Nelson Antonio de Souza (Director of Management and Information Technology) – Paulo Sérgio Rebouças Ferraro (Director of Business) – Stélio Gama Lyra Junior (Director of Development Management).

**SUPERVISORY BOARD:** André Proite (Acting President) – João Batista de Figueiredo – Manuel dos Anjos Marques Teixeira – Marco Antônio Fiori – Roberta Carvalho de Alencar

**AUDIT'S COMMITTEE:** João Alves de Melo (President) Luciano Silva Reis (Full Member) José Wilkie Almeida Vieira (Deputy Member)

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

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

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